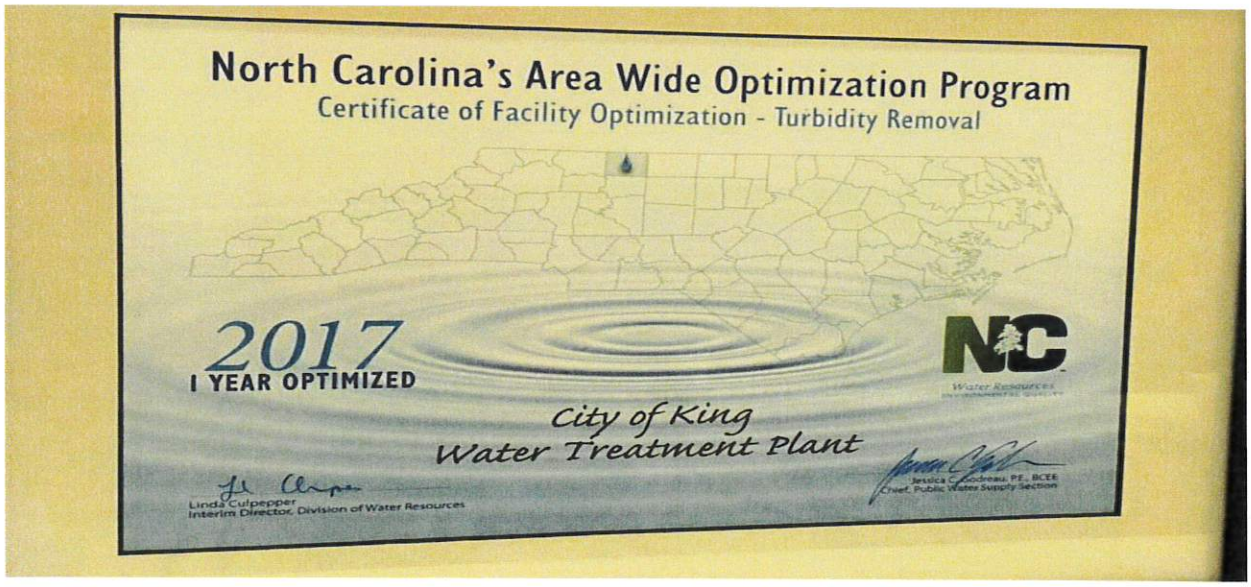
# City of King, North Carolina




## Comprehensive Annual Financial Report

## Fiscal Year Ended June 30, 2018

# City of King
North Carolina

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

## Prepared by the City of King Finance Department:

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# THE CITY OF KING, NORTH CAROLINA
# ANNUAL FINANCIAL REPORT
**Fiscal Year Ended June 30, 2018**

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# INTRODUCTORY SECTION

# *CITY OF KING*

**Jack Warren, Mayor**
**Homer Dearmin, City Manager**

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

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


October 31, 2018

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, 2018.

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 compete 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, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.


**COUNCILMEN**

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

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

**Profile of the City**

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

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

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

**Economic Conditions**

The largest employers in the City provide a mixture of manufacturing, elder care, and retail. The seasonally unadjusted unemployment rate in Stokes County was 3.9% at June 30, 2018, slightly less than the State average of 4.2%. Analysis of the unemployment rate indicates that the labor force for Stokes County in June 2018 was 22,407 with 879 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 2017-2018, 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 2017-2018, four police vehicles were purchased. These vehicles were to replace aging units. The cost of the vehicles including related graphics and equipment was $115,767. A new Sutphen pumper truck and related equipment was purchased for the Fire Department at a cost of $517,581. Construction began on new entrance signs at Central Park and additional sidewalks in the downtown area; costs thus far are $18,975 and $51,950, respectively. Design work for other downtown improvements began at a cost thus far of $12,633.

Preliminary engineering work started on a wastewater treatment plant with cost of $732,333 through June 30, 2018. Additional asset purchases include SCADA upgrades, $44,346, a new dump truck, $137,831, and water plant renovations, $54,909.

**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, 2017. This was the eighth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

**Acknowledgements**

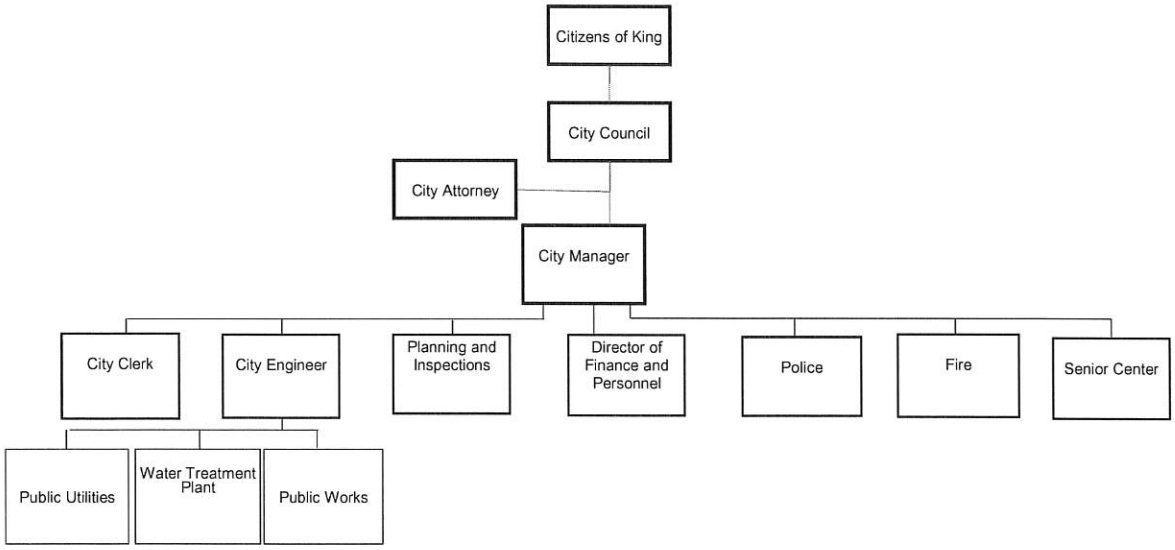
The preparation of this report would not have been possible without the dedicated efforts of the Finance Department as well as the cooperation of the other departments of the City of King. We would like to thank Cannon & Company, LLP, the City's independent auditors, for their assistance and dedication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

Respectfully submitted,

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, 2017**

Christopher P. Morrill

Executive Director/CEO

# CITY OF KING

## LIST OF PRINCIPAL OFFICIALS
## JUNE 30, 2018

### CITY COUNCIL

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

### CITY OFFICIALS

| | |
|---|---|
| Homer Dearmin | City Manager |
| Tamara Hatley | City Clerk |
| Edwin M. Woltz | City Attorney |
| Susan O'Brien | Director of Finance and Personnel |
| Scott Barrow | City Engineer |
| 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 LLP
Certified Public Accountants

# 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, 2018, 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

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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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of King, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 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, L.L.P.

Winston-Salem, NC
October 22, 2018

## 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, 2018. 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.

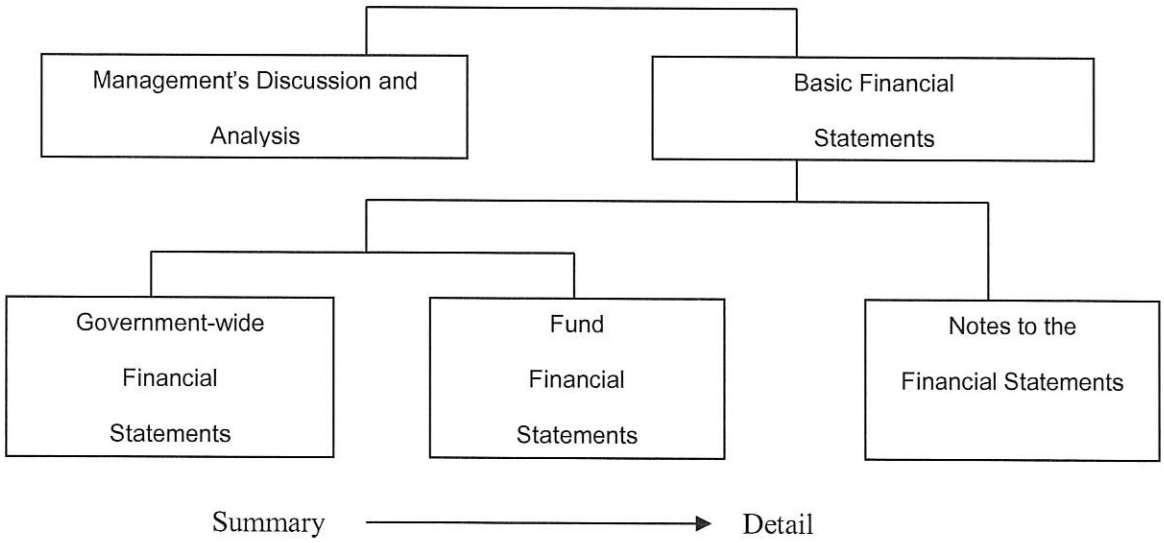
### Financial Highlights

- 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 34,539,958 (*net position*).
- The government's total net position increased by $486,096 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 $3,571,289 with a net change of ($227,732) in fund balance. Fund balance of $482,688, is non-spendable or restricted.
- At the end of the current fiscal year, the unassigned fund balance available for the General Fund was $2,828,518 or 40 percent of total general fund expenditures for the fiscal year.
- Property taxes supported 38 percent of governmental services to citizens and the community in 2017. The City's tax rate for the fiscal year 2018 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 Statues 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 Statues. 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 | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | $ 3,675,467 | $ 3,930,876 | $ 8,138,383 | $ 8,311,344 | $ 11,813,850 | $ 12,242,220 |
| Capital assets | 10,197,597 | 9,750,150 | 28,246,060 | 28,194,045 | 38,443,657 | 37,944,195 |
| Total assets | 13,873,064 | 13,681,026 | 36,384,443 | 36,505,389 | 50,257,507 | 50,186,415 |
| Deferred outflows of resources | 573,897 | 712,705 | 235,589 | 337,329 | 809,486 | 1,050,034 |
| Long-term liabilities | 2,305 077 | 2,204,650 | 12,122,272 | 13,057,428 | 14,427,349 | 15,262,078 |
| Other liabilities | 610,133 | 564,850 | 1,407,448 | 1,289,569 | 2,017,581 | 1,854,419 |
| Total liabilities | 2,915,210 | 2,769,500 | 13,529,720 | 14,346,997 | 16,444,930 | 17,116,497 |
| Deferred inflows of resources | 57,477 | 79,801 | 24,628 | 33,294 | 82,105 | 113,095 |
| Net position: | | | | | | |
| Net investment in capital assets | 9,021,411 | 8,721,378 | 15,741,520 | 14,892,244 | 24,762,931 | 23,613,622 |
| Restricted | 482,617 | 407,641 | - | - | 482,617 | 407,641 |
| Unrestricted | 1,970,246 | 2,415,411 | 7,324,164 | 7,570,183 | 9,294,410 | 9,985,594 |
| Total net position | $11,474,274 | $11,544,430 | $ 23,065,684 | $ 22,462,427 | $ 34,539,958 | $ 34,006,857 |

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 $34,539,958 as of June 30, 2018. The City's net position increased by $486,096 for the fiscal year ended June 30, 2017. However, the largest portion (72%) 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, $482,617, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $9,294,410 is unrestricted.

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

- Continued diligence by the counties for collection of property taxes by maintaining a tax collection percentage of 98.46%. The statewide average in fiscal year 2017 was 98.78%.
- Increased sales tax revenues of approximately $123,274 due to economic growth in the City.

**Figure 3**

**City of King's Change in Net Position**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 191,135 | $ 215,182 | $ 5,886,481 | $ 5,651,857 | $ 6,077,616 | $ 5,867,039 |
| Operating grants and contributions | 1,334,237 | 1,273,186 | - | - | 1,334,237 | 1,273,186 |
| Capital grants and contributions | 1,750 | 2,216 | - | - | 1,750 | 2,216 |
| General revenues: | | | | | | |
| Property taxes | 2,614,507 | 2,461,811 | - | - | 2,614,507 | 2,461,811 |
| Local option sales tax | 1,109,315 | 984,041 | - | - | 1,109,315 | 984,041 |
| Unrestricted investment earnings | 43,047 | 15,256 | 27,831 | - | 70,878 | 15,256 |
| Unrestricted intergovernmental | 694,324 | 682,935 | - | - | 694,324 | 682,935 |
| Other | 195,108 | 169,644 | - | 23,110 | 195,108 | 192,754 |
| Total revenues | 6,183,423 | 5,804,271 | 5,914,312 | 5,674,967 | 12,097,735 | 11,479,238 |
| Expenses: | | | | | | |
| General government | 621,349 | 589,179 | - | - | 621,349 | 589,179 |
| Public Safety | 4,063,683 | 3,658,390 | - | - | 4,063,683 | 3,658,390 |
| Transportation | 424,852 | 471,564 | - | - | 424,852 | 471,564 |
| Environmental protection | 631,724 | 551,778 | - | - | 631,724 | 551,778 |
| Culture and recreation | 477,809 | 358,527 | - | - | 477,809 | 358,527 |
| Non-Departmental | 559 | 4,754 | - | - | 559 | 4,754 |
| Interest on long-term debt | 27,108 | 31,915 | - | - | 27,108 | 31,915 |
| Water and sewer | - | - | 5,364,555 | 5,288,954 | 5,364,555 | 5,288,954 |
| Total expenses | 6,247,084 | 5,666,107 | 5,364,555 | 5,288,954 | 11,611,639 | 10,955,061 |
| Increase in net position before transfers | (63,661) | 138,164 | 549,757 | 386,013 | 486,096 | 524,177 |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in net position | (63,661) | 138,164 | 549,757 | 386,013 | 486,096 | 524,177 |
| Beginning net position | 11,544,430 | | 22,462,427 | | | |
| Net position, beginning, restated | 11,537,935 | 11,406,266 | 22,515,927 | 22,076,414 | 34,053,862 | 33,482,680 |
| Net position, ending | $ 11,474,274 | $ 11,544,430 | $ 23,065,684 | $ 22,462,427 | $ 34,539,958 | $ 34,006,857 |

**Governmental activities.** Governmental activities decreased the City's net position by ($63,661), thereby accounting for 13% of the total growth of net position of the City of King. In comparison with Fiscal 2017, Governmental Activities saw an overall increase of 6.54% in revenues and a 10.26% increase in expenditures in Fiscal 2018.

