

THE CITY OF KING, NORTH CAROLINA

*Gateway to the Foothills*

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019



**Jack Warren, Mayor**

**City Council**

Rick McCraw, Mayor Pro Tempore

Charles Allen

Brian Carico

Wesley Carter

**Homer Dearmin, City Manager**

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POPULAR ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2019**

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# **G**ENERAL INFORMATION

## City Profile

The City of King is one of those unique cities that is located in two counties, both Stokes and Forsyth. The majority of the 6,904 population resides in the southwest portion of Stokes County; however, we have a growing population in the northwest corner of Forsyth County. King is located off US Highway 52 (future Interstate 74) north of Winston-Salem. King has been able, even with the rapid growth that we have experienced, to maintain our small town atmosphere. We are noted for our strong sense of community and civic pride. Originally a stage coach stop, King was founded as a train depot in 1888. The town grew rapidly in the 1970's and was incorporated in 1983.

Per Mayor Jack Warren, "We think that once you have had a chance to learn a little more about our community, and the services that the City provides to its citizens, that you will agree that the City of King is truly one of the best places in the world in which to live and work."



The city is governed by its Mayor and City Council who are elected for four year staggered terms in a nonpartisan election. The City Council meets the first Monday of the month at 7:00 pm in the City Hall Council Chambers.

The City Manager is the administrative head of the City and is responsible for directing and managing the daily activities of the City and implementing the policies of the City Council. The City's departments, with 86 full-time authorized positions, include: General Administrative, Engineering, Finance, Planning & Inspections, Police, Fire, Public Works, Public Utilities, Senior Center and Water Plant. Services include: water/sewer utilities, two parks, senior center, garbage collection, recycling and building inspections

## Overview of This Report

The 2019 Popular Annual Financial Report (PAFR) provides interested parties with an overview of the City's financial results. This report is prepared to increase awareness throughout the community of the City's financial operations; therefore, it is written in a user-friendly manner. The information is derived from the audited financial statements in the City's 2019 Comprehensive Annual Financial Report (CAFR) and the City's annual budget.

North Carolina State Statutes require that an annual audit be performed by an independent certified public accountant. This annual audit relates to the City's CAFR and the purpose of the annual audit is to ensure that the City is complying with generally accepted accounting principles (GAAP) and the Federal Single Audit Act.

The PAFR is not required to present the same level of detail as the CAFR. In a summarized version, the PAFR, presented in conformity with GAAP, highlights the overall financial condition and trends of the City. The CAFR provides more detailed information. All reports, including the CAFR and PAFR, may be viewed on the City's website at [www.ci.king.nc.us](http://www.ci.king.nc.us).

CITY OF KING, NORTH CAROLINA

2016 Data	Stokes County Population
	<b>46,453</b>
Ages 0-19	10,381
Ages 20-24	2,454
Ages 25-34	4,635
Ages 35-44	5,704
Ages 45-54	7,427
Ages 55-64	7,086
Age 65+	8,766

Educational Attainment 2016	Stokes County
High School Diploma	27,626
Bachelor's Degree	4,813
K – 12 Enrollment 17-18	5,831
<b>2018 Data</b>	
Average SAT Score	1,080
Percent taking SAT	38.2%

2018 Data	Stokes County
Manufacturing Private Industry	30 644
Self-Employed	1,489
Total Retail Sales	\$319.1 million
Total Retail Businesses	218
Average Sales/Business	\$1,463,605

2016 Data	Stokes County
Total Housing	21,868
Median Value of Owner Occupied Housing	\$120,900
Median Gross Rent Owner Occupied Housing	\$615 14,807
Renter Occupied Housing	4,383
Owner Occupied Housing Vacancy	1.4%
Renter Occupied Housing Vacancy	7.0%

Information is not available for the City of King. Stokes County data is from NC Commerce and the NC Office of State Budget and Management.

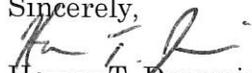


In 2016, the King City Council began a strategic planning effort to direct the City’s course over the next several years. Economic development, succession planning, capital improvements, and technological improvements were just a few areas that were addressed, but a central theme that emerged in the discussion was the idea of King’s identity as a City—how we describe our City to others, how we visualize it ourselves, and how that identity shapes our future vision for growth, stability, and prosperity.

