

**City of  
Kannapolis  
North Carolina**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

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**City of  
Kannapolis  
North Carolina**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

Prepared By:  
Finance Department

Finance Director  
Eric Davis

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# CITY OF KANNAPOLIS, NORTH CAROLINA

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## **Introductory Section**

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- Letter of Transmittal
  - GFOA Certificate of Achievement for Excellence in Financial Reporting
  - Organizational Chart
  - List of Principal Officials
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# KANNAPOLIS



November 26, 2012

The Honorable Mayor and  
Members of the City Council  
City of Kannapolis, North Carolina

The Comprehensive Annual Financial Report (CAFR) of the City of Kannapolis, North Carolina, for the fiscal year ended June 30, 2012, is hereby submitted. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted governmental auditing standards by a firm of licensed certified public accountants. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations for the City for fiscal year 2012.

This report was prepared by the Finance Department of the City of Kannapolis and consists of management's representations concerning the finances of the City of Kannapolis. 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 of Kannapolis 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 of Kannapolis's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Kannapolis's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Kannapolis's financial statements have been audited by Martin Starnes & Associates, CPAs, P.A., 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 of Kannapolis for the fiscal year ended June 30, 2012 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 statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kannapolis's financial statements for the fiscal year ended June 30, 2012, 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.



The independent audit of the financial statements of the City of Kannapolis was part of a broader, federally and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are contained in the compliance section of this report.

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 MD&A and should be read in conjunction with it. The City of Kannapolis's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CITY**

The City of Kannapolis is located in the north central portion of Cabarrus County, North Carolina and south central portion of Rowan County. These Counties are located in the east central part of the Metrolina Urban Region. The City, incorporated on December 11, 1984, covers an area of approximately 31 square miles. The approximate population is 43,242 and the assessed valuation for property tax purposes of \$3,405,337,747. The City is located approximately twelve miles northeast of the City of Charlotte, North Carolina, and abuts the City of Concord, North Carolina and is one of six incorporated municipalities in Cabarrus County and one of ten incorporated municipalities in Rowan County.

The City is governed by the council-manager form of government. The seven-member non-partisan City Council, along with the Mayor, is elected at large for four-year alternating terms. The Mayor and Council members serve as the City's policy making body, adopting an annual balanced budget, establishing legislative direction for the City, and appointing various officials including a professional City Manager to serve as chief executive officer to direct the daily activities of the City's departments. The City Council makes extensive use of appointed boards and commissions in the development of policy decisions.

The City provides its citizens with a wide range of services that include law enforcement, fire protection, planning and zoning, recreation, street and storm drainage maintenance, water and sewer, a bus transit system, street lighting, traffic engineering, solid waste collection and disposal, code enforcement, and community development assistance. In addition, the City owns a 15 million gallon per day water treatment plant and water distribution lines throughout the City. The City also owns sewer collection lines throughout the City with Sewage treatment being provided by the Water and Sewer Authority of Cabarrus County. In March of 2011, the City Council authorized the establishment of a single-stream curbside recycling program that went into effect in July of 2011. This report includes all of the City's activities related to the City's services.

North Carolina General Statutes require formal budgetary accounting for all funds. The



departments of the City are required to submit request for appropriations to the City Manager no later than April 30 each year. These requests are used as a starting point for developing a proposed budget. The City Manager presents the proposed budget no later than June 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30. Budgets are legally enacted by adoption by the governing board of an Annual Budget Ordinance or a Project Ordinance. The Annual Budget Ordinance and Project Ordinances may be formally amended as required by the governing board within the guidelines of the Local Government Budget and Fiscal Control Act. Changes of functions and total budgets of any fund require approval of the governing board. The City Manager is authorized to reallocate functional or departmental appropriations, as he considers necessary, and to affect interdepartmental transfers within a fund. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. A Project Ordinance is used to establish a budget for a project that extends over more than one fiscal year. Project length budget to actual comparisons for each governmental fund for which a project length budget has been adopted is also included in this report.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Encumbrances outstanding at year-end are allowed to expire and must be re-appropriated by City Council in the subsequent year.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kannapolis operates.

**LOCAL ECONOMY** - Kannapolis continues to enjoy a favorable economic environment and local indicators point to continued stability. The City's economy has benefited from the City's proximity to Charlotte and access to major interstate highways.