**Business-type activities**. Business-type activities increased the City's net position by $549,757, accounting for 87% 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 increased water rates by 3% and also increased sewer rates by 7% in fiscal year 2018. In comparison with Fiscal 2017, the Water and Sewer Fund saw an overall increase of 4.22% in revenues and a 1.43% increase in expenses in Fiscal 2018.

## Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of King. At the end of the current fiscal year, available fund balance of the General Fund was $2,828,518 while total fund balance reached $3,555,392. 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 40 percent of the fiscal year 2018 budgeted expenditures, while total fund balance represents 51 percent of the same amount.

At June 30, 2018, the governmental funds of City of King reported a combined fund balance of $3,571,289 with a net decrease in fund balance of $227,732. This change in fund balance is a decrease in fund balance in the General Fund.

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

Differences between the original budget and the final amended budget resulted in an increase of $376,774. Budget amendments included a new firefighter position added mid-year and new entrance signs at Central Park.

**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 $7,324,164. The change in net position of the Water and Sewer Fund was an increase of $549,757 which resulted from increases in water and 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 $38,443,657 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery, equipment, and vehicles.

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

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

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

(Net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | $ 5,363,266 | $ 5,342,242 | $ 628,152 | $ 607,127 | $ 5,991,418 | $ 5,949,369 |
| Buildings | 1,175,598 | 1,226,806 | 192,219 | 200,740 | 1,367,817 | 1,427,546 |
| Construction in progress | 64,583 | - | 732,333 | 555,118 | 796,916 | 555,118 |
| Infrastructure | 1,293,768 | 1,336,817 | - | - | 1,293,768 | 1,336,817 |
| Improvements other than buildings | 745,455 | 747,492 | 26,220,372 | 26,571,759 | 26,965,827 | 27,319,251 |
| Equipment, furniture & fixtures | 445,722 | 446,872 | 308,247 | 220,483 | 753,969 | 667,355 |
| Software | 16,961 | 21,484 | - | - | 16,961 | 21,484 |
| Police K-9's | - | - | - | - | - | - |
| Vehicles | 1,092,244 | 626,437 | 164,737 | 38,818 | 1,256,981 | 665,255 |
| Total | $ 10,197,597 | $ 9,748,150 | $ 28,246,060 | $ 28,194,045 | $ 38,443,657 | $ 37,942,195 |

## Long-term debt

As of June 30, 2018 the City of King had installment and loan debt due in more than one year of 12,534,425. Of that, $831,461 is General Fund debt which is backed by property tax and other revenues. The remaining $11,702,964 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 increased by $147,414 during the past fiscal year. One new financing agreement was issued for purchase of a new fire truck. 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 $45,205,054. The City had no bonds authorized but un-issued at June 30, 2018.

## Economic Factors and Next Year's Budget and Rates

Factors considered in the preparation of the fiscal year 2019 City of King budget include:

- Expectation that state-collected revenues will remain stable compared to Fiscal 2018.
- A 3% COLA (Cost of Living Adjustment) for employees to help meet the annual increase in inflation.

**Governmental Activities:** Actual revenues were below budgeted amounts for FY 17-18 by approximately 1.80%; budgeted revenues for FY 18-19 were increased by 3.10% over FY 17-18. The largest increases in expenditures are anticipated to be purchasing four police vehicles ($155,000), purchase of a brush truck and refurbish a rescue truck ($16,000), and streets paving ($292,058).

**Business-type Activities:** Rate increases of 0% for water and 7% for sewer were approved by the Board. Increased expenses for the Enterprise Fund include 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, 2018

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and equivalents | $ 2,957,273 | $ 6,590,169 | $ 9,547,442 |
| Taxes receivable, net | 82,740 | - | 82,740 |
| Accounts receivable, net | 432,509 | 1,074,227 | 1,506,736 |
| Prepaid expenses | 152,100 | 61,100 | 213,200 |
| Cash and investments - restricted | 50,845 | 412,887 | 463,732 |
| Total current assets | 3,675,467 | 8,138,383 | 11,813,850 |
| Capital Assets | | | |
| Land, improvements and construction in progress | 5,427,849 | 1,360,485 | 6,788,334 |
| Buildings, net of depreciation | 1,175,598 | - | 1,175,598 |
| Equipment and Furniture, net of depreciation | 445,721 | - | 445,721 |
| Infrastructure, net of depreciation | 1,293,770 | - | 1,293,770 |
| Other capital assets, net of depreciation | 1,854,659 | 26,885,575 | 28,740,234 |
| Total capital assets | 10,197,597 | 28,246,060 | 38,443,657 |
| Total assets | $ 13,873,064 | $ 36,384,443 | $ 50,257,507 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Pension deferrals | 571,516 | 234,570 | 806,086 |
| OPEB deferrals | 2,381 | 1,019 | 3,400 |
| Total deferred outflows of resources | 573,897 | 235,589 | 809,486 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | $ 20,772 | $ 136,077 | $ 156,849 |
| Customer deposits | - | 412,887 | 412,887 |
| Current portion of long-term liabilities | 589,361 | 858,484 | 1,447,845 |
| Total current liabilities | 610,133 | 1,407,448 | 2,017,581 |
| Long-term liabilities: | | | |
| Net pension liability | 707,733 | 303,314 | 1,011,047 |
| Total OPEB liability | 138,137 | 59,089 | 197,226 |
| Total pension liability | 383,110 | - | 383,110 |
| Due in more than one year | 1,076,097 | 11,759,869 | 12,835,966 |
| Total noncurrent liabilities | 2,305,077 | 12,122,272 | 14,427,349 |
| Total liabilities | 2,915,210 | 13,529,720 | 16,444,930 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension deferrals | 50,811 | 21,776 | 72,587 |
| OPEB deferrals | 6,666 | 2,852 | 9,518 |
| Total deferred inflows of resources | 57,477 | 24,628 | 82,105 |
| **NET POSITION** | | | |
| Net investment in capital assets | 9,021,411 | 15,741,520 | 24,762,931 |
| Restricted for: | | | |
| Stabilization by state statute | 431,773 | - | 431,773 |
| Streets | 35,018 | - | 35,018 |
| Federal and state drug forfeitures | 15,826 | - | 15,826 |
| Unrestricted: | 1,970,246 | 7,324,164 | 9,294,410 |
| Total net position | $ 11,474,274 | $ 23,065,684 | $ 34,539,958 |

**CITY OF KING, NORTH CAROLINA**
Statement of Activities
For the Year Ended June 30, 2018

| | | Program Revenue | | | Net (Expense) Revenue and Changes in Net Assets Primary Government | | |
|---|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| **Primary Government** | | | | | | | |
| Governmental Activities | | | | | | | |
| General government | $ 621,349 | $ 35,299 | $ - | $ - | $ (586,050) | $ - | $ (586,050) |
| Public safety | 4,063,683 | 58,878 | 985,934 | 1,750 | (3,017,121) | - | (3,017,121) |
| Transportation | 424,852 | 8,000 | 227,954 | - | (188,898) | - | (188,898) |
| Environmental protection | 631,724 | 73,019 | 4,648 | - | (554,057) | - | (554,057) |
| Culture and recreation | 477,809 | 15,939 | 115,701 | - | (346,169) | - | (346,169) |
| Non-Departmental | 559 | - | - | - | (559) | - | (559) |
| Interest on long-term debt | 27,108 | - | - | - | (27,108) | - | (27,108) |
| Total governmental activities | 6,247,084 | 191,135 | 1,334,237 | 1,750 | (4,719,962) | - | (4,719,962) |
| Business-type activities | | | | | | | |
| Water & sewer fund | 5,364,555 | 5,886,481 | - | - | - | 521,926 | 521,926 |
| Total business-type activities | 5,364,555 | 5,886,481 | - | - | - | 521,926 | 521,926 |
| Total primary government | $ 11,611,639 | $ 6,077,616 | $ 1,334,237 | $ 1,750 | $ (4,719,962) | $ 521,926 | $ (4,198,036) |
| **General revenues:** | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 2,614,507 | - | 2,614,507 |
| Local option sales tax | | | | | 1,109,315 | - | 1,109,315 |
| Unrestricted intergovernmental | | | | | 694,324 | - | 694,324 |
| Unrestricted investment earnings | | | | | 43,047 | 27,831 | 70,878 |
| Grants and contributions not restricted to specific programs | | | | | 7,750 | - | 7,750 |
| Miscellaneous | | | | | 157,176 | - | 157,176 |
| Insurance proceeds | | | | | 23,266 | - | 23,266 |
| Gain (loss) on sale of assets | | | | | 6,916 | - | 6,916 |
| Total general revenues | | | | | 4,656,301 | 27,831 | 4,684,132 |
| Change in net position | | | | | (63,661) | 549,757 | 486,096 |
| Net position, previously reported | | | | | 11,544,430 | 22,462,427 | 34,006,857 |
| Restatement | | | | | (6,495) | 53,500 | 47,005 |
| Net position, beginning, restated | | | | | 11,537,935 | 22,515,927 | 34,053,862 |
| Net position, ending | | | | | $ 11,474,274 | $ 23,065,684 | $ 34,539,958 |

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

**CITY OF KING, NORTH CAROLINA**
Balance Sheet
Governmental Funds
June 30, 2018

| | General Fund | Total Non-Major Funds | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 2,957,273 | $ - | $ 2,957,273 |
| Cash and investments-restricted | 35,018 | 15,827 | 50,845 |
| Taxes receivable, net | 82,740 | - | 82,740 |
| Due from other funds | - | 70 | 70 |
| Prepaid items | 152,100 | - | 152,100 |
| Accounts receivable | 432,509 | - | 432,509 |
| Total assets | $ 3,659,640 | $ 15,897 | $ 3,675,537 |
| **LIABILITIES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 20,772 | $ - | $ 20,772 |
| Due to other funds | 70 | - | 70 |
| Total liabilities | 20,842 | - | 20,842 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Property taxes receivable | 83,406 | - | 83,406 |
| Total deferred inflows of resources | 83,406 | - | 83,406 |
| **FUND BALANCES** | | | |
| Restricted: | | | |
| Stabilization by state statute | 431,773 | - | 431,773 |
| Streets | 35,018 | - | 35,018 |
| Federal and state drug forfeitures | - | 15,897 | 15,897 |
| Committed: | | | |
| Public safety | 260,083 | - | 260,083 |
| Unassigned | 2,828,518 | - | 2,828,518 |
| Total fund balances | 3,555,392 | 15,897 | 3,571,289 |
| Total liabilities, deferred inflows of resources and fund balances | $ 3,659,640 | $ 15,897 | $ 3,675,537 |

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

**CITY OF KING, NORTH CAROLINA**
Balance Sheet
June 30, 2018

| | | |
|---|---|---|
| Total fund balance, governmental funds | | $ 3,571,289 |
| 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 | $ 14,907,963 | |
| Accumulated depreciation | (4,710,366) | 10,197,596 |
| Deferred outflows of resources related to pensions are not reported in the funds | | 571,516 |
| Deferred outflows of resources related to OPEB are not reported in the funds | | 2,381 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements | | 83,406 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. | | |
| Gross long-term debt | | (1,176,187) |
| Net pension liability | | (707,733) |
| Total pension liability | | (383,110) |
| OPEB liability | | (138,137) |
| Deferred inflows of resources related to pensions are not reported in the funds | | (50,811) |
| Deferred inflows of resources related to OPEB are not reported in the funds | | (6,666) |
| Other long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds | | (489,271) |
| Net Position of Governmental Activities | | $ 11,474,274 |

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

**CITY OF KING, NORTH CAROLINA**
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

| | General Fund | Total Non-Major Funds | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Ad valorem taxes | $ 2,647,569 | $ - | $ 2,647,569 |
| Unrestricted intergovernmental | 1,829,341 | - | 1,829,341 |
| Restricted intergovernmental | 1,340,451 | 1,403 | 1,341,854 |
| Permits and fees | 135,627 | - | 135,627 |
| Sales and services | 26,689 | - | 26,689 |
| Investment earnings | 42,978 | 70 | 43,048 |
| Other revenues | 157,176 | - | 157,176 |
| Total revenues | 6,179,831 | 1,473 | 6,181,304 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 616,933 | - | 616,933 |
| Public safety | 4,390,045 | - | 4,390,045 |
| Transportation | 479,794 | - | 479,794 |
| Environmental protection | 590,123 | - | 590,123 |
| Culture and recreation | 487,135 | - | 487,135 |
| Debt service: | | | |
| Principal | 377,521 | - | 377,521 |
| Interest | 27,108 | - | 27,108 |
| Non-Departmental | 559 | - | 559 |
| Total expenditures | 6,969,218 | - | 6,969,218 |
| Excess (deficiency) of revenues over | (789,387) | 1,473 | (787,914) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Contributions and donations | 5,000 | - | 5,000 |
| Issuance of installment purchase | 525,000 | - | 525,000 |
| Insurance proceeds | 23,266 | - | 23,266 |
| Sale of capital assets | 6,916 | - | 6,916 |
| Total other financing sources and uses | 560,182 | - | 560,182 |
| Net changes in fund balances | (229,205) | 1,473 | (227,732) |
| Fund balances-beginning | 3,784,597 | 14,424 | 3,799,021 |
| Fund balances-ending | $ 3,555,392 | $ 15,897 | $ 3,571,289 |

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

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, 2018

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because | | |
| Net change in fund balances-total governmental funds | | $ (227,732) |
| 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 | 810,145 | |
| Depreciation expense for governmental assets | (362,697) | 447,448 |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 210,865 |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities | | - |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Change in deferred revenue for tax revenues | (33,062) | (33,062) |
| 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 fundsreport 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 | (525,000) | |
| Principal payments on long-term debt | 377,586 | (147,414) |
| 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 | (21,828) | |
| Pension expense | (282,127) | |
| OPEB plan expense | (9,811) | (313,766) |
| Change in net assets of governmental activities | | $ (63,661) |

