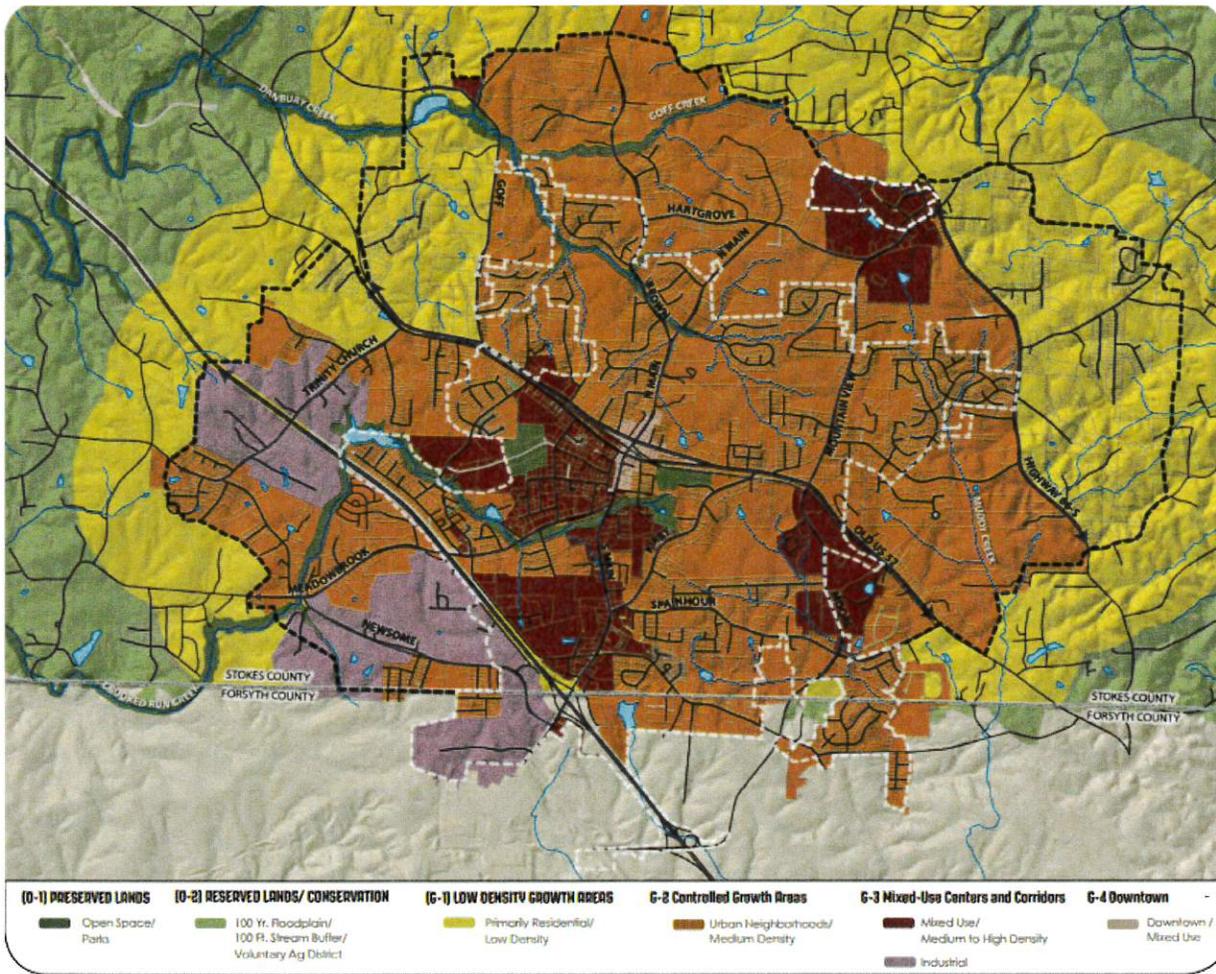


THE CITY OF KING, NORTH CAROLINA  
 POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018



Jack Warren, Mayor

City Council

Rick McCraw, Mayor Pro Tempore

Charles Allen

Brian Carico

Wesley Carter

Homer Dearmin, City Manager



*New sidewalk construction downtown*



*Fire Department training*



*Employee of the Quarter, City Engineer Scott Barrow*

## 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 80 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

## LETTER FROM THE CITY MANAGER

**City Manager Homer Dearmin was honored by the King Chamber of Commerce as the Business Leader of the Year. His acceptance speech is below.**

Thank you to the King Chamber of Commerce for this award, and to everyone for being here this evening and supporting all of tonight's award recipients, and especially for supporting our Chamber.