Out of that discussion, our City’s leadership coined the phrase “Gateway to the Foothills” as a slogan and marketing brand for the City of King. Our situation at the edge of the greater Triad area, our position nearly halfway between Hanging Rock and Pilot Mountain State Parks, and our location along the route toward the Yadkin Valley Corridor and mountain region of North Carolina uniquely position the City of King. We are a prime destination for people seeking a community to live and work, to visit and shop, and to begin enjoying the pleasures of a quieter, more scenic and peaceful atmosphere than the ambiance within more urban and densely populated areas can provide.

The term “gateway” is also defined as “a way of achieving something”, and this definition also fits us well in King. Sound decision making, strategic planning, a stable financial position, strong and discerning leadership at all levels of City government, a dedicated and talented workforce of City employees, and continued facility, equipment, and procedural improvements are just a few of the gateways employed in the continued shaping and development of our City. You will find examples in this report of the investments, strategies, and practices over the past year that have moved the City of King forward, and indeed, are collectively the Gateway to the next year’s efforts as well as the long term efforts to progress and flourish our City and each of its departments and functions.

A gateway is also defined as “something in a system that allows you to use its other parts”, and that is the primary intention of this document—the Popular Annual Financial Report, or PAFR. This year’s edition is the fifth year that our Finance Staff has produced this report, which is intended to better inform citizens and other stakeholders about the City of King’s financial position, current efforts and future plans, and to give readers a clear picture of how the work of our City is funded and accomplished. The PAFR is provided in hopes of fostering a better understanding of how we use property tax dollars and other public funds to provide security, safety, serenity, and a variety of amenities and services for our citizens and community members. May it be the “gateway” for the reader to become more informed about and engaged with City Government as we forge ahead to sustain King—the Gateway to the Foothills—as the ideal setting for living, working, and enjoying a quality of life that only our unique City and its features can provide.