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

**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, 2018

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amount | Variance with Final Budget- Positive (Negative) |
| **REVENUES** | | | | |
| Ad valorem taxes | $ 2,791,500 | $ 2,791,500 | $ 2,647,569 | $ (143,931) |
| Unrestricted intergovernmental | 1,844,700 | 1,844,700 | 1,829,341 | (15,359) |
| Restricted intergovernmental | 1,253,800 | 1,346,950 | 1,340,451 | (6,499) |
| Permits and fees | 133,000 | 133,000 | 135,627 | 2,627 |
| Sales and services | 23,000 | 23,000 | 26,689 | 3,689 |
| Investment earnings | 10,200 | 10,200 | 42,978 | 32,778 |
| Other revenues | 143,250 | 143,250 | 157,176 | 13,926 |
| Total revenues | 6,199,450 | 6,292,600 | 6,179,831 | (112,769) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General Government | 606,172 | 657,572 | 616,933 | 40,639 |
| Public Safety | 4,351,604 | 4,493,053 | 4,390,045 | 103,008 |
| Transportation | 529,553 | 531,053 | 479,794 | 51,259 |
| Environmental protection | 587,588 | 617,514 | 590,123 | 27,391 |
| Culture and recreation | 369,065 | 519,139 | 487,135 | 32,004 |
| Debt service | | | | |
| Principal retirement | 342,963 | 377,586 | 377,521 | 65 |
| Interest | 45,546 | 23,348 | 27,108 | (3,760) |
| Non-Departmental | 10,612 | 612 | 559 | 53 |
| Total expenditures | 6,843,103 | 7,219,877 | 6,969,218 | 250,659 |
| Excess (deficiency) of revenues over | (643,653) | (927,277) | (789,387) | 137,890 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Contributions and donations | - | 5,000 | 5,000 | - |
| Proceeds from installment purchase | 525,000 | 525,000 | 525,000 | - |
| Insurance proceeds | - | 22,334 | 23,266 | 932 |
| Sale of capital assets | 8,000 | 20,425 | 6,916 | (13,509) |
| Total other financing sources and uses | 533,000 | 572,759 | 560,182 | (12,577) |
| Fund balance appropriated | 110,653 | 354,518 | - | 354,518 |
| Net changes in fund balances | $ - | $ - | $ (229,205) | $ (229,205) |
| Fund balance, beginning | | | 3,784,595 | |
| Fund balance, ending | | | $ 3,555,390 | |

A legally budgeted Public Safety Capital Reserve Fund is consolidated into the General Fund for reporting purposes.

| | |
|---|---|
| Interest Income | - |
| Transfers to other funds | - |
| Fund Balance, Beginning | 2 |
| Fund Balance, Ending (Exhibit 4) | $ 3,555,392 |

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

**CITY OF KING, NORTH CAROLINA**
Statement of Fund Net Position
Proprietary Funds
June 30, 2018

| | Enterprise Funds | |
|---|---|---|
| | Water and Sewer Fund | Total |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 6,590,169 | $ 6,590,169 |
| Accounts receivable, net | 1,074,227 | 1,074,227 |
| Prepaid expenses | 61,100 | 61,100 |
| Cash and investments-restricted | 412,887 | 412,887 |
| Total current assets | 8,138,383 | 8,138,383 |
| Non-current assets: | | |
| Capital assets, net | 28,246,060 | 28,246,060 |
| Total non-current assets | 28,246,060 | 28,246,060 |
| Total assets | $ 36,384,443 | $ 36,384,443 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension deferrals | $ 234,570 | $ 234,570 |
| OPEB deferrals | 1,019 | 1,019 |
| Total deferred outflows of resources | $ 235,589 | $ 235,589 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Current portion of long-term debt | 801,577 | 801,577 |
| Accounts payable and accrued liabilities | 136,077 | 136,077 |
| Compensated absences - current | 56,907 | 56,907 |
| Liabilities Payable from Restricted Assets: | | |
| Customer deposits | 412,887 | 412,887 |
| Total current liabilities | 1,407,448 | 1,407,448 |
| Non-current liabilities: | | |
| Total OPEB liability | 59,089 | 59,089 |
| Non-current portion of long-term debt | 11,702,963 | 11,702,963 |
| Net pension liability | 303,314 | 303,314 |
| Accrued vacation pay | 56,906 | 56,906 |
| Total non-current liabilities | 12,122,272 | 12,122,272 |
| Total liabilities | 13,529,720 | 13,529,720 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension deferrals | 21,776 | 21,776 |
| OPEB deferrals | 2,852 | 2,852 |
| **NET POSITION** | | |
| Net investment in capital assets | 15,741,520 | 15,741,520 |
| Unrestricted | 7,324,164 | 7,324,164 |
| Total net position | $ 23,065,684 | $ 23,065,684 |

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, 2018

| | Enterprise Funds | |
|---|---|---|
| | Water and Sewer Fund | Total |
| **REVENUES** | | |
| Charges for services | $ 5,822,811 | $ 5,822,811 |
| Water and sewer taps | 48,260 | 48,260 |
| Other | 15,410 | 15,410 |
| Total operating revenues | 5,886,481 | 5,886,481 |
| **OPERATING EXPENSES** | | |
| Governing Body | 47,165 | 47,165 |
| Administration | 191,293 | 191,293 |
| Finance | 324,600 | 324,600 |
| Water treatment and distribution | 1,949,207 | 1,949,207 |
| Waste collection and treatment | 1,651,381 | 1,651,381 |
| Engineering | 135,061 | 135,061 |
| Depreciation and amortization | 1,018,532 | 1,018,532 |
| Total operating expenses | 5,317,239 | 5,317,239 |
| Operating income | 569,242 | 569,242 |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Earnings on investments | 27,831 | 27,831 |
| Interest on long-term debt | (47,316) | (47,316) |
| Total non-operating revenue (expenses), net | (19,485) | (19,485) |
| Income before contributions and transfers | 549,757 | 549,757 |
| Change in net position | 549,757 | 549,757 |
| Total net position, previously reported | 22,462,427 | 22,462,427 |
| Beginning net position, restated | 22,515,927 | 22,515,927 |
| Total net position, ending | $ 23,065,684 | $ 23,065,684 |

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

**CITY OF KING, NORTH CAROLINA**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

| | Enterprise Funds | |
|---|---|---|
| | Water and Sewer Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | $ 6,175,900 | $ 6,175,900 |
| Cash paid for goods and services | (2,517,939) | (2,517,939) |
| Cash paid to or on behalf of employees for services | (1,766,139) | (1,766,139) |
| Customer deposits received | 13,487 | 13,487 |
| Net cash provided by operating activities | 1,905,309 | 1,905,309 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (1,070,542) | (1,070,542) |
| Principal paid on bond maturities and notes | (797,265) | (797,265) |
| Interest paid on bond maturities and notes | (47,316) | (47,316) |
| Net cash used by capital and related financing activities | (1,915,123) | (1,915,123) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest earnings | 27,831 | 27,831 |
| Net cash provided by investing activities | 27,831 | 27,831 |
| Net decrease in cash and cash equivalents | 18,017 | 18,017 |
| Balances, beginning | 6,985,039 | 6,985,039 |
| Balances, ending | $ 7,003,056 | $ 7,003,056 |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating Income | $ 569,242 | $ 569,242 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 1,018,534 | 1,018,534 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 83,976 | 83,976 |
| Increase (decrease) in accounts payable and accrued liabilities | 98,447 | 98,447 |
| Increase (decrease) in allowance for doubtful accounts | 108,302 | 108,302 |
| (Increase) decrease in prepaid items | (1,300) | (1,300) |
| Increase (decrease) in customer deposits | 13,487 | 13,487 |
| (Increase) decrease in deferred outflows of resources - pensions | 102,759 | 102,759 |
| Increase (decrease) in net pension liability | (86,872) | (86,872) |
| Increase (decrease) in deferred inflows of resources - pensions | (11,518) | (11,518) |
| Increase (decrease) in OPEB liability | 59,089 | 59,089 |
| Increase in deferred outflows of resources-OPEB | (1,019) | (1,019) |
| Increase in deferred inflows of resources-OPEB | 2,852 | 2,852 |
| Decrease in accrued OPEB liability | (56,733) | (56,733) |
| Increase in accrued vacation | 6,063 | 6,063 |
| Total adjustments | 1,336,067 | 1,336,067 |
| Net cash provided by operating activities | $ 1,905,309 | $ 1,905,309 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## I. – Summary of Significant Accounting Policies

The accounting policies of the City of King conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

### A. Reporting Entity

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

### B. Basis of Presentation

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

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

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

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

The City reports the following major governmental fund:

> **General Fund**. The General Fund is the operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, public works including sanitation and roads, cultural and recreation, and general government services. Additionally, the City has legally adopted a Public Safety Capital

**I. – Summary of Significant Accounting Policies (Continued)**

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

The City reports the following non-major governmental funds:

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

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

The City reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

*Government-wide and Proprietary Fund Financial Statements*. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

**I. – Summary of Significant Accounting Policies (Continued)**

a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements*. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Fund, the Capital Projects Fund, and Water and Sewer

## I. – Summary of Significant Accounting Policies (Continued)

Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. The City Manager is authorized to transfer appropriations within a department without limit; he may transfer appropriations up to $10,000 between departments of the same fund for each of the first three quarters of the fiscal year and up to $50,000 between departments of the same fund for the fourth quarter of the fiscal year with an official report on such transfers provided at the next regular meeting of the City Council. The City Manager may not transfer any amounts between funds. Any other budgetary revisions much 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 NCCCMT 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 | | |
| | Streets | 35,018 |
| | Federal and State drug forfeitures | 15,827 |
| Business-type Activities | | |
| Water and Sewer Fund | Customer Deposits | $ 412,887 |
| **Total Restricted Cash** | | **$ 463,732** |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], Stokes and Forsyth Counties levy ad valorem taxes on behalf of the City on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

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

## I. – Summary of Significant Accounting Policies (Continued)

Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of the road network, water and sewer system assets, and other infrastructure assets and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

| Asset Class | Estimated Useful Lives |
|---|---|
| Infrastructure | 40 |
| Buildings | 50 |
| Improvements | 20 |
| Vehicles | 8 |
| Furniture and equipment | 10 |
| Computer Equipment | 3 |

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meets this criterion, pension and OPEB deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criterion for this category – property taxes receivable, pension deferrals, and OPEB deferrals.

9. Long-Term Obligations

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

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, 2018, the City's deposits had a carrying amount of $5,538,573 and a bank balance of $5,914,955. 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, 2018, the City's petty cash fund totaled $700.

## II. – Detail Notes on All Funds(Continued)

### 2. Investments

At June 30, 2018, the City's investment balances were as follows:

| Investments by Type | Valuation Measurement Method | Book Value at 6/30/2018 | Maturity | Rating |
|---|---|---|---|---|
| NC Capital Management Trust – Government Portfolio | Amortized Cost | $ 3,958,758 | N/A | AAAm |
| NC Capital Management Trust – Term Portfolio | Fair Value Level 1 | 508,143 | 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, 2018. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

*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 | | 271,932 |
| Total | $ | 280,232 |

## II. – Detail Notes on All Funds(Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 5,342,241 | $ 21,025 | $ - | $ 5,363,266 |
| Construction in Progress | - | 64,583 | - | 64,583 |
| Total capital assets not being depreciated | 5,342,241 | 85,608 | - | 5,427,849 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 2,512,430 | - | - | 2,512,430 |
| Infrastructure | 1,721,900 | - | - | 1,721,900 |
| Other improvements | 1,115,445 | 30,422 | - | 1,145,867 |
| Equipment, furniture & fixtures | 1,054,916 | 60,767 | - | 1,115,683 |
| Software | 98,844 | - | - | 98,844 |
| Police dogs | 13,850 | - | - | 13,850 |
| Vehicles | 2,238,192 | 633,348 | - | 2,871,540 |
| Total capital assets being depreciated | 8,755,577 | 724,537 | - | 9,480,114 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,285,624 | 51,208 | - | 1,336,832 |
| Infrastructure | 385,085 | 43,047 | - | 428,132 |
| Other improvements | 367,949 | 32,463 | - | 400,412 |
| Equipment, furniture & fixtures | 608,043 | 61,918 | - | 669,961 |
| Software | 77,360 | 4,523 | - | 81,883 |
| Police dogs | 13,850 | - | - | 13,850 |
| Vehicles | 1,609,758 | 169,538 | - | 1,779,296 |
| Total accumulated depreciation | 4,347,669 | 362,697 | - | 4,710,366 |
| Total capital assets being depreciated, net | 4,407,908 | | | 4,769,748 |
| Governmental activity capital assets, net | $ 9,750,149 | | | $ 10,197,597 |

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

| | |
|---|---|
| Administration | $ 45,628 |
| Police | 71,779 |
| Fire | 137,575 |
| Public buildings | 4,248 |
| Public works | 47,232 |
| Parks & recreation | 56,235 |
| Total depreciation expense | $ 362,697 |

4. Capital Assets (Continued)

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| Business-type Activities | | | | |
| Water and Sewer Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 607,127 | $ 21,025 | $ - | $ 628,152 |
| Construction in progress | 555,118 | 687,500 | 510,285 | 732,333 |
| Total capital assets not being depreciated | 1,162,245 | 708,525 | 510,285 | 1,360,485 |
| Capital assets being depreciated: | | | | |
| Public buildings improvements | 494,360 | - | - | 494,360 |
| Sewer pump stations and lines | 12,084,130 | - | - | 12,084,130 |
| Water plant and distribution system | 26,766,921 | 588,382 | - | 27,355,303 |
| Furniture and fixtures | 237,969 | - | - | 237,969 |
| Other improvements | - | 11,448 | - | 11,448 |
| Fuel facility | 52,816 | - | - | 52,816 |
| Equipment | 935,897 | 134,641 | - | 1,070,538 |
| Vehicles | 333,461 | 137,831 | - | 471,292 |
| Total capital assets being depreciated | 40,905,554 | 872,302 | - | 41,777,856 |
| Less accumulated depreciation for: | | | | |
| Public buildings improvements | 293,621 | 8,520 | - | 302,141 |
| Sewer pump stations and lines | 6,217,330 | 265,874 | - | 6,483,204 |
| Water plant and distribution system | 6,090,909 | 683,504 | - | 6,774,413 |
| Furniture and fixtures | 206,124 | 6,918 | - | 213,042 |
| Other improvements | - | 525 | - | 525 |
| Fuel facility | 23,863 | 1,320 | - | 25,183 |
| Equipment | 747,259 | 39,959 | - | 787,218 |
| Vehicles | 294,643 | 11,912 | - | 306,555 |
| Total accumulated depreciation | 13,873,749 | 1,018,532 | - | 14,892,281 |
| Total capital assets being depreciated, net | 27,031,805 | | | 26,885,575 |
| Business-type activity capital assets, net | $ 28,194,050 | | | $ 28,246,060 |

4. Capital Assets (Continued)

**Construction commitments**

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

| Project | Spent To Date | Remaining Commitment |
|---|---|---|
| Downtown Improvements | $ 47,300 | $ 27,000 |
| Total | $ 47,300 | $ 27,000 |

## 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

**Liabilities (Continued)**

have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions*. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2018, was 8.25% of compensation for law enforcement officers and 7.56% 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 $298,982 for the year ended June 30, 2018.