I am very honored and humbled to receive this award. To be listed among so many men and women who have led King's business community and served in so many capacities over the years is truly humbling. Thank you to the volunteers who have organized tonight's event, and to all of our Chamber volunteers and staff who work so hard to promote our community, and who care for the legacy that so many have left for us.

Congratulations to the Future Business Leaders who were recognized tonight. You reflect the pride of your families, your schools, and your community.

Congratulations to Mike Culler, the Stokes Partnership for Children, and Mitchell's Nursery on your recognitions tonight. I am honored to share the stage with you this evening. Thank you for your leadership in our community!

I'd like to thank my wife Kris, for her love and support. Last week, we celebrated 10 years of marriage. I appreciate her patience and understanding, and putting up with my hectic schedule. Thank you to my family for being here tonight and for their love and support in so many ways.

Thanks to Cathy Loveday and Katie Brundege for all that they do to run our chamber. The work they do to organize events and coordinate volunteers for Chamber events like KingFest and Meet Me on Main, and the work they do to recognize and promote the businesses throughout our City and County is so important, yet often thankless. I'd like to ask everyone to join me in a round of applause for the great work that these ladies do each day!

I'd like to thank Our Mayor and our City Council for the confidence that they have placed in me to serve as King's City Manager, and giving me the opportunity to serve on the Chamber's Board of Directors since I came to King in 2014. Our Mayor and Council are men of different backgrounds and opinions, but it is clear that they each have the best interests of our Citizens as their central focus. I am grateful to work with and for them each day to carry out the functions of City governance.

As a public manager, I am very proud to be in a profession that values high ethical standards. The International City Managers Association Code of Ethics mirrors closely the values inculcated in Rotary's Four Way Test and the Declaration of Rotarians in Business and Professions, as well as the tenets of the Scout Oath and Law. These value systems combine with the values I learned from my parents and family and my faith to guide my decision making and influence my daily interactions. There is no doubt that I often fall short of the expectations set forth in all of those value systems and guidelines, but I am grateful for foundation they have provided me to guide my decisions as a City Manager.

I am fortunate to work with a City staff that I would put up against any local government in our State. Our public safety personnel, utility crews, finance and administrative staff, program support personnel, and facilities and grounds maintenance employees come to work each day with positive attitudes and servants' hearts. Thank you especially to all of our department heads—many of whom are here tonight—for making our City run well every day.

I am proud of the partnership that the City of King shares with the King Chamber, and with the many business relationships the City of King has with Chamber members. Together, we are working every day to attract businesses, visitors, and new residents, and to find new ways to showcase King as a thriving small city, a gateway to the foothills, and a place with the amenities, infrastructure, and sense of community that makes King our home. Our Council understands the importance of a strong partnership with our Chamber of Commerce, and they understand that our City's economic development depends a great deal on that partnership.

Our schools, families, businesses, community organizations and places of worship bring us together in so many different ways, and our partnerships with each other are key to the health and viability of our City. I am

extremely grateful to be a small part of a much bigger picture—so many people and organizations that make King such a great place to live, work, visit, and play. Everyone here contributes to our community in so many different ways, and if I can leave you with anything this evening, I hope it is to encourage you to continue to find ways to enhance and strengthen our community. Several years ago, Adam Moore, a youth leader in the Scouting program issued a challenge during his remarks at a banquet for everyone to “step up and serve”. Those simple four words have remained with me ever since. If each of us continues to step up and serve more, and we encourage others to step up and serve, there is no limit to what we can accomplish, and no limit to the things we can do to make King a better place for everyone. Continue to build the relationships and partnerships that result in new projects, increased services and amenities, and a stronger sense of community here in King and throughout the greater Stokes and Forsyth County area. I am excited for what our future holds in King, and look forward to continuing to work with each of you to take our community to new and greater heights.

Thank you again for selecting me as your Business Leader of the Year, and to each of you for being here tonight. I will do my best each day to live up to the honor you have bestowed. Thank you!



*City Manager Homer Dearmin's acceptance speech*



*From L to R: Kris Dearmin and Homer Dearmin, Business Leader of the Year; Mike Culler, Retired Business Leader of the Year, and Jan Culler*

## OVERVIEW OF THIS REPORT

The 2018 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 2018 Comprehensive Annual Financial Report (CAFR) and the City's annual budget.