Sincerely,  
  
Homer T. Dearmin  
City Manager

# T HE GENERAL FUND

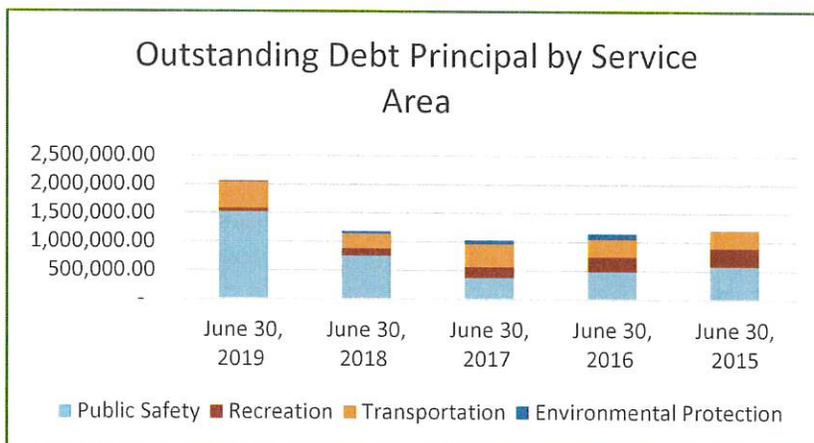
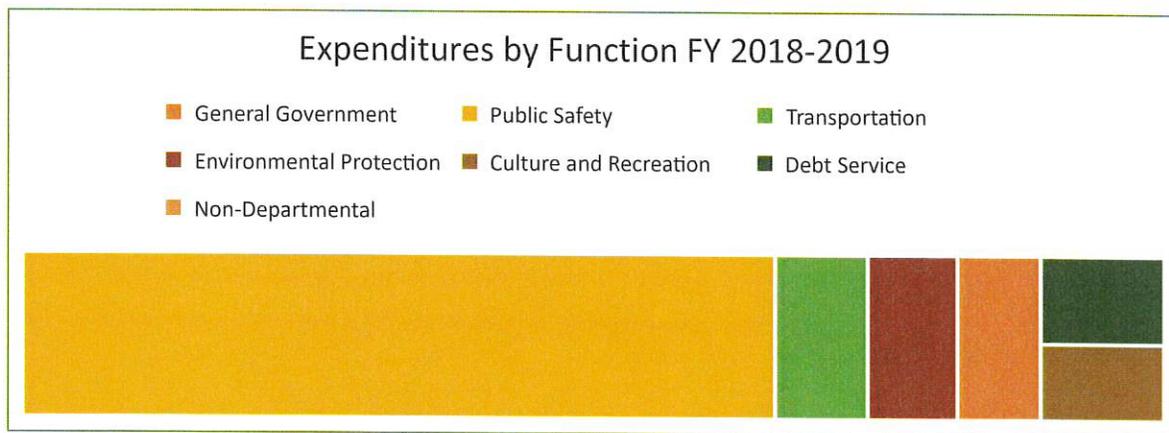
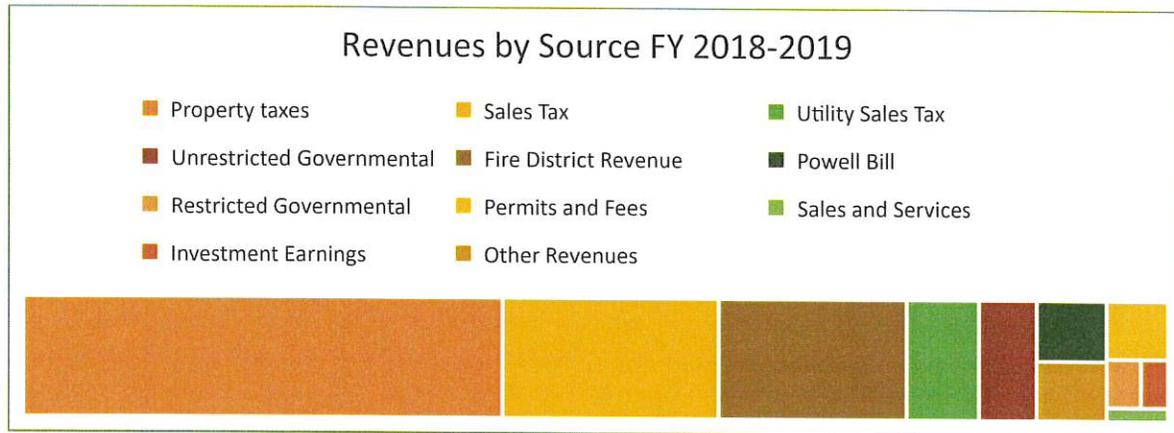
The General Fund is used to account for ordinary operations of the city and to account for all revenues and expenditures that are not required to be accounted for in a separate fund. This includes taxes, other general revenues, licenses and permits. The General Fund is the largest portion of Governmental Funds as reported per GAAP in the CAFR; only the operating revenues and expenditures in the General Fund are used in this PAFR.

General Fund Revenue Sources	2019	2018	General Fund Expenditures by Governmental Function	2019	2018
Property taxes	2,676,714	2,647,569	<b>General Government</b>		
Sales tax	1,210,372	1,109,315	Governing Body	57,485	64,256
Utility sales tax	405,829	392,912	Administration	135,148	168,575
Unrestricted Governmental	321,285	327,114	Finance	170,214	166,817
Fire District Revenue	1,049,809	977,066	Public Buildings	17,389	22,850
Powell Bill	197,958	201,979	Planning and Inspections	209,919	194,435
Restricted Governmental	76,276	161,406	<b>Public Safety</b>		
Permits and Fees	166,191	135,627	Police	3,063,757	2,008,522
Sales and Services	39,038	26,689	Fire	2,268,727	2,381,523
Investment Earnings	61,286	42,978	<b>Transportation</b>		
Other Revenues	193,323	157,176	Streets	653,539	479,794
			<b>Environmental Protection</b>		
			Solid Waste	366,990	351,143
			Public Works	270,262	238,980
			<b>Culture/Recreation</b>		
			Recreation	281,262	362,151
			Community Development	19,560	17,555
			Library	17,006	15,439
			Senior Center	89,560	88,990
			<b>Debt Service</b>		
			Principal	428,488	377,521
			Interest	37,024	27,108
			<b>Non-Departmental</b>	764	559
<b>Total</b>	<b>\$6,398,081</b>	<b>\$6,179,831</b>	<b>Total</b>	<b>\$8,087,094</b>	<b>\$6,969,218</b>

Below are charts illustrating the data on the previous page and outstanding debt. The largest revenue source is property tax, supporting 33.10% of services to citizens, and the greatest expenditure, 65.94%, is for public safety.