*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, 2018, the City reported a liability of $1,011,047 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the City's proportion was .06618%, which was an increase of .00912% from its proportion measured as of June 30, 2016.

**Liabilities (Continued)**

For the year ended June 30, 2018, the City recognized pension expense of $334,446. At June 30, 2018, 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 | $ 58,246 | $ 28,620 |
| Changes of assumptions | 144,392 | - |
| Net difference between projected and actual earnings on pension plan adjustments | 245,484 | - |
| Changes in proportion and differences between City contributions and proportionate share of contribution | 34,795 | 43,967 |
| City contributions subsequent to the measurement date | 298,982 | - |
| Total | $ 781,899 | $ 72,587 |

$298,982 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| **Year ended June 30:** | |
|---|---|
| 2019 | $ 43,623 |
| 2020 | 287,300 |
| 2021 | 146,052 |
| 2022 | (66,647) |
| 2023 | - |
| Thereafter | - |
| | $ 410,329 |

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.20 percent, net of pension plan investment expense, including inflation |

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

**Liabilities (Continued)**

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the US Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

| Asset Class | Target Allocations | Long-Term Expected Real Rate of Return |
|---|---|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | 100% | |

The information above is based on 30 year expectations developed with the consulting actuary for the 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension 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.

**Liabilities (Continued)**

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| City's proportionate share of the net pension liability (asset) | $3,035,186 | 1,011,047 | (678,470) |

*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 | 20 |
| | 20 |

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

**Liabilities (Continued)**

accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

*Actuarial Assumptions* – The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 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 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.16 percent |

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

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

*Contributions* – The City is required by Article 12D of GS Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

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

At June 30, 2018, the City reported a total pension liability of $383,110. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of $40,166.

| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences between expected and actual experience | $ 8,161 | $ - |
| Changes of assumptions | 22,559 | 6,533 |
| City benefit payments and plan administrative expense made subsequent to the measurement date | - | - |
| Total | $ 30,720 | $ 6,533 |

**Liabilities (Continued)**

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

| **Year ended June 30:** | |
|---|---|
| 2019 | $ 3,926 |
| 2020 | 3,926 |
| 2021 | 3,926 |
| 2022 | 3,926 |
| 2023 | 3,926 |
| Thereafter | 4,557 |

*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 3.16 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 (2.16 percent) or 1 percentage-point higher (4.16 percent) than the current rate:

| | **1% Decrease (2.16%)** | **Discount Rate (3.16%)** | **1% Increase (4.16%)** |
|---|---|---|---|
| Total pension liability | $ 422,529 | $ 383,110 | $ 347,556 |

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

| | **2018** |
|---|---|
| Beginning balance | $ 310,961 |
| Service Cost | 24,237 |
| Interest on the total pension liability | 12,003 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 9,539 |
| Changes of assumptions or other inputs | 26,370 |
| Benefit payments | - |
| Other changes | - |
| Net changes | $ 72,149 |
| Ending balance of the total pension liability | $ 383,110 |

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, 2016 valuation were based on the results of a actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

| | LGERS | LEOSSA | Total |
|---|---|---|---|
| Pension Expense | $ 334,446 | $ 40,166 | $ 374,612 |
| Pension Liability | 1,011,047 | 383,110 | 1,394,157 |
| Proportionate share of the net pension liability | 0.06618% | n/a | |
| | | | |
| Deferred of Outflows of Resources | | | |
| Differences between expected and actual experience | 58,246 | 8,161 | 66,407 |
| Changes of assumptions | 144,392 | 22,559 | 166,951 |
| Net difference between projected and actual earnings on plan investments | 245,484 | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 34,795 | - | - |
| Benefit payments and administrative costs paid subsequent to the measurement date | 298,982 | - | - |
| | | | |
| Deferred of Inflows of Resources | | | |
| Differences between expected and actual experience | 28,620 | - | 28,620 |
| Changes of assumptions | - | 6,533 | 6,533 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 43,967 | - | 43,967 |

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

**Liabilities (Continued)**

*Funding Policy* - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The City made contributions of $47,568 for the reporting year. No amounts were forfeited.

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

*Plan Description* - The State of North Carolina contributes, on behalf of the City of King, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

*Contributions.* Plan members are required to contribute $10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed $17,602,000 to the plan. The City of King's proportionate share of the State's contribution is $7,465.

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

**Liabilities (Continued)**

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

At June 30, 2018 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 $20,573. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2018, the City recognized pension expense of $7,465 and revenue of $7,465 for support provided by the State. At June 30, 2018, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

*Discount Rate*. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Liabilities (Continued)**

e. Other Postemployment Benefits (OPEB)

Healthcare Benefits

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

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

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

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

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

**Total OPEB Liability**

The City's total OPEB liability of $197,226 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

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

**Liabilities (Continued)**

| | |
|---|---|
| Inflation | 3.0 percent |
| Salary increases | 3.5 percent, average, including inflation |
| Discount rate | 3.56 percent |
| Healthcare cost trend rates | Pre-Medicare – 7.50 percent |

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

*Change in the Total OPEB Liability*

| | Total OPEB Liability |
|---|---|
| Balance at July 1, 2016 | $ 194,144 |
| Changes for the year: | |
| Service Cost at the end of the year | 12,747 |
| Interest on TOL and Cash Flows | 5,772 |
| Change in benefit terms | - |
| Difference between expected and actual experience | (65) |
| Changes of assumptions or other inputs | (10,565) |
| Benefit payments and implicit subsidy credit | (4,807) |
| Other | - |
| Net changes | $ 3,082 |
| Total OPEB Liability as of June 30, 2017 | $ 197,226 |

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

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

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

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent).

| | **1% Decrease (2.56%)** | **Discount Rate (3.56%)** | **1% Increase (4.56%)** |
|---|---|---|---|
| Total OPEB liability | $ 216,912 | $ 197,226 | $ 179,574 |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were

**Liabilities (Continued)**

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

| | 1% Decrease | Current | 1% Increase |
|---|---|---|---|
| Total OPEB liability | $ 179,798 | $ 197,226 | $ 218,333 |

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

For the year ended June 30, 2018, the City recognized OPEB expense of $17,407. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 58 |
| Changes of assumptions | - | 9,460 |
| Total | $ - | $ 9,518 |

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

| **Year ended June 30:** | |
|---|---|
| 2018 | $ (1,112) |
| 2019 | (1,112) |
| 2020 | (1,112) |
| 2021 | (1,112) |
| 2022 | (1,112) |
| Thereafter | (1,128) |

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

**Liabilities (Continued)**

death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions.

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

In addition, the City provides two group-term life insurance policies for employees. One is a $25,000 death benefit through the dental insurance carrier, Lincoln Financial as of July 1, 2017 and the other is a $5,000 death benefit through Municipal Insurance Trust. Per IRS regulations, the cost of group-term life insurance provided to an employee for coverage that exceeds $50,000 is taxable to the employee as a fringe benefit.

3. – Deferred Outflows and Inflows of Resources

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

| Source | Amount |
|---|---|
| Contributions to pension plan in current fiscal year | $ 298,982 |
| Benefit payments for OPEB made subsequent to the measurement date | 3,400 |
| Difference between expected and actual experience | 66,407 |
| Changes of assumptions | 160,418 |
| Net difference between projected and actual | 245,484 |
| Changes in proportion and differences between employer Contributions and proportionate share of contributions | 34,795 |
| | $ 809,486 |

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

| | Statement of Net Position | General Fund Balance Sheet |
|---|---|---|
| Taxes Receivable, General Fund | $ - | $ 83,406 |
| Changes of assumptions | 9,460 | - |
| Differences in expected versus actual | 28,678 | - |
| Changes in proportion and differences between employer share of contributions | 43,967 | - |
| Total | $ 82,105 | $ 83,406 |

**Liabilities (Continued)**

4. – Risk Management

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

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

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

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

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

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2018, the City was the defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

**Liabilities (Continued)**

6. Long-Term Obligations

a. Lease Obligations

The police department leases equipment to access government information to aid in law enforcement on a month-to-month basis. Rental expense was $1,380, $1,740, and $1,896 for 2018, 2017 and 2016, 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.

b. Installment Purchase

General Fund installment obligations consisted of the following at June 30, 2018:

| | |
|---|---|
| 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. | $ 127,609 |
| 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. | 189,092 |
| 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 | 23,208 |
| 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 | 14,325 |
| 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 | 135,994 |
| 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 | 21,899 |

**Liabilities (Continued)**

| | | |
|---|---|---|
| Purchase money installment contract for the purchase of a fire truck. Issued in August 2017; payable in 10 annual installments of $58,008 including interest at 2.290% through Fiscal 2027. | | 466,992 |
| 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. | | 152,137 |
| 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. | | 44,930 |
| | $ | 1,176,186 |

| | | |
|---|---|---|
| Due within one year | $ | 344,725 |
| Due in more than one year | | 831,461 |
| | $ | 1,176,186 |

Enterprise Fund Revenue Bonds, State Revolving Loans and purchase money installment agreements consist of the following at June 30, 2018.

| | | |
|---|---|---|
| $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. | $ | 25,886 |
| $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. | | 158,950 |
| $12,964,312 State Revolving Loan. Issued in November 2014; Loan Reduced in 2018 to $12,963,726; principal due annually in May; installments of $648,098 in 2019 and $648,186 thereafter with no interest through fiscal 2035 | | 11,019,665 |
| 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. | | 179,706 |

**Liabilities (Continued)**

| | |
|---|---|
| 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. | 1,120,334 |
| | $ 12,504,541 |
| Due within one year | $ 801,577 |
| Due in more than one year | 11,702,964 |
| | $ 12,504,541 |

At June 30, 2018, the City of King had no bonds authorized but unissued and had a legal debt margin of $45,205,054.

c. Changes in Long-Term Liabilities

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

| | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| Year Ending June 30 | Principal | Interest | Principal | Interest |
| 2019 | $ 344,725 | $ 29,769 | $ 801,577 | $ 41,654 |
| 2020 | 290,218 | 20,852 | 804,781 | 37,305 |
| 2021 | 160,715 | 13,186 | 1,651,655 | 32,949 |
| 2022 | 112,550 | 9,924 | 707,029 | 4,403 |
| 2023 | 47,999 | 6,308 | 706,247 | 2,869 |
| 2024-2035 | 219,979 | 12,957 | 7,833,252 | 1,989 |
| | $ 1,176,186 | $ 92,996 | $ 12,504,541 | $ 121,169 |

**Liabilities (Continued)**

The following is a summary of changes in long-term obligations for the year ended June 30, 2018.

| Governmental activities: | Beginning Balances, as restated | Increases | Decreases | Ending Balances | Current Portion |
|---|---|---|---|---|---|
| Installment Purchase | $ 1,028,772 | $ 525,000 | $ 377,586 | $ 1,176,186 | $ 344,725 |
| Compensated absences | 467,444 | 94,130 | 72,302 | 489,272 | 244,636 |
| Total OPEB Liability | 135,979 | 2,158 | - | 138,137 | - |
| Net pension liability (LGERS) | 820,819 | - | 113,086 | 707,733 | - |
| Total pension liability (LEO) | 310,961 | 72,149 | - | 383,110 | - |
| Governmental activity long-term liabilities | $ 2,763,975 | $ 693,437 | $ 562,974 | $ 2,894,438 | $ 589,361 |

| | |
|---|---|
| Current portion | $ 589,361 |
| Noncurrent portion | 2,305,077 |
| | $ 2,894,438 |

| Business-type activities: | | | | | |
|---|---|---|---|---|---|
| State Revolving Loans | $ 11,897,449 | $ - | $ 692,949 | $ 11,204,500 | $ 692,831 |
| Installment Purchase | 1,404,355 | - | 104,314 | 1,300,041 | 108,746 |
| Net pension liability (LGERS) | 390,186 | - | 86,872 | 303,314 | - |
| Total OPEB Liability | 58,165 | 924 | - | 59,089 | - |
| Compensated absences | 107,749 | 22,452 | 16,388 | 113,813 | 56,907 |
| Business-type activity long-term liabilities | $ 13,857,904 | $ 23,376 | $ 900,523 | $ 12,980,757 | $ 858,484 |

| | |
|---|---|
| Current portion | $ 858,484 |
| Noncurrent portion | 12,122,273 |
| | $ 12,980,757 |

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

B. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018 consists of the following:

| | |
|---|---|
| Due to Forfeiture Funds from the General Fund | 70 |
| | $ 70 |

**Liabilities (Continued)**

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

C. Net Investment in Capital Assets

| | Governmental | Business-type |
|---|---|---|
| Capital assets | $ 10,197,597 | $ 28,246,056 |
| Less: long-term debt | 1,176,186 | 12,504,539 |
| Net investment in capital asset | $ 9,021,411 | $ 15,741,517 |

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 | $ 3,555,392 |
| Less: | |
| Stabilization by state statute | 431,773 |
| Streets-Powell Bill | 35,018 |
| Committed-Public Safety | 260,083 |
| Fund Balance per Policy | 1,742,304 |
| Unassigned | 1,086,214 |

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, 2018 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 Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased $6,495 and business-type activities increased $53,500.