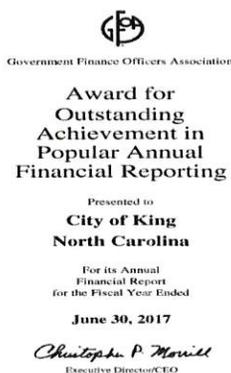
North Carolina State Statutes require that an annual audit be performed by an independent certified public accountant. This annual audit relates to the City's CAFR and the purpose of the annual audit is to ensure that the City is complying with generally accepted accounting principles (GAAP) and the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

## AWARDS

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

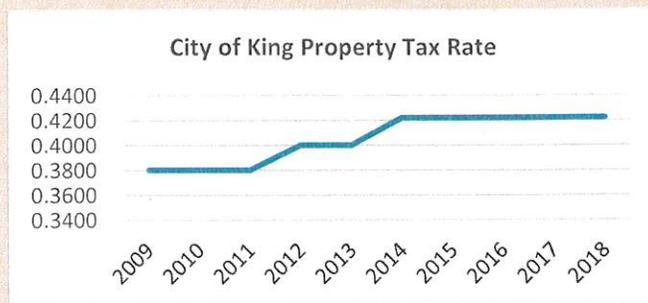
- Certificate of Achievement for Excellence in Financial Reporting for the CAFR for the year ended June 30, 2017 (eight consecutive fiscal years, 2010-2017).
- Distinguished Budget Presentation Award for the year beginning July 1, 2018 (six consecutive budget years, 2014-2019).
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the year ended June 30, 2017 (fourth consecutive year).



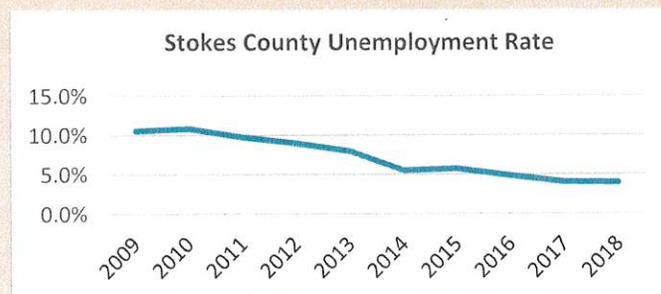
## COMMENTARY

The City relies primarily on taxes for its governmental activities. Users pay a related charge associated with service for utilities in business-type activities.

The City has made an effort to live within the constraints of available revenue and addressed only the most pressing needs since the economic downturn. The City's staff has done an outstanding job of controlling costs. The Manager and Governing Body have maintained the City's financial integrity.



Following a peak high of 10.8% in 2010 during the economic downturn, the unemployment rate for Stokes County has decreased to 3.9% for 2018.



The City's employee base has grown by 14.87% in the last four fiscal years, from a low of 74 employees during FY 11-12 through FY 14-15 to 85 employees in FY 17-18.

Function	2018
General Government	23
Public Safety	44
Water/sewer (Business activity)	18
<b>Total</b>	<b>85</b>

City Council approved a comprehensive plan for the City that is part of the overall Stokes 2035 plan. Some of the goals of that plan are to improve the appearance of buildings and streets, increase connectivity with sidewalks, maintain Stokes County's rural and agricultural character, and support medical oriented growth.

Other concepts suggested for exploration include integrating residential units into the downtown area, studying the potential for new public spaces, improving the functionality and appearance of public space, and redeveloping existing buildings as a catalyst for additional downtown development.

To further portions of the comprehensive plan, downtown improvements began in the FY 2017-2018 budget year and are continuing as we enter the FY 18-19 budget year; these are increasing decorative lighting and furthering connectivity with additional sidewalks. Additional funding is appropriated in the budget for design work for the proposed gateway in the Stokes 2035 plan.

### Ongoing Priorities

Some of the ongoing priorities of the City Council are: support of the Chamber of Commerce, periodic meetings with Stokes County Commissioners, enhancing the City's image, emphasizing citizen education and participation, and continual replacement of outdated equipment and infrastructure.

Recent activity towards the above include co-sponsoring Chamber events (Meet Me on Main and Kingfest) and joint quarterly meetings with the Stokes County Commissioners and other municipal boards in the county.

In the past two years, playground equipment was replaced at Central Park, the City Manager joined several community organizations and created a Facebook page for the city, parking lots and streets have been resurfaced, and the PAFR is now published. Additionally, protective equipment and water/sewer lines are replaced annually.