Revenues increased for FY 2018-2019 by \$218,250, or 3.54%, from the previous year. The largest increases were seen in sales tax and fire district revenue.

Expenditures for FY 2018-2019 increased by \$1,117,876, or 16.05%, from the previous year. The largest increases were seen in Public Safety for the purchase of a building for the Police Department and purchase of a new brush truck combined with a reconfiguration of a rescue truck for the Fire Department.



The total amount of debt outstanding at June 30, 2019 was \$2,044,239; all of this debt is in the form of Direct Placement Installment Financing. The graph illustrates outstanding debt principal by service area.

Fund Balance represents monies remaining unspent after all budgeted expenditures have been made. Similar to a savings account, Fund Balance represents fiscal sustainability and can be used for additional needs such as emergencies or capital projects. City policy has a minimum available fund balance of 25% with an additional clause that fund balance in excess of 40% may be used for one-time capital expenditures.

	2019	2018
Fund Balance	\$ 2,646,252	\$ 2,828,518
General Fund Expenditures	\$ 8,087,094	\$ 6,969,218
<b>Fund Balance as a percentage of expenditures</b>	<b>32.72%</b>	<b>40.59%</b>

Fund Balance	2019	2018
Total Fund Balance	\$ 3,227,937	\$ 3,555,392
Less:		
Stabilization by state statute	438,201	431,773
Streets-Powell Bill	610	35,018
Committed-Public Safety	142,874	260,083
Fund Balance per Policy	2,021,775	1,742,304
<b>Unassigned</b>	<b>624,477</b>	<b>1,086,214</b>



## RATE AND FEE STATISTICS

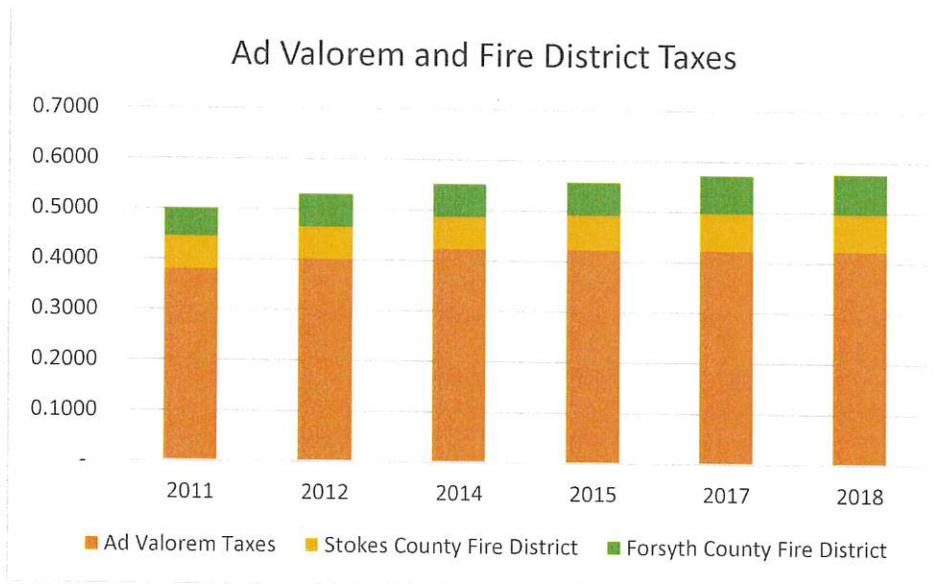
Ad Valorem Taxes	2011	2012	2014
Rate per \$100 of property value	0.3799	0.3999	0.422

Motor Vehicle Fee	2011
Rate per vehicle (billed with property tax)	5.00

Fire District (Rate per \$100 of property value)	2011	2012	2015	2017	2018
Stokes County	.0650	.0650	.0700	.0750	.0750
Forsyth County	.0550	.0650	.0650	.0750	.0786

Landfill tipping fee	2011	2012	2014	2020
Per year per solid waste customer	2.18	6.00	24.00	27.60

Yard Waste Fee	2011
Rate per year per yard waste cart	50.00
One-time purchase of yard cart	80.00



## ANNUAL CONTRIBUTIONS

Library	2001	2006	2013	2017	2018
Annual Contribution	\$ 2,500	\$ 5,000	\$ 5,250	\$ 6,250	\$ 7,250

Chamber of Commerce	1993	1996	2001	2009	2012	2013
Annual Contribution	\$ 500	\$ 1,000	\$ 5,500	\$ 5,000	\$ 4,000	\$ 3,500

# E<sub>N</sub>TERPRISE FUND

Enterprise Fund – accounts for operations that are similar to private business. The City’s Enterprise Fund accounts for water and sewer services. The City of King is dedicated to providing high quality drinking water to our customers while striving to protect the environment. Only operating revenues and expenses are used in this PAFR.