# Required
# Supplementary Financial Data

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

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

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

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

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

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

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

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

**CITY OF KING, NORTH CAROLINA**
City of King's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Four Fiscal Years
Firefighters' and Rescue Squad Workers' Pension

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

**CITY OF KING, NORTH CAROLINA**
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

| | 2018 | 2017 |
|---|---|---|
| Beginning balance | $ 310,961 | $ 287,451 |
| Service cost | 24,237 | 22,307 |
| Interest on the total pension liability | 12,003 | 10,262 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 9,539 | - |
| Changes of assumptions or other inputs | 26,370 | (9,059) |
| Benefit payments | - | - |
| Other changes | - | - |
| Ending balance of the total pension liability | $ 383,110 | $ 310,961 |

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, 2018

| | 2018 | 2017 |
|---|---|---|
| Total pension liability | $ 383,110 | $ 310,961 |
| Covered payroll | 1,102,346 | 1,049,868 |
| Total pension liability as a percentage of covered payroll | 34.75% | 29.62% |

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

**CITY OF KING, NORTH CAROLINA**
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2018

| **Total OPEB Liability** | 2018 |
|---|---|
| Service cost | $ 12,747 |
| Interest | 5,772 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (65) |
| Changes of assumptions | (10,565) |
| Benefit payments | (4,807) |
| **Net Change in total OPEB liability** | 3,082 |
| **Total OPEB liability - beginning** | 194,144 |
| **Total OPEB liability - ending** | $ 197,226 |

| | |
|---|---|
| **Covered payroll** | 3,786,760 |
| **Total OPEB liability as a percentage of covered payroll** | 5.21% |

**Notes to Schedule**

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

| **Fiscal Year** | **Rate** |
|---|---|
| 2018 | 3.56% |

# INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**CITY OF KING, NORTH CAROLINA**
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018

| | | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Ad valorem taxes | | | | |
| Current year | | | $ 2,551,705 | |
| Prior year | | | 80,254 | |
| Penalties and interest | | | 15,610 | |
| | Total | $ 2,791,500 | 2,647,569 | $ (143,931) |
| Unrestricted intergovernmental | | | | |
| Local option sales tax | | | 1,109,315 | |
| Video programming tax | | | 38,991 | |
| Payments in lieu of taxes | | | 200,064 | |
| Beer and wine tax | | | 30,202 | |
| Utility franchise tax | | | 392,912 | |
| Motor vehicle fee | | | 32,155 | |
| Senior Center revenue | | | 25,701 | |
| | Total | 1,844,700 | 1,829,341 | (15,359) |
| Restricted intergovernmental | | | | |
| Police standby | | | 5,168 | |
| Powell bill allocation | | | 201,979 | |
| Solid waste disposal tax | | | 4,648 | |
| Fire district revenue | | | 977,066 | |
| Fire standby | | | 6,220 | |
| On-behalf payments | | | 7,465 | |
| Fire hydrant maintenance | | | 20,000 | |
| MADIK grant from state | | | 90,000 | |
| Yard carts | | | 180 | |
| Body armor grant | | | 1,750 | |
| ARC COG grant | | | 25,975 | |
| | Total | 1,346,950 | 1,340,451 | (6,499) |
| Permits and fees | | | | |
| Fire permits/inspections | | | 13,653 | |
| Yard waste fee | | | 7,179 | |
| Landfill tipping fee | | | 65,660 | |
| Court-awarded funds | | | 5,600 | |
| Inspection/Zoning fees | | | 35,299 | |
| Police permits/fingerprinting | | | 8,236 | |
| | Total | 133,000 | 135,627 | 2,627 |
| Sales and services | | | | |
| DOT mowing | | | 8,000 | |
| Veteran's Memorial pavers | | | 2,750 | |
| Facility/shelter rentals | | | 8,135 | |
| Athletic fees | | | 7,804 | |
| | Total | 23,000 | 26,689 | 3,689 |
| Investment earnings | | 10,200 | 42,978 | 32,778 |

**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, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Other revenues | | | |
| Recycling revenues | | 5,962 | |
| Vehicle fuel-outside agencies | | 82,750 | |
| Cell tower payments | | 64,065 | |
| Miscellaneous | | 4,399 | |
| | 143,250 | 157,176 | 13,926 |
| Total revenues | 6,292,600 | 6,179,831 | (112,769) |
| **EXPENDITURES** | | | |
| General government | | | |
| Governing body | | | |
| Salaries and employee benefits | | 13,852 | |
| Operating expenses | | 27,383 | |
| Professional services | | 23,021 | |
| | | 64,256 | |
| Administration | | | |
| Salaries and employee benefits | | 105,807 | |
| Operating expenses | | 30,296 | |
| Capital outlay | | 32,472 | |
| | | 168,575 | |
| Finance | | | |
| Salaries and employee benefits | | 111,511 | |
| Operating expenses | | 55,306 | |
| | | 166,817 | |
| Planning and inspections | | | |
| Salaries and employee benefits | | 174,668 | |
| Operating expenses | | 19,767 | |
| | | 194,435 | |
| Public buildings | | | |
| Operating expenses | | 22,850 | |
| | | 22,850 | |
| Total General Government | 657,572 | 616,933 | 40,639 |
| Public Safety | | | |
| Police | | | |
| Salaries and employee benefits | | 1,577,249 | |
| Operating expenses | | 299,113 | |
| Capital outlay | | 132,160 | |
| | | 2,008,522 | |

**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, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Fire | | | |
| Salaries and employee benefits | | 1,584,279 | |
| Operating expenses | | 250,550 | |
| Capital outlay | | 546,694 | |
| | | 2,381,523 | |
| Total Public Safety | 4,493,053 | 4,390,045 | 103,008 |
| Transportation | | | |
| Streets | | | |
| Salaries and employee benefits | | 55,078 | |
| Street lights | | 89,198 | |
| Operating expenses | | 38,634 | |
| Capital outlay | | 296,884 | |
| Total Transportation | 531,053 | 479,794 | 51,259 |
| Environmental protection | | | |
| Solid waste | | | |
| Salaries and employee benefits | | 47,109 | |
| Operating expenses | | 304,034 | |
| | | 351,143 | |
| Public works | | | |
| Salaries and employee benefits | | 137,256 | |
| Operating expenses | | 101,724 | |
| | | 238,980 | |
| Total Environmental Protection | 617,514 | 590,123 | 27,391 |
| Culture and Recreation | | | |
| Recreation | | | |
| Salaries and employee benefits-recreation acres | | 59,037 | |
| Salaries and employee benefits-central park | | 52,855 | |
| Operating expenses-recreation acres | | 154,311 | |
| Operating expenses-central park | | 28,631 | |
| Capital outlay-recreation acres | | 34,481 | |
| Capital outlay-central park | | 35,836 | |
| | | 365,151 | |
| Community development | | | |
| Operating expenses | | 17,555 | |
| Library | | | |
| Operating expenses | | 15,439 | |

**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, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Senior center | | | |
| Salaries and employee benefits | | 70,600 | |
| Operating expenses | | 18,390 | |
| | | 88,990 | |
| Total Culture and Recreation | 519,139 | 487,135 | 32,004 |
| Debt service | | | |
| Principal retirement | | 377,521 | |
| Interest | | 27,108 | |
| Total | 400,934 | 404,629 | (3,695) |
| Non-Departmental | 612 | 559 | 53 |
| TOTAL EXPENDITURES | 7,219,877 | 6,969,218 | 250,659 |
| REVENUES OVER (UNDER) EXPENDITURES | (927,277) | (789,388) | 137,889 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Contributions and donations | 5,000 | 5,000 | - |
| Proceeds from installment purchase | 525,000 | 525,000 | - |
| Insurance proceeds | 22,334 | 23,266 | 932 |
| Sale of capital assets | 20,425 | 6,916 | (13,509) |
| Total other financing sources and uses | 572,759 | 560,182 | (12,577) |
| Fund balance appropriated | 354,518 | - | 354,518 |
| Net change in fund balance | $ - | (229,205) | $ (229,205) |
| Fund balance, beginning | | 3,784,595 | |
| Fund balance, ending | | $ 3,555,390 | |

**CITY OF KING, NORTH CAROLINA**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| | Federal Forfeiture Fund | State Forfeiture Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ - | $ - | $ - |
| Restricted cash | 3,390 | 12,437 | 15,827 |
| Due from GF | 16 | 54 | 70 |
| Total assets | 3,406 | 12,491 | 15,897 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities | | | |
| Accounts payable | $ - | $ - | $ - |
| Due to other funds-GF | - | - | - |
| Total liabilities | - | - | - |
| Fund balances: | | | |
| Restricted for: | | | |
| Public Safety | 3,406 | 12,491 | 15,897 |
| Assigned for: | | | |
| Technology | - | - | - |
| Total fund balances | 3,406 | 12,491 | 15,897 |
| Total liabilities and fund balances | $ 3,406 | $ 12,491 | $ 15,897 |

**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, 2018

| | Federal Forfeiture Fund | State Forfeiture Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Court Awarded Funds | $ - | $ - | $ - |
| Controlled substance tax | - | 1,403 | 1,403 |
| Investment earnings | 16 | 54 | 70 |
| Total Revenues | 16 | 1,457 | 1,473 |
| **EXPENDITURES** | | | |
| Expenditures | - | - | - |
| Debt Service | - | - | - |
| Total Expenditures | - | - | - |
| Revenues over (under) expenditures | 16 | 1,457 | 1,473 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| General fund transfers in (out) | - | - | - |
| Enterprise fund transfers in (out) | - | - | - |
| Total other financing sources and uses | - | - | - |
| Net change in fund balances | 16 | 1,457 | 1,473 |
| Fund balances, beginning | 3,390 | 11,034 | 14,424 |
| Fund balances, ending | $ 3,406 | $ 12,491 | $ 15,897 |

**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, 2018

| | Project Authorization | Prior Year | Current Year | Total to Date | Variance Positive (Negative) |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Forfeiture Funds | $ 3,437 | $ 7,612 | $ - | $ 7,612 | 4,175 |
| Investment earnings | - | 23 | 16 | 39 | 39 |
| | 3,437 | 7,635 | 16 | 7,651 | 4,214 |
| **EXPENDITURES** | | | | | |
| Equipment | - | - | - | - | - |
| Supplies/materials | 3,437 | 4,245 | - | 4,245 | (808) |
| Contracted services | - | - | - | - | - |
| | 3,437 | 4,245 | - | 4,245 | (808) |
| Revenues over (under expenditures) | - | 3,390 | 16 | 3,406 | 3,406 |
| Other financing sources (uses): | | | | | |
| Operating transfer in (out): | - | - | - | - | - |
| Fund balance appropriated | - | - | - | - | - |
| Total other financing sources | - | - | - | - | - |
| Net change in fund balance | $ - | $ 3,390 | 16 | $ 3,406 | $ 3,406 |
| Fund balance, beginning | | | 3,390 | | |
| Fund balance, ending | | | $ 3,406 | | |

**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, 2018

| | 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 | 22,359 | 1,403 | 23,762 | 20,762 |
| Investment earnings | - | 418 | 54 | 472 | 472 |
| | 9,048 | 44,097 | 1,457 | 45,554 | 36,506 |
| **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 |
| | 41,398 | 46,705 | - | 46,705 | (5,307) |
| Revenues over (under expenditures) | (32,350) | (2,608) | 1,457 | (1,151) | 31,199 |
| 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 | 32,350 | 10,642 | - | 10,642 | (21,708) |
| Net change in fund balance | $ - | $ 8,034 | 1,457 | $ 9,491 | $ 9,491 |
| Fund balance, beginning | | | 11,034 | | |
| Fund balance, ending | | | $ 12,491 | | |

**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, 2018

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

**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, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **REVENUES** | | | |
| Operating revenue | | | |
| Charges for services | | | |
| Water sales | | $ 2,696,595 | |
| Sewer charges | | 3,091,233 | |
| Water and sewer taps | | 48,260 | |
| Water and sewer capacity | | 19,188 | |
| Water and sewer line availability | | 15,795 | |
| Other | | 15,410 | |
| | $ 5,564,989 | 5,886,481 | $ 321,492 |
| Nonoperating revenues | | | |
| Interest on investments | 10,000 | 27,781 | 17,781 |
| Total revenues | 5,574,989 | 5,914,262 | 339,273 |
| **EXPENSES** | | | |
| Water and sewer governing body | | | |
| Salaries and employee benefits | | 13,852 | |
| Supplies | | 637 | |
| Contracted services | | 16,770 | |
| Other operating expenses | | 15,906 | |
| Total water and sewer governing body | 52,117 | 47,165 | 4,952 |
| Water and sewer administration | | | |
| Salaries and employee benefits | | 166,812 | |
| Supplies | | 1,533 | |
| Other operating expenses | | 30,949 | |
| Total water and sewer administration | 205,113 | 199,294 | 5,819 |
| Water and sewer finance | | | |
| Salaries and employee benefits | | 265,217 | |
| Supplies | | 2,320 | |
| Contracted services | | 8,839 | |
| Other operating expenses | | 54,693 | |
| Total water and sewer finance | 348,531 | 331,069 | 17,462 |
| Water operations | | | |
| Salaries and employee benefits | | 479,550 | |
| Chemicals | | 84,133 | |
| Utilities | | 123,829 | |
| Repairs and maintenance | | 62,705 | |
| Other departmental expenses | | 185,695 | |
| Total water operations | 1,201,905 | 935,912 | 265,993 |

| | | | |
|---|---|---|---|
| Water distribution | | | |
| Salaries and employee benefits | | 609,719 | |
| Supplies and meter replacements | | 58,575 | |
| Utilities | | 48,010 | |
| Repairs and maintenance | | 30,894 | |
| Other departmental expenses | | 225,208 | |
| Total water distribution | 1,235,979 | 972,406 | 263,573 |
| Wastewater operations | | | |
| Sewer operations | | | |
| Utilities | | 58,656 | |
| Supplies | | 4,489 | |
| Contracted services | | 1,416,025 | |
| Other departmental expenses | | 3,294 | |
| Total | 1,522,103 | 1,482,464 | 39,639 |
| Sewer maintenance | | | |
| Salaries and employee benefits | | 99,808 | |
| Supplies | | 8,059 | |
| Repairs and maintenance | | 15,250 | |
| Other departmental expenses | | 52,689 | |
| Total | 1,012,311 | 175,806 | 836,505 |
| Total waste collection and treatment | 2,534,414 | 1,658,270 | 876,144 |
| Engineering | | | |
| Salaries and employee benefits | | 131,181 | |
| Other departmental expenses | | 8,787 | |
| Total engineering | 143,276 | 139,968 | 3,308 |
| Debt service | | | |
| Interest and other charges | | 47,316 | |
| Principal retirement | | 797,265 | |
| Total debt service | 844,584 | 844,581 | 3 |
| Capital Outlay | | | |
| Water operations - construction | | 13,966 | |
| Water operations - equipment | | 112,914 | |
| Water distribution - land | | 21,025 | |
| Water distribution - other improvements | | 11,448 | |
| Water distribution - equipment | | 137,831 | |
| Water distribution - general improvements | | 29,858 | |
| Wastewater - construction | | 23,188 | |
| Wastewater - general improvements | | 32,812 | |
| Total capital outlay | - | 383,042 | (383,042) |
| Total expenditures | 6,565,919 | 5,511,707 | 1,054,212 |
| Revenues over expenditures | (990,930) | 402,555 | 1,393,485 |

| | | | |
|---|---|---|---|
| **OTHER FINANCING SOURCES (USES)** | | | |
| Fund balance appropriated | 239,930 | - | (239,930) |
| Proceeds of fixed asset sales | 1,000 | - | (1,000) |
| Proceeds from CWSRF | 750,000 | - | (750,000) |
| Total other financing sources and uses | 990,930 | - | (990,930) |
| Revenues and other financing sources (uses) over (under) expenses | $ - | 402,555 | $ 402,555 |
| Reconciling items | | | |
| Capital Outlay | | 383,042 | |
| Payment of debt principal | | 797,265 | |
| Depreciation on Exhibit 8 | | (1,018,534) | |
| Decrease in deferred outflows of resources - pension | | (102,759) | |
| Decrease in net pension liability | | 86,872 | |
| Decrease in deferred inflows of resources - pensions | | 11,518 | |
| Interest income from Capital reserve fund | | 50 | |
| Increase in deferred outflows of resources-OPEB | | 1,019 | |
| Increase in deferred inflows of resources-OPEB | | (2,852) | |
| Increase in OPEB liability | | (59,089) | |
| Decrease in accrued OPEB liability | | 56,733 | |
| Increase in accrued vacation pay | | (6,063) | |
| Change in net position | | $ 549,757 | |