### New for FY 2018-2019

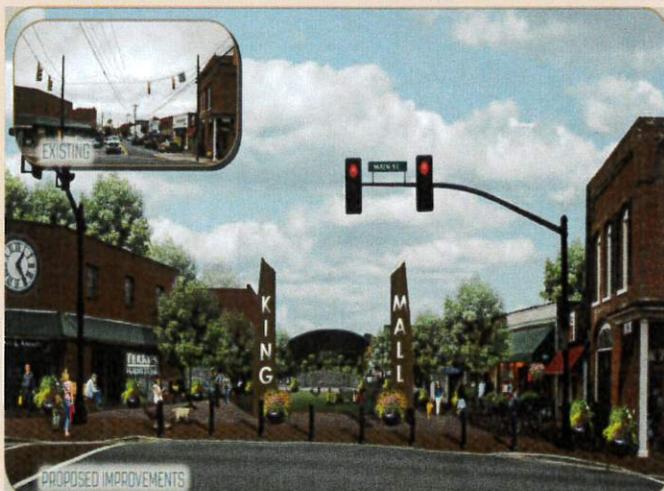
In the budget for the new fiscal year, funds are appropriated for resurfacing portions of eight (8) streets, purchase of four (4) police vehicles and equipment, and refurbish of a brush truck/rescue truck for the Fire Department

Additionally, two (2) new full-time positions were added in Public Safety –one police officer and one SRO (School Resource Officer) – and one in Recreation Acres - a Parks & Recreation Director. Employees received a 3.0% COLA (Cost of Living Adjustment).

The budget also contains funding for smaller projects that include a new truck and tractor for Streets, replacement bay doors for the Fire Department, evidence lockers at the Police Department, and a new drag and aerator for Recreation Acres.



Stokes 2035 Vision Plan proposed King Gateway



Stokes 2035 Vision Plan Proposed downtown pedestrian mall



King Elementary SRO Roddy

## GENERAL FINANCIAL INFORMATION

The City's budget and financial reporting is comprised of two major parts – the General Fund and the Enterprise Fund.

### 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, contributions, transfers and reimbursements from other funds. Authority for General Fund revenues comes from the North Carolina General Statutes. Applicable statutes include 105-286, 105-317, 105-463 through 105-538, 105-116.1, 105-187.44, 105-164.44F, 105-164.44I, 136-41.1 through 136-41.4, Chapter 69 – Article 3A, 20-97, and 159-30. The General Fund is the largest portion of Governmental Funds as reported per GAAP in the CAFR; only the General Fund is used in this PAFR.

### Ad Valorem Tax

Property tax revenue is the largest single revenue source for the City. The tax is levied each year on the value of real property and certain personal and public utility property that is listed as of January 1 of each year. Real property must be revalued at least every eight years in accordance with the provisions of the North Carolina General Statutes. Personal and utility values are adjusted annually.

The City contracts with Stokes and Forsyth Counties to levy and collect ad valorem taxes on behalf of the City. Amounts collected by the counties on behalf of the City are remitted to the City on a monthly basis.

The City's tax rate has remained at \$0.422 per hundred since Fiscal Year 2013-2014.

This revenue source is unrestricted and, therefore, may be used for any General Fund operating expenditure.

The chart below illustrates the amount collected for ad valorem tax for Fiscal Years 2009-2010 through the budgeted amount for 2018-2019.



### Unrestricted Intergovernmental Revenues

These revenue sources are unrestricted and, therefore, may be used for any General Fund operating expenditure.

#### Local Option Sales Tax

Sales Taxes are collected by the State of North Carolina and distributed monthly with a two-month lag between collections and distribution. This revenue is highly responsive to changes in economic factors and inflation. During positive economic periods, sales tax revenue increases with a rise in retail business but normally declines during negative economic periods.

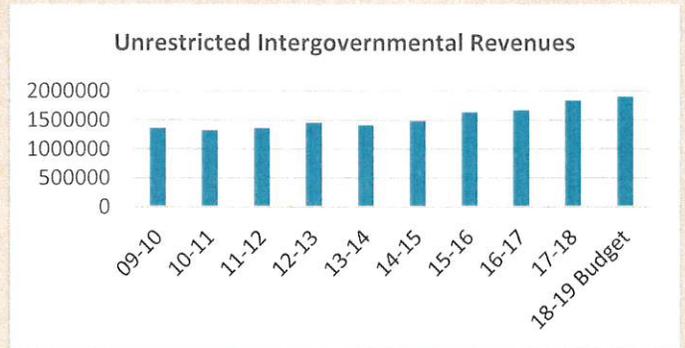
#### Utilities Tax

Utilities Taxes comprise a group of taxes levied by the State of North Carolina. Included in this group are Electricity Sales Tax (levied on the gross receipts of electricity providers), Telecommunications Sales Tax (levied on the gross receipts of telephone companies), Natural Gas Tax (levied on piped natural gas providers) and Video Programming Tax (levied on gross receipts of cable service and direct-to-home satellite service retailers). This revenue source is subject to fluctuations due to weather conditions, the loss of a heavy industrial user of electricity, and movement away from traditional television services.