Enterprise Fund Revenue Sources	2019	2018	Enterprise Fund Expenses	2019	2018
Water sales	2,830,426	2,696,595	<b>General</b>		
Sewer charges	3,202,011	3,091,233	Governing Body	53,337	47,165
Water/sewer taps	51,170	48,260	Administration	197,126	199,294
Water/sewer capacity	18,000	19,188	Finance	350,772	331,069
Water/sewer line	20,540	15,795	Engineering	147,831	139,968
Investment Earnings	89,106	27,781	<b>Water Operations</b>		
Other	4,035	15,410	Water Plant	1,011,454	935,912
			Water Distribution	987,095	972,406
			<b>Wastewater</b>		
			Operations	1,663,069	1,482,464
			Maintenance	218,461	175,806
			<b>Debt Service</b>		
			Principal	800,126	797,264
			Interest	60,527	47,315
			<b>Capital Outlay</b>		
			Capital Outlay	103,442	383,042
<b>Total</b>	<b>\$6,315,288</b>	<b>\$5,914,262</b>	<b>Total</b>	<b>\$5,593,240</b>	<b>\$5,511,707</b>

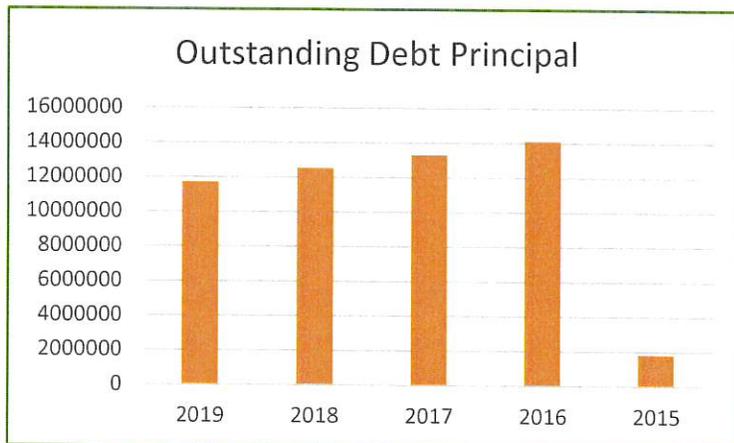
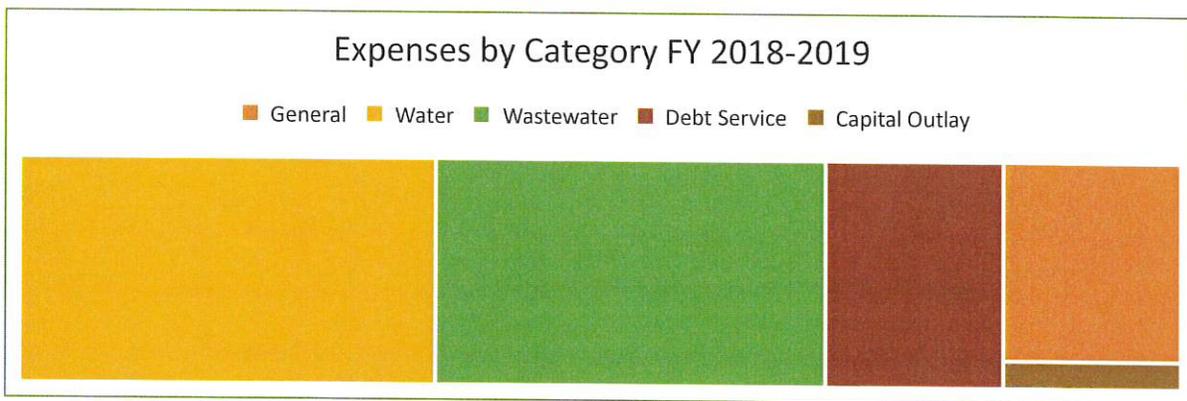
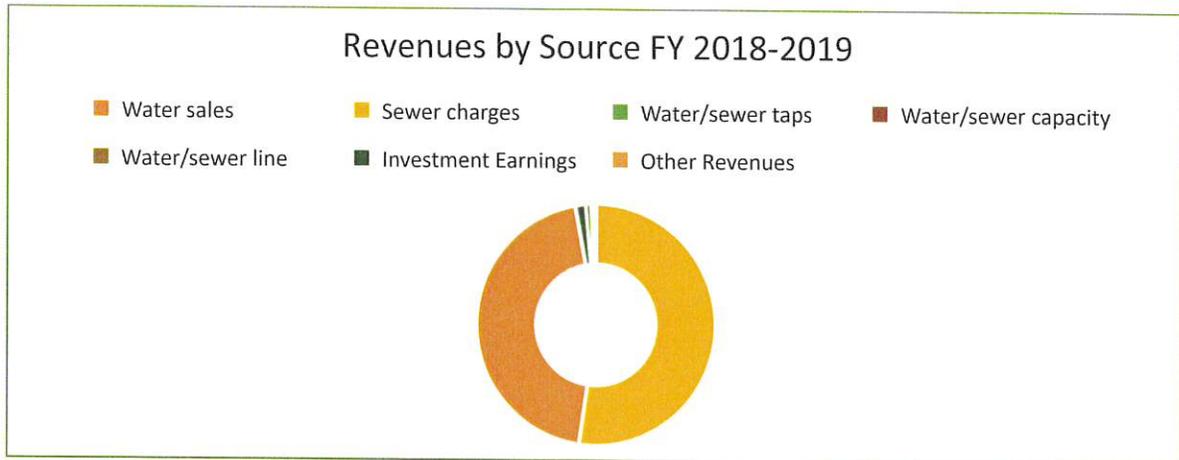