**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, 2018

| | Project Authorization | Prior Year | Current Year | Total to Date | Variance Positive (Negative) |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Investment earnings | $ 25 | $ 619 | $ 50 | $ 669 | $ 644 |
| | 25 | 619 | 50 | 669 | 644 |
| **EXPENDITURES** | | | | | |
| Capital Projects | 25,298 | 11,364 | - | 11,364 | 13,934 |
| | 25,298 | 11,364 | - | 11,364 | 13,934 |
| Revenues in excess of (less than) expenditures | (25,273) | (10,745) | 50 | (10,695) | 14,578 |
| Other financing sources (uses): | | | | | |
| Other financing source-EF | 25,273 | 25,273 | - | 25,273 | - |
| Total other financing sources | 25,273 | 25,273 | - | 25,273 | - |
| Revenues and other sources over (under) expenses | $ - | $ 14,528 | $ 50 | $ 14,578 | $ 14,578 |

**CITY OF KING, NORTH CAROLINA**
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
For the Year Ended June 30, 2018

| Fiscal Year | Uncollected Balance June 30, 2017 | Additions | Collections and Credits | Uncollected Balance June 30, 2018 |
|---|---|---|---|---|
| 2017-2018 | $ - | $ 2,622,376 | $ 2,581,986 | $ 40,390 |
| 2016-2017 | 59,503 | - | 43,932 | 15,571 |
| 2015-2016 | 30,657 | - | 18,248 | 12,409 |
| 2014-2015 | 10,181 | - | 3,517 | 6,664 |
| 2013-2014 | 10,256 | - | 5,068 | 5,188 |
| 2012-2013 | 5,261 | - | 1,979 | 3,282 |
| 2011-2012 | 4,257 | - | 622 | 3,635 |
| 2010-2011 | 1,879 | - | 158 | 1,721 |
| 2009-2010 | 933 | - | 52 | 881 |
| 2008-2009 | 1,324 | - | 24 | 1,301 |
| 2007-2008 | 842 | - | 842 | - |
| | $ 125,093 | $ 2,622,376 | $ 2,656,428 | $ 91,041 |
| | | Less allowance for uncollectible accounts : General Fund | | 8,300 |
| | | AD VALOREM TAXES RECEIVABLE, NET | | $ 82,741 |

Reconcilement with revenues:

| | |
|---|---|
| Ad valorem taxes - General Fund | $ 2,647,569 |
| Reconciling items: | |
| Discounts allowed | 22,791 |
| Penalties and interest | (15,610) |
| Other | 698 |
| Taxes written off | 979 |
| Total collections and credits | $ 2,656,428 |

**CITY OF KING, NORTH CAROLINA**
GENERAL FUND
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2018

| | City-wide | | | Total Levy | |
|---|---|---|---|---|---|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Real and personal property | $ 614,178,377 | 0.422 | $ 2,544,376 | $ 2,285,751 | $ 258,625 |
| Public Utilities | | | 46,752 | 46,752 | |
| Penalties | | | 704 | 704 | |
| Discoveries | | | | | |
| Current year taxes | 8,948,104 | 0.422 | 37,761 | 37,761 | - |
| Abatements | (1,710,604) | - | (7,219) | (7,219) | - |
| Total property valuation | $ 621,415,877 | | | | |
| Net levy | | | 2,622,376 | 2,363,751 | 258,625 |
| Uncollected taxes at June 30, 2018 | | | (40,390) | (40,254) | (136) |
| Current year's taxes collected | | | $ 2,581,986 | $ 2,323,497 | $ 258,489 |
| Current levy collection percentage | | | 98.46% | 98.30% | 99.95% |

# 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 83

*These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.*

Revenue Capacity 91

*These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.*

Debt Capacity 96

*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.*

Demographic and Economic Information 99

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.*

Operating Information 101

*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.*

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Net investment in capital assets | $ 8,218,041 | $ 8,441,115 | $ 8,462,149 | $ 8,635,180 | $ 7,791,411 |
| Restricted | 296,549 | 257,253 | 615,312 | 408,815 | 427,489 |
| Unrestricted | 1,948,480 | 2,230,358 | - | - | - |
| Unassigned | - | - | 1,852,370 | 1,979,253 | 2,564,697 |
| Subtotal governmental activities net position | 10,463,070 | 10,928,726 | 10,929,831 | 11,023,248 | 10,783,597 |
| Business-type activities | | | | | |
| Net investment in capital assets | 14,542,148 | 14,858,038 | 14,705,365 | 14,851,205 | 15,358,905 |
| Restricted | - | - | - | - | - |
| Unrestricted | 2,360,272 | 3,027,047 | - | - | - |
| Unassigned | - | - | 4,069,667 | 4,587,603 | 5,729,174 |
| Subtotal business-type activities net position | 16,902,420 | 17,885,085 | 18,775,032 | 19,438,808 | 21,088,079 |
| Primary Government | | | | | |
| Net investment in capital assets | 22,760,189 | 23,299,153 | 23,167,514 | 23,486,385 | 23,150,316 |
| Restricted | 296,549 | 257,253 | 615,312 | 408,815 | 427,489 |
| Unrestricted | 4,308,752 | 5,257,405 | - | - | - |
| Unassigned | - | - | 5,922,037 | 6,566,856 | 8,293,871 |
| Subtotal primary government activities net position | 27,365,490 | 28,813,811 | 29,704,863 | 30,462,056 | 31,871,676 |

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Net investment in capital assets | $ 8,298,584 | $ 8,198,415 | $ 8,459,013 | $ 8,721,378 | $ 9,021,411 |
| Restricted | 528,890 | 722,364 | 506,685 | 407,641 | 482,617 |
| Unassigned | 2,088,182 | 2,119,473 | 2,467,085 | 2,415,411 | 1,970,246 |
| Subtotal governmental activities net position | 10,915,656 | 11,040,252 | 11,432,783 | 11,544,430 | 11,474,274 |
| Business-type activities | | | | | |
| Net investment in capital assets | 17,855,568 | 15,163,286 | 14,202,661 | 14,892,244 | 15,741,520 |
| Restricted | - | 117,544 | - | - | - |
| Unrestricted | - | - | - | - | - |
| Unassigned | 3,014,196 | 6,305,700 | 7,873,753 | 7,570,183 | 7,324,164 |
| Subtotal business-type activities net position | 20,869,764 | 21,586,530 | 22,076,414 | 22,462,427 | 23,065,684 |
| Primary Government | | | | | |
| Net investment in capital assets | 26,154,152 | 23,361,701 | 22,661,674 | 23,613,622 | 24,762,931 |
| Restricted | 528,890 | 839,908 | 506,685 | 407,641 | 482,617 |
| Unassigned | 5,102,378 | 8,425,173 | 10,340,838 | 9,985,594 | 9,294,410 |
| Subtotal primary government activities net position | 31,785,420 | 32,626,782 | 33,509,197 | 34,006,857 | 34,539,958 |

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Expenses | | | | | |
| Governmental activities | | | | | |
| General Government | $ 526,128 | $ 498,819 | $ 651,814 | $ 679,716 | $ 708,445 |
| Public Safety | 2,566,622 | 2,627,096 | 2,867,686 | 3,119,798 | 3,177,698 |
| Transportation | - | - | - | 328,753 | 348,682 |
| Environmental protection | - | - | - | 595,734 | 582,640 |
| Cultural and Recreation | 299,615 | 250,290 | 316,001 | 340,154 | 350,485 |
| Public Works | 830,570 | 841,824 | 844,534 | - | - |
| Interest on long-term debt | - | - | - | 44,239 | 46,598 |
| Non-departmental | 87,458 | 166,155 | 57,227 | - | - |
| Total Governmental Activities Expense | 4,310,393 | 4,384,184 | 4,737,262 | 5,108,394 | 5,214,549 |
| Total Business-type Activity - Water and Sewer | 3,288,112 | 3,446,824 | 3,542,121 | 4,122,498 | 4,301,622 |
| TOTAL PRIMARY GOVERNMENT EXPENSES | $ 7,598,505 | $ 7,831,008 | $ 8,279,383 | $ 9,230,892 | $ 9,516,171 |
| Program revenues | | | | | |
| Governmental activities | | | | | |
| Charges for services | | | | | |
| General Government | $ 40,887 | $ 30,197 | $ 30,190 | $ 29,049 | $ 21,853 |
| Public Safety | 6,094 | 5,131 | 23,169 | 17,459 | 26,239 |
| Transportation | - | - | - | - | 8,000 |
| Public Works | - | - | 29,935 | - | - |
| Environmental protection | - | - | - | - | 24,014 |
| Cultural and Recreation | 33,409 | 27,905 | 27,767 | 28,266 | 23,191 |
| Operating Grants and Contributions | | | | | |
| General Government | 3,500 | 1,250 | 2,750 | 1,000 | - |
| Public Safety | 684,663 | 801,041 | 682,161 | 699,837 | 638,822 |
| Transportation | - | - | - | 198,321 | 204,465 |
| Environmental protection | - | - | - | 4,724 | - |
| Cultural and Recreation | - | - | 24,927 | - | 51,341 |
| Public Works | 218,508 | 192,376 | 193,064 | - | - |
| Capital Grants and Contributions | | | | | |
| Public Safety | - | - | - | - | - |
| Total Governmental Activities Program Revenues | 987,061 | 1,057,900 | 1,013,963 | 978,656 | 997,925 |
| Business-type Activity - Water and Sewer | | | | | |
| Charges for Services | 3,886,836 | 4,065,486 | 4,417,934 | 4,760,490 | 4,967,739 |
| Operating Grants and Contributions | - | - | - | - | - |
| Capital Grants and Contributions | 409,673 | 403,427 | - | 38,000 | - |
| Total Business Activity Program Revenues | 4,296,509 | 4,468,913 | 4,417,934 | 4,798,490 | 4,967,739 |
| TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES | $ 5,283,570 | $ 5,526,813 | $ 5,431,897 | $ 5,777,146 | $ 5,965,664 |
| Net Revenue (Expense) | | | | | |
| Governmental activities | (3,323,332) | (3,326,284) | (3,723,299) | (4,129,738) | (4,216,624) |
| Business-type activity | 1,008,397 | 1,022,089 | 875,833 | 675,992 | 666,117 |
| TOTAL PRIMARY GOVERNMENT NET EXPENSE | $ (2,314,935) | $ (2,304,195) | $ (2,847,466) | $ (3,453,746) | $ (3,550,507) |

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| General revenues and Other Changes in Net Position | | | | | |
| Governmental activities | | | | | |
| Ad Valorem Taxes | 2,072,001 | 2,216,984 | 2,199,696 | 2,330,886 | 2,342,871 |
| Local option sales tax | 723,079 | 726,053 | 760,163 | 762,019 | 809,966 |
| Unrestricted intergovernmental | 595,112 | 639,078 | 527,336 | 669,070 | - |
| Restricted intergovernmental | - | - | - | - | 636,885 |
| Unrestricted investment earnings | 26,340 | 6,616 | 20,234 | 12,817 | 7,005 |
| Grants and contributions not restricted to specific programs | - | - | - | 216,337 | 14,550 |
| Miscellaneous revenue | 153,235 | 151,232 | 180,968 | 189,279 | 129,913 |
| Insurance proceeds | - | - | - | - | - |
| Gain (loss) on sale of asset | 4,178 | - | 21,555 | 8,319 | 6,201 |
| Transfers | 57,512 | 25,252 | 14,452 | 34,428 | 29,581 |
| Total Governmental Activities | 3,631,457 | 3,765,215 | 3,724,404 | 4,223,155 | 3,976,973 |
| Business-type Activity | | | | | |
| Miscellaneous | 34,916 | (199) | 233 | - | - |
| Unrestricted investment earnings | - | 11,795 | 28,332 | 22,213 | 12,736 |
| Insurance proceeds | - | - | - | - | - |
| Gain (loss) on sale of asset | - | - | - | - | - |
| Transfers | (57,512) | (24,295) | (14,452) | (34,428) | (29,581) |
| Total Business-Type Activity | (22,596) | (12,699) | 14,113 | (12,215) | (16,845) |
| TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET POSITION | $ 3,608,861 | $ 3,752,516 | $ 3,738,517 | $ 4,210,940 | $ 3,960,128 |
| Change in Net Position | | | | | |
| Governmental Activities | 308,125 | 465,656 | 1,105 | 93,417 | (239,651) |
| Business-type Activity | 985,801 | 982,665 | 889,946 | 663,777 | 649,272 |
| TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION | $ 1,293,926 | $ 1,448,321 | $ 891,051 | $ 757,194 | $ 409,621 |