The chart below illustrates the amount collected for unrestricted intergovernmental revenues for Fiscal Years 2008-2009 through the budgeted amount for 2017-2018.

#### Other

Other unrestricted intergovernmental revenues include Beer & Wine Tax, Payment in Lieu of Tax, and Senior Center Revenue.



### Restricted Intergovernmental Revenues

These revenue sources are restricted, and, as such, must be used for designated expenditures.

### Powell Bill

Powell Bill funding is allocated to cities and towns primarily for resurfacing of streets but may also be used for maintaining, repairing, constructing, or widening of any street within the corporate limits. This includes bridges, drainage, curb and gutter or other necessary appurtenances. Projects also include bikeways, greenways and sidewalks.

The amount of funding received is calculated as follows: 75% is based on population and 25% is based on the number of city-maintained street system miles at a rate of \$1,612.69 per street mile.

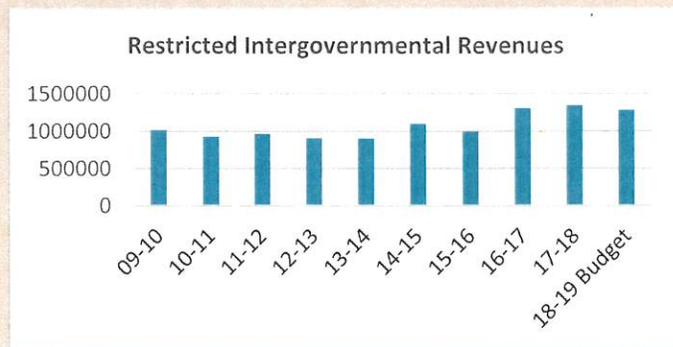
### Fire District Revenue

Per NCGS, upon petition of a designated percentage of resident freeholders living outside the corporate limits of any city or town, the county will hold a special election for the purpose of levying and collecting a special tax for providing fire protection in said district. The City has such a special fire tax district in both Stokes and Forsyth Counties. The current tax rate in Stokes County is \$0.080 cents per \$100 valuation and the current tax rate in Forsyth County is \$0.075 cents per \$100 valuation.

These funds are restricted for fire service only and the tax is levied and collected by the counties with monthly remittance to the City.

### Motor Vehicle Fee

City Ordinance 2009-03 provided for a General Motor Vehicle Tax of \$5. This tax is levied and collected by the counties with monthly remittance to the City. Per City designation, these funds are to be used for public safety capital needs.



### Permits and Fees

These revenue sources are unrestricted and, therefore, may be used for any General Fund operating expenditure.

Fire inspections are conducted annually for the purpose of identifying activities and conditions in premises that pose

dangers. Please see the City's Schedule of Fees and Charges.

This revenue source is expected to remain stable unless a severe economic downturn causes local business to close.

Building permits are required per the NC State building codes. The codes cover building, plumbing, mechanical, gas, electrical, fire, residential, and energy. Please see the City's Schedule of Fees and Charges.

Economic conditions and the building industry directly impact revenues generated from building inspections/permits.

### Other

Other permits and fees revenues include Yard Waste Fee and Landfill Tipping Fee.



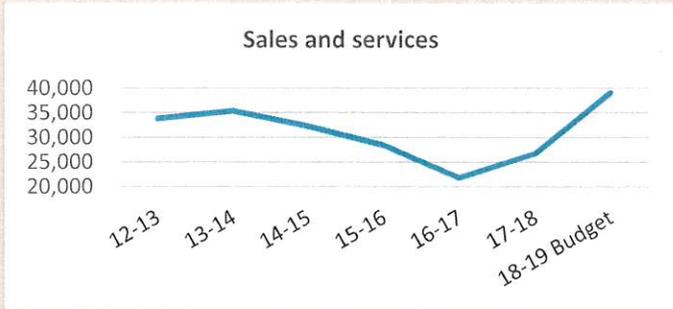
### Sales and Services

These revenue sources are unrestricted and, therefore, may be used for any General Fund operating expenditure.