Yadkin River at flood stage

Below are charts illustrating the data on the previous page and outstanding debt principal. Please note the largest revenue source, 50.71%, and the greatest expense, 33.64%, are both for wastewater.

Revenues increased for FY 2018-2019 by \$401,026, or 6.79%, from the previous year. The largest increase was in wastewater (sewer) revenue.

Expenses for FY 2018-2019 increased by \$81,533, or 1.48%, from the previous year. The largest increase was in wastewater for sewer treatment.

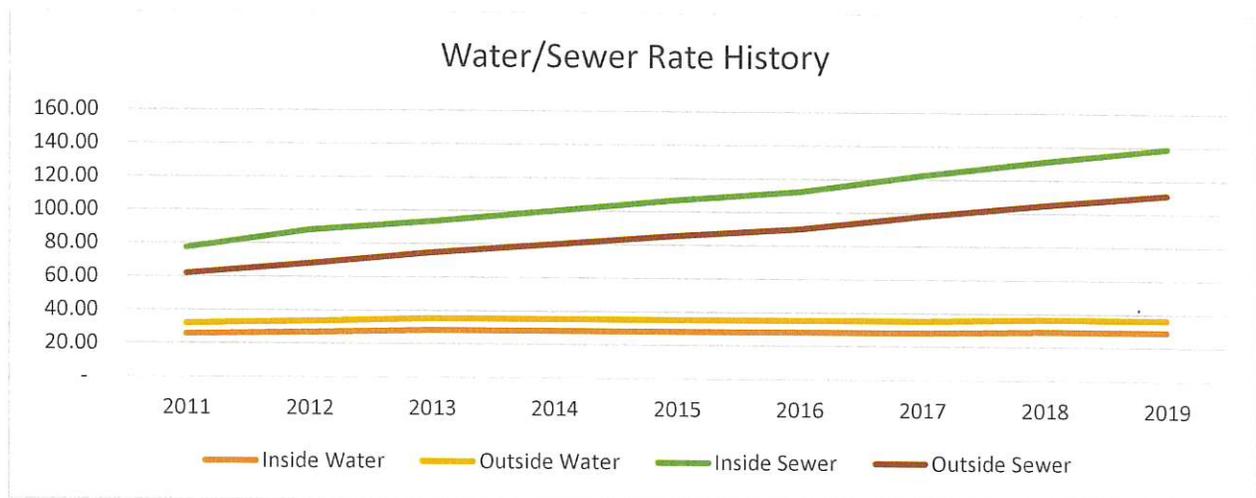


This debt is for water/sewer projects. The majority, \$10,370,981, outstanding at June 30, 2019 is for water plant improvements completed in 2016.