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

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Expenses | | | | | |
| Governmental activities | | | | | |
| General Government | $ 630,431 | $ 722,925 | $ 579,167 | $ 589,179 | $ 621,349 |
| Public Safety | 3,077,020 | 2,987,157 | 3,168,782 | 3,658,390 | 4,063,683 |
| Transportation | 346,343 | 337,735 | 366,016 | 471,564 | 424,852 |
| Environmental protection | 544,708 | 557,182 | 542,989 | 551,778 | 631,724 |
| Cultural and Recreation | 355,978 | 347,524 | 335,859 | 358,527 | 477,809 |
| Public Works | - | - | - | - | - |
| Interest on long-term debt | 42,436 | 36,873 | 36,093 | 31,915 | 27,108 |
| Non-departmental | 10,611 | - | 230 | 4,754 | 559 |
| Total Governmental Activities Expense | 5,007,527 | 4,989,396 | 5,029,136 | 5,666,107 | 6,247,084 |
| Total Business-type Activity - Water and Sewer | 4,242,869 | 4,504,612 | 4,957,972 | 5,288,954 | 5,364,555 |
| TOTAL PRIMARY GOVERNMENT EXPENSES | $ 9,250,396 | $ 9,494,008 | $ 9,987,108 | $ 10,955,061 | $ 11,611,639 |
| Program revenues | | | | | |
| Governmental activities | | | | | |
| Charges for services | | | | | |
| General Government | $ 31,507 | $ 43,658 | $ 69,377 | $ 63,072 | $ 35,299 |
| Public Safety | 23,129 | 26,156 | 68,386 | 56,736 | 58,878 |
| Transportation | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Public Works | - | - | - | - | - |
| Environmental protection | 65,418 | 74,723 | 76,478 | 74,227 | 73,019 |
| Cultural and Recreation | 25,033 | 22,408 | 18,082 | 13,147 | 15,939 |
| Operating Grants and Contributions | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | 646,778 | 697,623 | 742,612 | 943,309 | 985,934 |
| Transportation | 204,978 | 204,777 | 203,688 | 202,984 | 227,954 |
| Environmental protection | - | 4,420 | 4,448 | 4,686 | 4,648 |
| Cultural and Recreation | 26,335 | 26,529 | 27,711 | 122,207 | 115,701 |
| Public Works | - | - | - | - | - |
| Capital Grants and Contributions | | | | | |
| Public Safety | - | 176,542 | 2,260 | 2,216 | 1,750 |
| Total Governmental Activities Program Revenues | 1,031,178 | 1,284,836 | 1,221,042 | 1,490,584 | 1,527,122 |
| Business-type Activity - Water and Sewer | | | | | |
| Charges for Services | 5,056,718 | 5,386,704 | 5,452,172 | 5,651,857 | 5,886,481 |
| Operating Grants and Contributions | - | - | - | - | - |
| Capital Grants and Contributions | - | - | - | - | - |
| Total Business Activity Program Revenues | 5,056,718 | 5,386,704 | 5,452,172 | 5,651,857 | 5,886,481 |
| TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES | $ 6,087,896 | $ 6,671,540 | $ 6,673,214 | $ 7,142,441 | $ 7,413,603 |
| Net Revenue (Expense) | | | | | |
| Governmental activities | (3,976,349) | (3,704,560) | (3,808,092) | (4,175,523) | (4,719,962) |
| Business-type activity | 813,849 | 882,092 | 494,200 | 362,903 | 521,926 |
| TOTAL PRIMARY GOVERNMENT NET EXPENSE | $ (3,162,500) | $ (2,822,468) | $ (3,313,892) | $ (3,812,620) | $ (4,198,036) |

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

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| General revenues and Other Changes in Net Position | | | | | |
| Governmental activities | | | | | |
| Ad Valorem Taxes | 2,473,276 | 2,410,104 | 2,404,229 | 2,461,811 | 2,614,507 |
| Local option sales tax | 788,916 | 871,585 | 926,860 | 984,041 | 1,109,315 |
| Unrestricted intergovernmental | 590,654 | 672,414 | 706,280 | 682,935 | 694,324 |
| Restricted intergovernmental | 38,505 | - | - | - | - |
| Unrestricted investment earnings | 3,730 | 4,135 | 7,504 | 15,256 | 43,047 |
| Grants and contributions not restricted to specific programs | 2,550 | 1,800 | 2,250 | 600 | 7,750 |
| Miscellaneous revenue | 141,274 | 129,647 | 125,750 | 147,434 | 157,176 |
| Insurance proceeds | 42,213 | 6,489 | 3,137 | 9,086 | 23,266 |
| Gain (loss) on sale of asset | (17,473) | 21,792 | 4,614 | 12,524 | 6,916 |
| Transfers | 44,763 | 63,365 | 20,000 | - | - |
| Total Governmental Activities | 4,108,408 | 4,181,331 | 4,200,624 | 4,313,687 | 4,656,301 |
| Business-type Activity | | | | | |
| Miscellaneous | - | - | - | - | - |
| Unrestricted investment earnings | 9,411 | 7,242 | 11,885 | 19,810 | 27,831 |
| Insurance proceeds | - | 51,151 | 3,799 | 3,300 | - |
| Gain (loss) on sale of asset | 3,187 | 7,056 | - | - | - |
| Transfers | (44,763) | (63,365) | (20,000) | - | - |
| Total Business-Type Activity | (32,165) | 2,084 | (4,316) | 23,110 | 27,831 |
| TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET POSITION | $ 4,076,243 | $ 4,183,415 | $ 4,196,308 | $ 4,336,797 | $ 4,684,132 |
| Change in Net Position | | | | | |
| Governmental Activities | 132,059 | 476,771 | 392,531 | 138,164 | (63,661) |
| Business-type Activity | 781,684 | 884,176 | 489,884 | 386,013 | 549,757 |
| TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION | $ 913,743 | $ 1,360,947 | $ 882,415 | $ 524,177 | $ 486,096 |

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Reserved | $ 829,890 | $ 576,942 | $ - | $ - | $ - |
| Unreserved | 1,765,163 | 2,260,315 | - | - | - |
| Restricted [1] | - | - | 590,700 | 389,073 | 406,146 |
| Committed | - | - | 35,398 | 63,546 | 89,083 |
| Assigned | - | - | - | - | 155,166 |
| Unassigned | - | - | 2,256,161 | 2,463,265 | 2,307,500 |
| Total General Fund | $2,595,053 | $ 2,837,257 | $ 2,882,259 | $ 2,915,884 | $ 2,957,895 |
| All Other Governmental Funds | | | | | |
| Reserved | $ 45,144 | $ 20,757 | $ - | $ - | $ - |
| Unreserved | 5,680 | 32,222 | - | - | - |
| Restricted | - | - | 24,612 | 19,742 | 21,343 |
| Committed | - | - | - | - | - |
| Assigned | - | - | 3,746 | 18,217 | 12,948 |
| Unassigned | - | - | - | - | - |
| Total All Other Governmental Funds | $ 50,824 | $ 52,979 | $ 28,358 | $ 37,959 | $ 34,291 |

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Restricted | $ 516,501 | $ 463,700 | $ 471,815 | $ 393,218 | $ 466,791 |
| Committed | 104,864 | 104,877 | 123,445 | 187,727 | 260,083 |
| Assigned | 50,364 | - | - | - | - |
| Unassigned | 2,553,478 | 2,868,013 | 3,218,453 | 3,203,652 | 2,828,518 |
| Total General Fund | $3,225,207 | $ 3,436,590 | $ 3,813,713 | $ 3,784,597 | $ 3,555,392 |
| All Other Governmental Funds | | | | | |
| Restricted | $ 12,389 | $ 11,487 | $ 12,964 | $ 14,423 | $ 15,897 |
| Committed | - | - | - | - | - |
| Assigned | 33,660 | 33,666 | 15,325 | - | - |
| Unassigned | - | - | - | - | - |
| Total All Other Governmental Funds | $ 46,049 | $ 45,153 | $ 28,289 | $ 14,423 | $ 15,897 |

[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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Ad valorem taxes | $ 2,050,942 | $ 2,216,934 | $ 2,170,898 | $ 2,314,532 | $ 2,325,767 |
| Other taxes and licenses | 723,079 | 726,053 | 760,163 | - | - |
| Unrestricted intergovernmental | 581,250 | 628,116 | 556,758 | 1,355,197 | 1,448,679 |
| Restricted intergovernmental | 930,370 | 1,011,239 | 920,850 | 958,850 | 899,907 |
| Permits and fees | 46,980 | 35,328 | 58,965 | 75,471 | 65,002 |
| Contributions and donations | 600 | 16,923 | - | - | 12,000 |
| Sales and services | 33,409 | 27,905 | 41,372 | 38,404 | 33,741 |
| Investment earnings | 34,712 | 7,247 | 20,583 | 12,921 | 7,005 |
| Other revenues | 134,426 | 128,072 | 142,365 | 171,003 | 129,910 |
| TOTAL REVENUES | 4,535,768 | 4,797,817 | 4,671,954 | 4,926,378 | 4,922,011 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 760,501 | 608,684 | 577,850 | 615,811 | 644,542 |
| Public Safety | 2,421,275 | 2,660,690 | 2,726,610 | 3,338,629 | 3,028,859 |
| Transportation | 169,836 | 194,989 | 289,477 | 324,026 | 345,908 |
| Environmental protection | 450,029 | 481,779 | 500,662 | 547,083 | 543,033 |
| Cultural and recreation | 185,634 | 182,940 | 266,549 | 266,835 | 312,217 |
| Debt service [1] | | | | | |
| Principal retirement | 389,261 | 376,217 | 359,960 | 323,141 | 312,322 |
| Interest and other charges | 83,178 | 69,523 | 55,572 | 43,557 | 46,598 |
| Non-departmental and special appropriations | 76,843 | 87,806 | - | - | - |
| TOTAL EXPENDITURES | 4,536,557 | 4,662,629 | 4,776,680 | 5,459,082 | 5,233,479 |
| REVENUES OVER (UNDER) EXPENDITURES | $ (789) | $ 135,188 | $ (104,726) | $ (532,704) | $ (311,468) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers (to) from other funds | 57,512 | 53,791 | 25,067 | 67,993 | 51,415 |
| Transfers to capital project | - | (10,740) | (10,615) | (33,565) | (21,834) |
| Transfer to capital reserve fund | - | (16,326) | - | - | - |
| Proceeds from installment purchase | 49,724 | 73,260 | 89,100 | 535,500 | 308,903 |
| Insurance proceeds | - | 4,458 | - | - | - |
| Sale of capital assets | 4,178 | 4,728 | 21,555 | 6,001 | 11,327 |
| TOTAL OTHER FINANCING SOURCES (USES) | 111,414 | 109,171 | 125,107 | 575,929 | 349,811 |
| NET CHANGE IN FUND BALANCE | 110,625 | 244,359 | 20,381 | 43,225 | 38,343 |
| FUND BALANCE - Beginning of Year | 2,535,252 | 2,645,877 | 2,890,236 | 2,910,617 | 2,953,843 |
| FUND BALANCE - End of Year | $ 2,645,877 | $ 2,890,236 | $ 2,910,617 | $ 2,953,843 | $ 2,992,186 |
| Debt service as a percentage of noncapital expenditures | 10.72% | 9.40% | 8.25% | 7.41% | 6.97% |

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

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Ad valorem taxes | $ 2,464,924 | $ 2,401,709 | $ 2,435,843 | $ 2,445,484 | $ 2,647,569 |
| Other taxes and licenses | - | - | - | - | - |
| Unrestricted intergovernmental | 1,405,905 | 1,570,528 | 1,628,764 | 1,664,882 | 1,829,341 |
| Restricted intergovernmental | 896,871 | 1,094,353 | 990,263 | 1,305,200 | 1,341,854 |
| Permits and fees | 113,444 | 133,546 | 207,599 | 166,331 | 135,627 |
| Contributions and donations | - | - | - | - | 5,000 |
| Sales and services | 35,583 | 32,208 | 28,332 | 21,747 | 26,689 |
| Investment earnings | 3,730 | 4,135 | 7,442 | 15,256 | 43,048 |
| Other revenues | 144,559 | 128,411 | 126,207 | 147,432 | 157,176 |
| TOTAL REVENUES | 5,065,016 | 5,364,890 | 5,424,450 | 5,766,332 | 6,186,304 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 573,381 | 688,110 | 545,120 | 724,737 | 616,933 |
| Public Safety | 2,957,715 | 3,396,594 | 3,085,152 | 3,491,130 | 4,390,045 |
| Transportation | 342,348 | 342,809 | 448,375 | 503,500 | 479,794 |
| Environmental protection | 509,696 | 527,596 | 633,038 | 510,405 | 590,123 |
| Cultural and recreation | 284,046 | 313,023 | 286,003 | 445,978 | 487,135 |
| Debt service [1] | | | | | |
| Principal retirement | 272,350 | 296,783 | 398,159 | 444,936 | 377,521 |
| Interest and other charges | 42,436 | 36,873 | 36,093 | 31,915 | 27,108 |
| Non-departmental and special appropriations | 10,611 | - | 230 | 4,754 | 559 |
| TOTAL EXPENDITURES | 4,992,583 | 5,601,788 | 5,432,170 | 6,157,355 | 6,969,218 |
| REVENUES OVER (UNDER) EXPENDITURES | $ 72,433 | $ (236,898) | $ (7,720) | $ (391,023) | $ (782,914) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers (to) from other funds | 56,959 | 63,365 | 38,400 | 15,332 | - |
| Transfers to capital project | (12,196) | - | - | (15,329) | - |
| Transfer to capital reserve fund | - | - | - | - | - |
| Proceeds from installment purchase | 112,632 | 355,739 | 338,692 | 326,428 | 525,000 |
| Insurance proceeds | 42,213 | 6,489 | 3,137 | 9,086 | 23,266 |
| Sale of capital assets | 7,025 | 21,792 | 4,614 | 12,524 | 6,916 |
| TOTAL OTHER FINANCING SOURCES (USES) | 206,633 | 447,385 | 384,843 | 348,041 | 555,182 |
| NET CHANGE IN FUND BALANCE | 279,066 | 210,487 | 377,123 | (42,982) | (227,732) |
| FUND BALANCE - Beginning of Year | 2,992,186 | 3,271,256 | 3,436,590 | 3,584,002 | 3,799,021 |
| FUND BALANCE - End of Year | $ 3,271,252 | $ 3,481,743 | $ 3,813,713 | $ 3,541,020 | $ 3,571,289 |
| Debt service as a percentage of noncapital expenditures | 6.44% | 6.56% | 8.43% | 8.38% | 6.57% |

## 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] |
| 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 |
| 2018 | 577,441,353 | 32,895,768 | 11,078,756 | 621,415,877 | 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 |
| 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 |
| 2018 | 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 |
| 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 |
| 2018 | 0.0422 | 0.7235 | 0.0786 | 1.2241 |