Facility rental fees are those fees charged to citizens who wish to rent a picnic shelter, community building, or space at the senior center for a function.

Athletic fees are those fees charged to youth athletic associations for use of the City fields for sporting seasons.

This revenue source is decreasing. Participation in recreational soccer, baseball and softball is declining. Some of the decrease may be attributed to the rise in popularity of travel teams and some may be attributed to a larger variety of sporting activities, such as swim, lacrosse, and volleyball, that are not available at city facilities.



### Interest Earnings

Interest is earned on the cash balances invested with the North Carolina Capital Management Trust (NCCMT) and on the cash balances at Capital Bank.

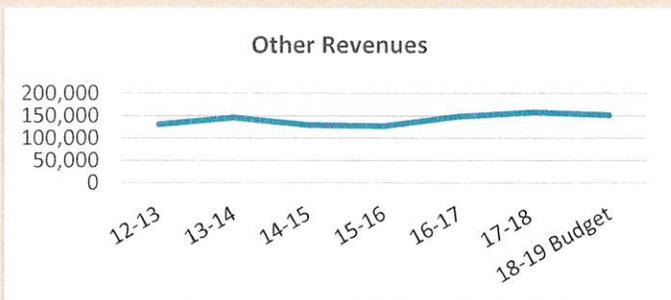


### Other Revenues

Included in the category of Other Revenues are rental payments for cell phone towers and sale of fuel to other governmental agencies.

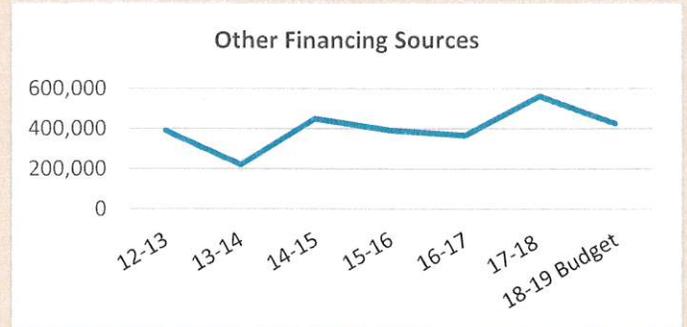
The City leases space on one of our water towers to New Cingular Wireless (also known as AT&T) and to Verizon for wireless towers. The City receives monthly payments and the lease payments are subject to annual increases.

The City has a fuel facility with gasoline and diesel, the primary purpose of such is to provide fuel for the City's fleet. In addition, the City sells fuel to Stokes County for their fleet vehicles in this area. Primary users are the Sheriff's Department, EMS, and YVEDDI (Yadkin Valley Economic Development District which provides low-cost transportation, primarily for the elderly and disabled).

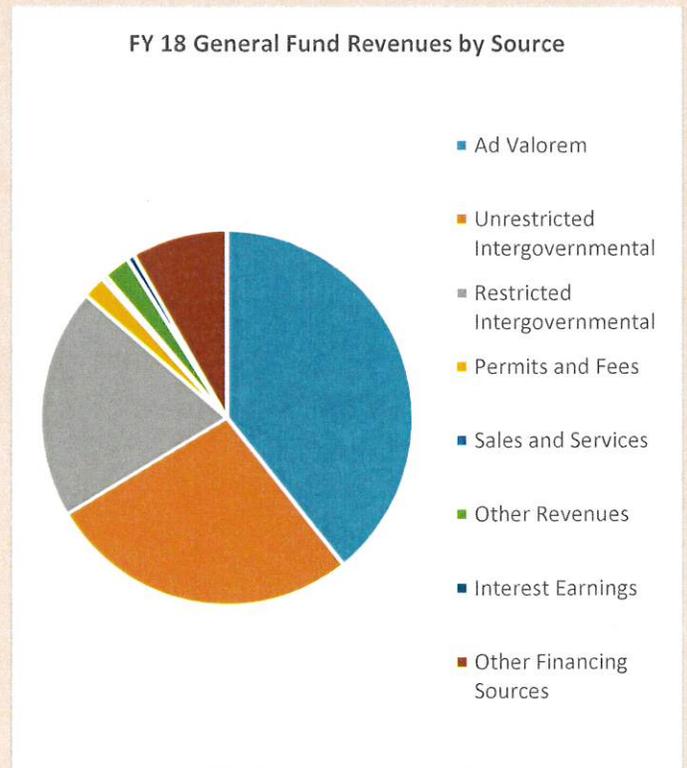


### Other Financing Sources

The Other Financing Sources category is comprised of operating transfers from other funds, sale of capital assets, and proceeds from installment financing (loans for capital purchases). This revenue source is subject to fluctuations, depending on the amount (if any) of installment financing.