## UTILITY STATISTICS

Inside City Limits	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Base Rate	25.53	26.81	28.15	28.15	28.15	28.15	28.15	28.99	28.99
Per 1,000 gallons over 4,000 gallons	2.74	2.88	3.02	3.02	3.02	3.02	3.02	3.11	3.11
Sewer Base Rate	61.79	67.97	74.77	80.00	85.60	89.88	97.97	104.83	111.12
Per 1,000 gallons over 4,000 gallons	3.54	3.90	4.28	4.58	4.90	5.14	5.61	6.00	6.46

Outside City Limits	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Base Rate	31.91	33.51	35.19	35.19	35.19	35.19	35.19	36.25	36.25
Per 1,000 gallons over 4,000 gallons	3.45	3.63	3.78	3.78	3.78	3.78	3.78	3.89	3.89
Sewer Base Rate	77.24	87.97	93.46	100.00	107.00	112.35	122.46	131.03	138.89
Per 1,000 gallons over 4,000 gallons	4.47	4.92	5.35	5.72	6.12	6.43	7.01	7.50	7.95



BOD/TSS Fees	2011	2012	2019
Residents and Non-Food Establishments (bi-monthly rate)	3.76	6.82	7.25
Food Service Establishments (bi-monthly rate)	15.04	27.28	29.00

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

**New for FY 2019-2020**

In late FY 18-19, the City purchased an existing building and property for a new Police Department. The Patrol Division and CID (Criminal Investigations Division) will move into the lower level of the building and Administration will occupy the main level. Renovations to the lower level are anticipated in FY 19-20.

A new Parks & Recreation Director was hired in December 2018. Several new programs are up and running including exercise and craft classes and nature hikes. The city held a travel softball tournament in October 2019 and fundraising efforts are ongoing for a newly-budgeted project for a dog park.

A pay study was completed and implemented in FY 18-19; therefore, no COLA (Cost of Living Adjustment) was included in the FY 19-20 budget. No new positions were added for FY 19-20; however, as part of the pay study, the Captain's position was reinstated in the Police Department.

The budget for the fiscal year 19-20 includes funds appropriated for resurfacing portions of seven (7) streets, purchase of two (2) police vehicles, an administrative vehicle for fire, and two (2) replacement K-9 officers, and renovations to the new building purchased for the police department.

Rate increases of 3% for water and 3.5% for sewer were approved. Enterprise Fund major projects included in the budget are completion of the design phase for the proposed wastewater plant and refurbishment of a sewer pump station.

Replacement K9 officers Kimba and Xena pictured below.



# CCOMPLISHMENTS, WARDS AND CCOLADES

## ACCOMPLISHMENTS

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,768,164 (net position) at the close of FY 2018-2019.
- Overall net position increased by \$228,206.
- Tax collection percentage for FY 2018-2019 was 98.54%.
- Sales tax revenues increased by \$101,057 for FY 2018-2019 over the previous fiscal year.

## AWARDS

The Finance Department received the following awards (valid for one year only) from the Government Finance Officers Association (GFOA):

- Certificate of Achievement for Excellence in Financial Reporting for the CAFR for the year ended June 30, 2018 (nine consecutive fiscal years, 2010-2018).
- Distinguished Budget Presentation Award for the year beginning July 1, 2019 (seven consecutive budget years, 2014-2020).
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended June 30, 2018 (fourth consecutive year).