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 Eight Years Ago

**City of King**

| Taxpayer | Type of Business | 2018 [1] [2] 2018 Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
|---|---|---|---|---|
| Wal-Mart | Retail Sales | $ 9,505,600 | 1 | 1.53% |
| RJ Reynolds Inc | Tobacco | 7,093,816 | 2 | 1.14% |
| Cres Tobacco Company Inc | Tobacco | 6,349,171 | 3 | 1.02% |
| Duke Energy Corp | Utility | 5,881,116 | 4 | 0.95% |
| CW Hills King LLC | Real Estate Development | 4,481,700 | 5 | 0.72% |
| PCI Development Company LLC | Real Estate Development | 4,407,200 | 6 | 0.71% |
| Mountainview Properties | Real Estate Development | 3,905,300 | 7 | 0.63% |
| Christian Village | Real Estate | 3,489,358 | 8 | 0.56% |
| Priddy Manor | Retirement Home | 3,289,680 | 9 | 0.53% |
| Universal Properties | Real Estate Development | 2,616,862 | 10 | 0.42% |
| Windstream North Carolina Inc | Telecommunications | | | |
| CSE King LP | Utility | | | |
| Time Warner NY Cable | Utility | | | |

| Taxpayer | Type of Business | 2010 [1] 2010 Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
|---|---|---|---|---|
| RJ Reynolds Inc | Tobacco | $ 8,140,300 | 2 | 1.40% |
| Cres Tobacco Company Inc | Utility | 7,526,650 | 3 | 1.29% |
| Duke Energy Corp | Tobacco | 3,172,428 | 9 | 0.55% |
| CW Hills King LLC | Real Estate Development | 3,540,300 | 7 | 0.61% |
| PCI Development Company LLC | Real Estate Development | 4,304,100 | 4 | 0.74% |
| Mountainview Properties | Real Estate Development | 3,732,000 | 6 | 0.64% |
| Christian Village | Real Estate Development | 2,686,600 | 10 | 0.46% |
| Christian Village | Real Estate | - | - | 0.00% |
| 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

| | | | Collected within the Fiscal Year of the Levy | | | Total Collections to Date | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Tax Year | Taxes Levied for the Fiscal Year | Amount | Percentage of Levy | Collections-Prior Year | Amount | Percentage of Levy |
| 2009 | 2008 | 2,049,733 | 2,006,988 | 97.91% | 38,314 | 2,045,302 | 99.78% |
| 2010 | 2009 | 2,208,688 | 2,167,020 | 98.11% | 28,747 | 2,195,767 | 99.41% |
| 2011 | 2010 | 2,222,568 | 2,162,540 | 97.30% | 50,608 | 2,213,148 | 99.58% |
| 2012 | 2011 | 2,348,552 | 2,284,213 | 97.26% | 49,229 | 2,333,442 | 99.36% |
| 2013 | 2012 | 2,363,604 | 2,301,292 | 97.36% | 43,844 | 2,345,136 | 99.22% |
| 2014 | 2013 | 2,490,209 | 2,429,840 | 97.58% | 35,632 | 2,465,472 | 99.01% |
| 2015 | 2014 | 2,425,465 | 2,364,474 | 97.49% | 36,731 | 2,401,205 | 99.00% |
| 2016 | 2015 | 2,447,040 | 2,390,969 | 97.71% | 41,672 | 2,432,641 | 99.41% |
| 2017 | 2016 | 2,480,643 | 2,424,090 | 97.72% | 43,932 | 2,468,022 | 99.49% |
| 2018 | 2017 | 2,622,376 | 2,581,986 | 98.46% | - | 2,581,986 | 98.46% |

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

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

[1] Uses Stokes County personal income numbers as data not available for City of King. See Demographic Statistics Schedule for personal income data
[2] Personal income and population information not yet available
[3] See Schedule Demographic Statistics for population data.

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

| Fiscal Year | Assessed Value | Debt Limit 8% of Total Assessed Value | Less: Amount of debt applicable to debt limit | Less: General Obligation Bonds authorized, not issued | Legal Debt Margin | Total net debt applicable to the limit as a percentage of debt limit |
|---|---|---|---|---|---|---|
| 2009 | 534,739,000 | 42,779,120 | 1,691,128 | | 41,087,992 | 3.95% |
| 2010 | 581,386,600 | 46,510,928 | 1,388,171 | | 45,122,757 | 2.98% |
| 2011 | 585,040,274 | 46,803,222 | 1,108,353 | | 45,694,869 | 2.37% |
| 2012 | 618,202,690 | 49,456,215 | 1,310,624 | | 48,145,591 | 2.65% |
| 2013 | 591,048,837 | 47,283,907 | 1,307,510 | | 45,976,397 | 2.77% |
| 2014 | 590,096,682 | 47,207,735 | 1,147,793 | | 46,059,942 | 2.43% |
| 2015 | 574,754,502 | 45,980,360 | 1,206,749 | | 44,773,611 | 2.62% |
| 2016 | 579,867,062 | 46,389,365 | 1,147,282 | | 45,242,083 | 2.47% |
| 2017 | 587,829,858 | 47,026,389 | 1,028,772 | | 45,997,617 | 2.19% |
| 2018 | 621,415,877 | 49,713,270 | 1,176,186 | | 48,537,084 | 2.37% |

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, 2018

| 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] | 552,243,524 | 0.18% | 995,393 |
| Total | $ 552,243,524 | | $ 995,393 |
| City direct debt | | | 1,176,186 |
| Total direct and overlapping debt | | | $ 2,171,579 |

[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 concinde, 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 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 | 6,982 | 1,520,821 | 32,811 | [6] | 5.9% |
| 2016 | 6,992 | 1,537,538 | [6] | [6] | 4.8% |
| 2017 | 6,930 | [6] | [6] | [6] | 4.0% |
| 2018 | [6] | [6] | [6] | [6] | 3.9% |

[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 North Carolina Office of State Budget and Management.

[3] Information is not available for the City of King. County data is from the North Carolina Office of State Budget and Management.

[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 Seven Years Prior

| City of King | 2018 [3] | | | 2011 [3] | | |
|---|---|---|---|---|---|---|
| Employer | Employees [4] | Rank | Percentage of Total County Employment | Employees [4] | Rank | Percentage of Total County Employment |
| Stokes County Board of Education | 1,000 | 1 | 4.65% | 1,000 | 1 | 4.87% |
| Wieland Copper Products | 250 | 2 | 1.16% | 500 | 2 | 2.44% |
| County of Stokes | 250 | 3 | 1.16% | 250 | 3 | 1.22% |
| Wal-Mart Associates Inc | 250 | 4 | 1.16% | | | |
| Melan Construction Company | 250 | 5 | 1.16% | | | |
| Lifebrite Hospital Group of Stokes [5] | 250 | 6 | 1.16% | 250 | 4 | 1.22% |
| Food Lion LLC | 100 | 7 | 0.46% | | | |
| YMCA of Northwest North Carolina | 100 | 8 | 0.46% | 100 | 6 | 0.49% |
| Priddy Manor Assisted Living | 50 | 9 | 0.23% | | | |
| Forsyth Technical College | 50 | 10 | 0.23% | | | |
| Autumn Corporation | | | | 100 | 5 | 0.49% |
| 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] 21,528

[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 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| General Government | | | | | |
| Administration | 6 | 6 | 6 | 6 | 6 |
| Finance | 7 | 7 | 6 | 6 | 6 |
| Public Works | 3 | 3 | 3 | 3 | 3 |
| Engineering | 1 | 1 | 1 | 1 | 1 |
| Planning & Inspections | 3 | 2 | 2 | 2 | 2 |
| Recreation[(2)] | 3 | 3 | 3 | 3 | 3 |
| Public Safety | | | | | |
| Police | 23 | 23 | 22 | 20 | 20 |
| Fire[(1)] | 15 | 15 | 16 | 16 | 16 |
| Water/sewer (Business activity) | 17 | 16 | 16 | 17 | 17 |
| Total | 78 | 76 | 75 | 74 | 74 |

| Function | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| General Government | | | | | |
| Administration | 6 | 6 | 6 | 7 | 7 |
| Finance | 6 | 6 | 6 | 6 | 6 |
| Public Works | 3 | 3 | 3 | 4 | 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 | 21 | 21 | 22 |
| Fire[(1)] | 16 | 16 | 17 | 19 | 22 |
| Water/sewer (Business activity) | 17 | 17 | 18 | 18 | 18 |
| Total | 74 | 74 | 77 | 81 | 85 |

[(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 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Number of Arrests | 384 | 612 | 400 | 183 | 410 | 451 | 675 | 313 [5] | N/A | N/A |
| Number of Citations | 619 | 1,003 | 901 | 317 | 545 | 520 | 679 | 345 [5] | N/A | N/A |
| Foot Patrol | | | | | | | | 2,076 | 2,397 | 5,612 |
| Security Check | | | | | | | | 2,341 | 2,239 | 3,813 |
| Fire | | | | | | | | | | |
| Number of Fire Calls Answered | 817 | 953 | 952 | 691 | 742 | 717 | 812 | 866 | 875 | N/A |
| Number of EMS Calls Answered | 1,388 | 1,307 | 1,301 | 1,376 | 1,470 | 1,374 | 1,536 | 1,577 | 1,318 | N/A |
| Planning and Inspections | | | | | | | | | | |
| Planning | | | | | | | | | | |
| Zoning Permits issued | 12 | 3 | 3 | 2 | 0 | 5 | 24 | 11 | 14 | 16 |
| Inspections | | | | | | | | | | |
| Building Permits Issued | 616 | 536 | 595 | 423 | 451 | 446 | 655 | 678 | 575 | 553 |
| Inspections performed | 1,091 | 946 | 719 | 867 | 634 | 666 | 1,284 | 1,234 | 882 | 915 |
| 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) | 210 | 248 | 197 | 191 | 165 | 235 | 297 | 293 | 271 | 292 |
| Library | | | | | | | | | | |
| Material Circulated | 84,023 | 82,055 | 86,277 | 79,983 | 84,396 | 80,621 | 79,725 | N/A | N/A | N/A |
| Internet use | 21,710 | 22,571 | 22,704 | 25,085 | 24,078 | 23,003 | 28,671 | N/A | N/A | N/A |
| Streets | | | | | | | | | | |
| Number of streetlights | 693 | 700 | 702 | 705 | 711 | 730 | 768 | 770 | 770 | 782 |
| Miles of streets | 38.805 | 38.727 | 38.767 | 39.687 | 39.687 | 39.700 | 39.667 | 39.667 | 39.669 | 39.823 |
| Solid Waste | | | | | | | | | | |
| Number of customers | 2,402 | 2,425 | 2,446 | 2,472 | 2,482 | 2,496 | 2,505 | 2,525 | 2,546 | 2,515 |
| Yard Cart permits sold | | | | | 146 | 158 | 150 | 173 | 173 | 144 |
| 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 | 7,984 | 7,957 | 8,044 | 8,557 | 8,508 | 7,956 | 8,009 | 8,089 | 8,088 | 8,122 |
| Number of sewer customers | 3,000 | 3,000 | 2,677 | 2,692 | 3,015 | 2,859 | 3,023 | 2,699 | 2,695 | 2,738 |
| Average gallons of sewer treated per day | | | 60,084 | 64,434 | 66,539 | 66,481 | 67,693 | 71,264 | 69,493 | 70,573 |

[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 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 693 | 700 | 702 | 705 | 711 | 730 | 768 | 770 | 770 | 770 |
| Miles of streets | 38.805 | 38.727 | 38.767 | 39.687 | 39.687 | 39.700 | 39.667 | 39.667 | 39.669 | 39.669 |
| Water/sewer (Business activity) | | | | | | | | | | |
| Number of water customers | 7,984 | 7,957 | 8,044 | 8,557 | 8,508 | 7,956 | 8,009 | 8,089 | 8,088 | 8,122 |
| Number of sewer customers | 3,000 | 3,000 | 2,677 | 2,692 | 3,015 | 2,859 | 3,023 | 2,699 | 2,695 | 2,738 |

Source: City of King Finance Department

**CITY OF KING, NORTH CAROLINA**

**Utility Rates**

Last Eight Fiscal Years

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

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

**Utility Customer Concentration**

Last Five Fiscal Years

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

# COMPLIANCE SECTION

cannon&company LLP
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, 2018, 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 22, 2018.

## 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.

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219 Moore Road / P.O. Box 330 / King, NC 27021 / 336-983-5985 / Fax 336-983-5935

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**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, L.L.P.

October 22, 2018Comp

**CITY OF KING, NORTH CAROLINA**
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Federal (Direct and Pass-through) Expenditures | State Expenditures | Local Expenditures | Pass-Through to Other Entity |
|---|---|---|---|---|---|
| **Federal Grants:** | | | | | |
| **Cash Programs:** | | | | | |
| U.S. Department of Health & Human Services | | | | | |
| 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 | 1,132 | 2,642 | | |
| **Noncash Programs:** | | | | | |
| U.S. Environmental Protection Agency | | | | | |
| Passed-through N.C. Department of Environmental Quality grants for Clean Water State Revolving Funds (note 3) | 66.468 | - | 0 | | |
| TOTAL ASSISTANCE - FEDERAL PROGRAMS | | 1,132 | 2,642 | - | - |
| STATE GRANTS: | | | | | |
| CASH ASSISTANCE: | | | | | |
| N.C. Department of Transportation | | | | | |
| Powell Bill | N/A | | 168,646 | | |
| NC Department of Commerce | | | | | |
| Community Development Block Grant Program NC-18372 | | | 33,250 | | |
| NC Department of Commerce | | | | | |
| Revitalization and Economic Development Grants 2018-040-1257-1534 | | | 90,000 | | 90,000 |
| N.C. Department of Health & Human Services | | | | | |
| Senior Center Development Passed-through Piedmont Triad Regional Council of Governments- General Purpose Grant | | | 3,647 | 1,216 | |
| TOTAL ASSISTANCE - STATE PROGRAMS | | - | 295,543 | 1,216 | 90,000 |
| Local Grants: | | | | | |
| NCLM Soft Body Armor Grant | | | | 9,790 | |
| TOTAL ASSISTANCE - LOCAL PROGRAMS | | - | - | 9,790 | - |
| TOTAL ASSISTANCE | | $ 1,132 | $ 298,185 | $ 11,006 | $ 90,000 |

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, 2018. 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, 2018. 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.

| Program Name | CDFA Number | Project Number | Grant ID Number | Amount Outstanding |
|---|---|---|---|---|
| Capitalization Grants for State Revolving Funds | 66.468 | WIF-1668 | FS-984338-10 | $11,019,079 |