Below are the distributions for General Fund revenues and expenditures by functional area for FY 18.



In Fiscal Year 2017-2018, revenues for the general fund were \$6.7 million. Property taxes (ad valorem) accounted for the largest source of revenue at \$2.64 million or 39.29%.

Unrestricted intergovernmental is the second largest source of revenue at \$1.829 million or 27.15%. Restricted intergovernmental is the third largest source of revenue at \$1.34 million or 19.89%.

Revenues increased over the previous year by \$610,192, or 9.05%, primarily due to installment purchase financing of a fire truck and an increase in local option sales tax attributed to WalMart..

### 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.



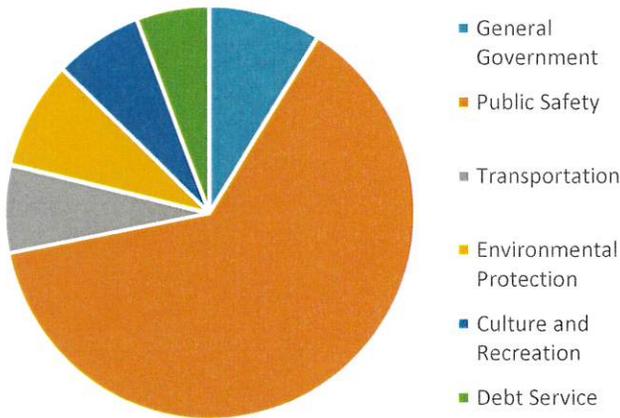
### NC Safest Cities

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!

**FY 18 General Fund Expenditures by Functional Area**



Expenditures for FY 2017-2018 increased by \$816,617, or 13.27%, from the previous year. The largest increases were seen in Public Safety for two police patrol cars, a fire truck and the addition of personnel.

The total amount of debt principal outstanding at June 30, 2015 was \$1,176,186. All of the City's General Fund debt is in the form of installment purchase agreements. Please see below graph for outstanding debt principal by service area.

**Outstanding Debt Principal by Service Area**

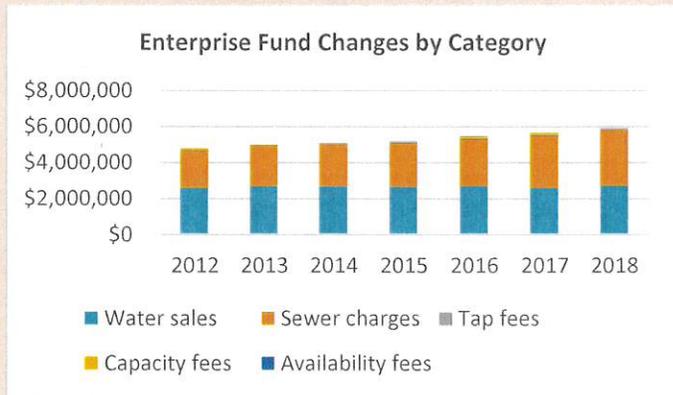


### Enterprise Fund

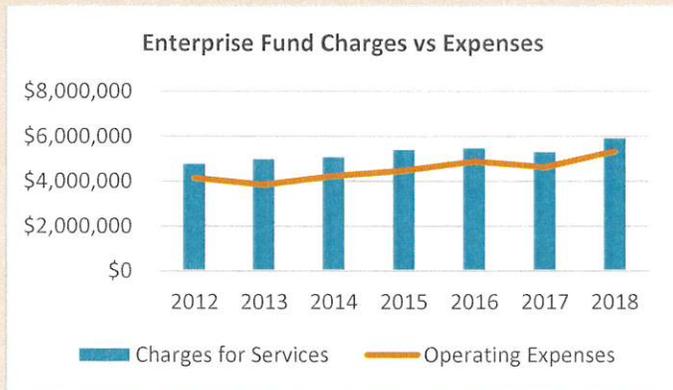
Enterprise Fund – accounts for operations that are similar to private businesses. The City’s Enterprise Fund accounts for water and sewer services.

The City of King is dedicated to providing high quality drinking water to our customers while striving to protect the environment.