Government Finance Officers Association

### **Award for Outstanding Achievement in Popular Annual Financial Reporting**

Presented to

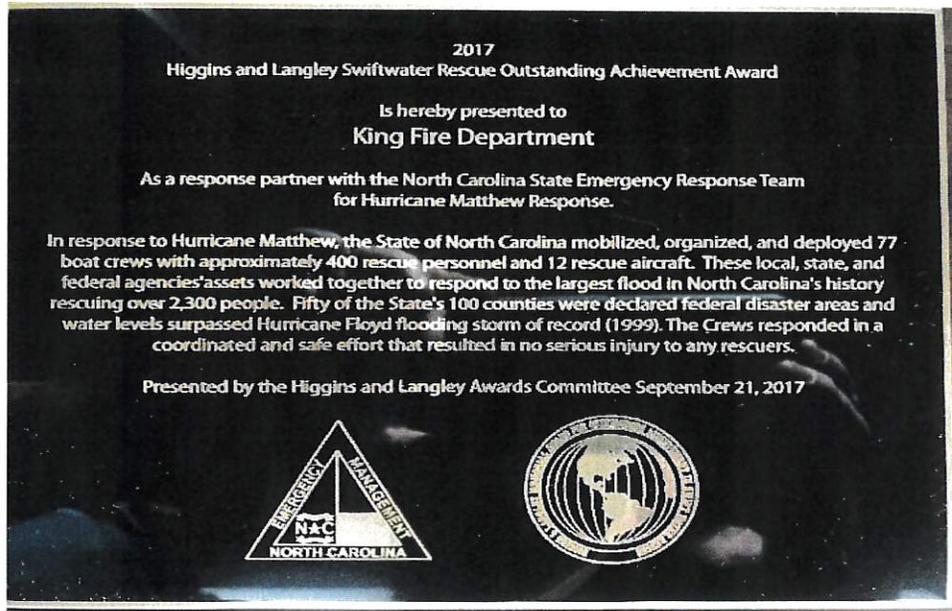
**City of King  
North Carolina**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*  
Executive Director/CEO

The Fire Department received the Higgins and Langley Award in 2018 from North Carolina Emergency Management for swift water rescue response for Hurricane Matthew.



City Manager Homer Dearmin was honored by the King Chamber of Commerce as Business Leader of the Year in 2018.





The Water Plant was featured in the January 2018 issue of TPO (Treatment Plant Operator), a national magazine, for improvements and technological advances at the facility. In addition, the plant received a 2017 award for Area Wide Optimization from the state.



Todd Cox, Director of Planning and Inspections, received the North Carolina Zoning Official of the Year in 2015

## ACCOLADES



**King is named as one of 30 Great Affordable Small Towns with low insurance rates!**

King, North Carolina was recognized in part because the average rate of only \$630 annually for car insurance is 9% lower than the North Carolina average.



**NC Safest Cities**

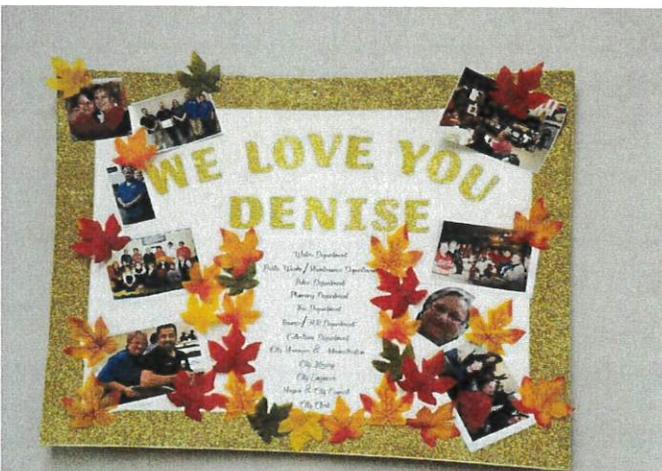
The National Council for Home Safety and Security on Monday, April 3, 2017 named King as one of the 50 Safest Cities in North Carolina, which is comprised of over 540 cities and towns.

**City of King named among the top 10 most affordable towns in North Carolina**

Financial website SmartAsset has named King among the top 10 most affordable towns in North Carolina!



*In memory of Denise Shelton, a member of our Water Treatment Plant staff, who passed away in November 2018. In the photo above; Denise is pictured second from left with the other members of the water plant staff and below is a photo collage created for an October 2018 celebration of Denise's service to the City.*



In October 2008, the City of King welcomed Police Chief, Paula May, pictured above being sworn into office.

In January 2019, we celebrated Chief May's retirement as the longest-serving Police Chief in King's history. Below is a picture from her retirement celebration as she received the Order of the Long Leaf Pine from Representative Kyle Hall.