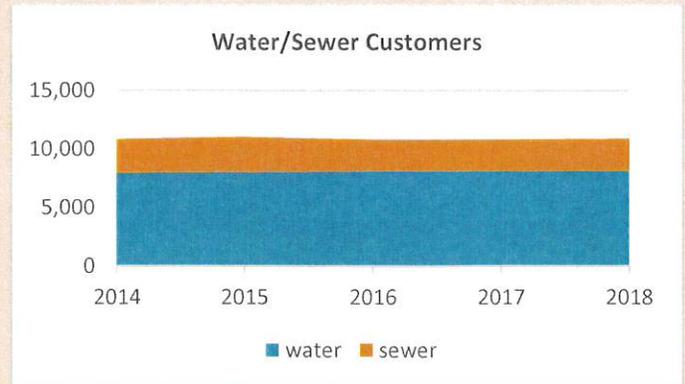
The graph below illustrates the historical revenues received from the various sources of user fees for utilities. Operating revenues for FY 17-18 increased by 11.49% over the prior fiscal year as illustrated in a following graph.



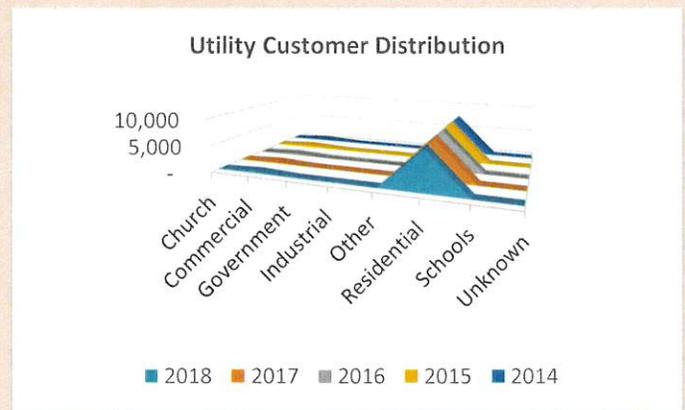
Operating expenses for the Enterprise Fund include chemicals, utilities, equipment, training, employees, and regular maintenance. The increase in expenses of 15.37% for FY 17-18 over the prior year can be attributed in large part to the sewer cost increase of 7%. The chart below illustrates the relationship between charges for service and operating expenses.



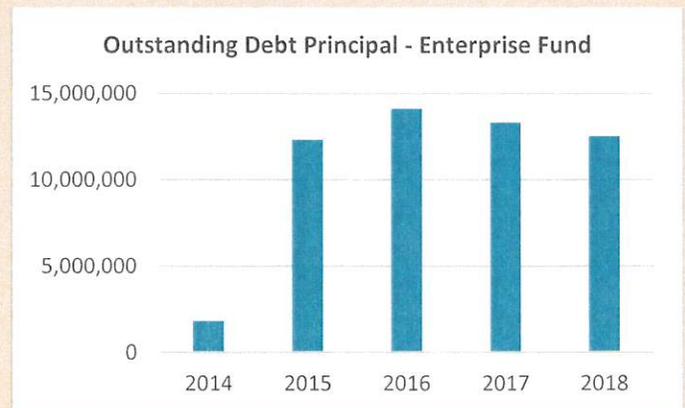
The chart below illustrates the distribution between water and sewer customers over the past five (5) years.



The chart below illustrates the distribution of utility customers.



Outstanding debt principal for the Enterprise Fund was \$12,504,541 at June 30, 2018. The outstanding debt significantly increased due to the new water plant as illustrated in the graph below.



## ABOUT THE COVER

The cover page is a land-use framework map for the City of King from the Stokes County 2035 Vision Plan. As noted in prior years' reports, a department or feature will be a focus of each PAFR.

Our Planning & Inspections Department was formed in July 1985, a short two years after the city was incorporated in May 1983. This department functions as the city's short and long-range growth management branch, as the administrator of ordinances and policies regarding growth and zoning, and as the enforcement branch of the NC State Building Code regulations.

Services offered include planning, zoning, and building inspections. This department covers the city limits and ETJ (Extra-Territorial Jurisdiction). A five-member planning board aids in the development decisions of the city.

The planning department assists the citizens of King and its ETJ in assuring the quality of life is protected through good growth management practices. By working together we have built a strong community with peaceful residential areas, attractive business corridors, a revitalized downtown, and a strong tax base.



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*In memory of Donald McQuinn, a member of our Fire Department, who passed away in December 2017. This photo above is a memorial at the Fire Department from December 2017 and below is from the Tree Lighting ceremony at Central Park in December 2014. Donnie is pictured second from right with the other members of his shift. Per Fire Chief Steven Roberson, Donnie "was top-notch in everything he did."*

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