The North Carolina Research Campus "*NCRC*" is the vision of David H. Murdock who owns a diversified conglomerate of businesses, including Dole Food Company, Inc., Flexi-Van Leasing, Inc. and Castle & Cooke Building Materials, LLC. Mr. Murdock owns a significant amount of property in the City dating back to his ownership of Cannon Mills (which he sold) in the early 1980's. The NCRC is being developed largely through Castle & Cooke North Carolina, LLC, wholly-owned and managed by Castle & Cooke Holdings, Inc. and owned by Mr. Murdock. Mr. Murdock wants to create a multi-purpose campus that houses state-of-the-art research equipment, research space and laboratory space that brings together researchers and scientists from the public and private sector to collaborate on advancements in biotechnology, nutrition and health. Three facilities are open and operating on the NCRC, including the David H. Murdock Core Laboratory (the "*Core Lab*"), the Plants for Human Health Building and the Nutrition Research Building. The Core Lab is the centerpiece of the NCRC and houses the David H. Murdock Research Institute as a provider of advanced research technologies to academic, government and industry scientists, including specialized high-tech equipment such as a 950-megahertz nuclear magnetic resonance spectrometer that has the highest commercially available magnetic field strength currently available in the world. Duke University is managing the M.U.R.D.O.C.K.



Study (a large-scale project studying the long-term health of County citizens). The Plants for Human Health Building houses researchers and staff of Dole Foods, North Carolina State University and Appalachian State University. The Nutrition Research Building houses researchers and staff of The University of North Carolina at Chapel Hill, The University of North Carolina at Greensboro, North Carolina A&T State University and North Carolina Central University. Private sector partners include Angiogen, Anatomics, Bio-Marker group, Dole Nutrition Institute, General Mills, Monsanto, RedHat, and Sensory Spectrum. The US Food and Drug Administration began operations on the campus this past year as well. The NCRC is considered an area of approximately 283 acres located in the downtown area of the City. There are a number of additional public and private investments planned on the NCRC in the future. These projects will continue to re-establish the aggressive development plans for the NCRC that were stalled due to the current downturn in the economy.

To assist with the development of the NCRC campus, the City of Kannapolis issued \$35 million in Limited Obligation Bonds in December of 2010. The proceeds of the 2010 Bonds have been used to finance numerous infrastructure projects such as water, sewer, and storm water lines, as well as various street improvements and the construction of a multi-tiered parking deck. Citizens can also see improvements such as a pedestrian tunnel that links the research campus to the City of Kannapolis' premier recreational space; Village Park. The funds were also used to construct and equip a new, state-of-the-art, 63,000 square foot public health facility located adjacent to the research campus on Dale Earnhardt Boulevard. This facility is operated by the Cabarrus Health Alliance, and serves as a model of service delivery for other health departments across the country. Finally, the City is renovating and upgrading its veterans' memorial park on the grounds of the research campus. This park; containing a beautiful water feature and eternal flame, will be a beacon for all of those wishing to honor those who have served and died serving our country in our armed forces. Currently, there is approximately \$4 million that remains to assist the City in constructing more infrastructure projects that will support continued development of the NCRC; directly or indirectly; as well as other economic development initiatives in Kannapolis.

Despite the economic slowdown in the Nation's economy the City of Kannapolis is poised for continued growth and development as evidenced by the construction of the North Carolina Research Campus and the development and /or expansion of over 40 residential sub-divisions in the City with plans to build approximately 6500 new homes and apartments in Kannapolis within the next decade.

## **LONG TERM FINANCIAL PLANNING**

In the spring of 2012, the Kannapolis City Council adopted a 10 year financial forecasting model. This model details all significant revenues and expenditures across all funds for the city. In order to determine future revenues and expenditures, the City compiled ten prior years' audited data, along with the current year's budget estimates. This data was then used to identify trends that would assist city staff in accurately projecting future financial performance. This financial forecasting model has been integrated with the City's revised Capital Improvement Plan (CIP). The goal is to readily identify future revenue gaps, and to provide city leaders with the knowledge necessary to make changes in the current financial structure, while at the same time effectively planning for infrastructure improvements in order to meet the needs of a



growing population.

In conjunction with the financial forecasting model, the Kannapolis City Council also approved several other financial management policies, such as a debt management policy, cash reserve policy, as well as an idle funds investment policy. The goal in adopting all of these policies, as well as the financial forecasting model, is to design parameters stipulating a desired financial position, so that the City can continue to meet the needs of its citizens, while at the same time remaining financially sound.

### **AWARDS AND ACKNOWLEDGEMENTS**

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 Kannapolis, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The comprehensive annual financial report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The City of Kannapolis has received a Certificate of Achievement each year since 1991.

The timely presentation of this report could not have been accomplished without the assistance and dedication of the entire staff of the Finance Department. Special thanks go to Wendi Heglar, Deputy Finance Director, for her contribution to this report. We also appreciate the cooperation and assistance of the other City departments, as well as the assistance of the City's independent auditor, Martin Starnes & Associates, CPAs, P.A. in preparing and assembling this report. In addition, we express our appreciation to the Mayor and City Council for their continued support and leadership in conducting the financial activities of the City in a responsible and progressive manner.

Respectfully submitted,



Eric Davis  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kannapolis  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



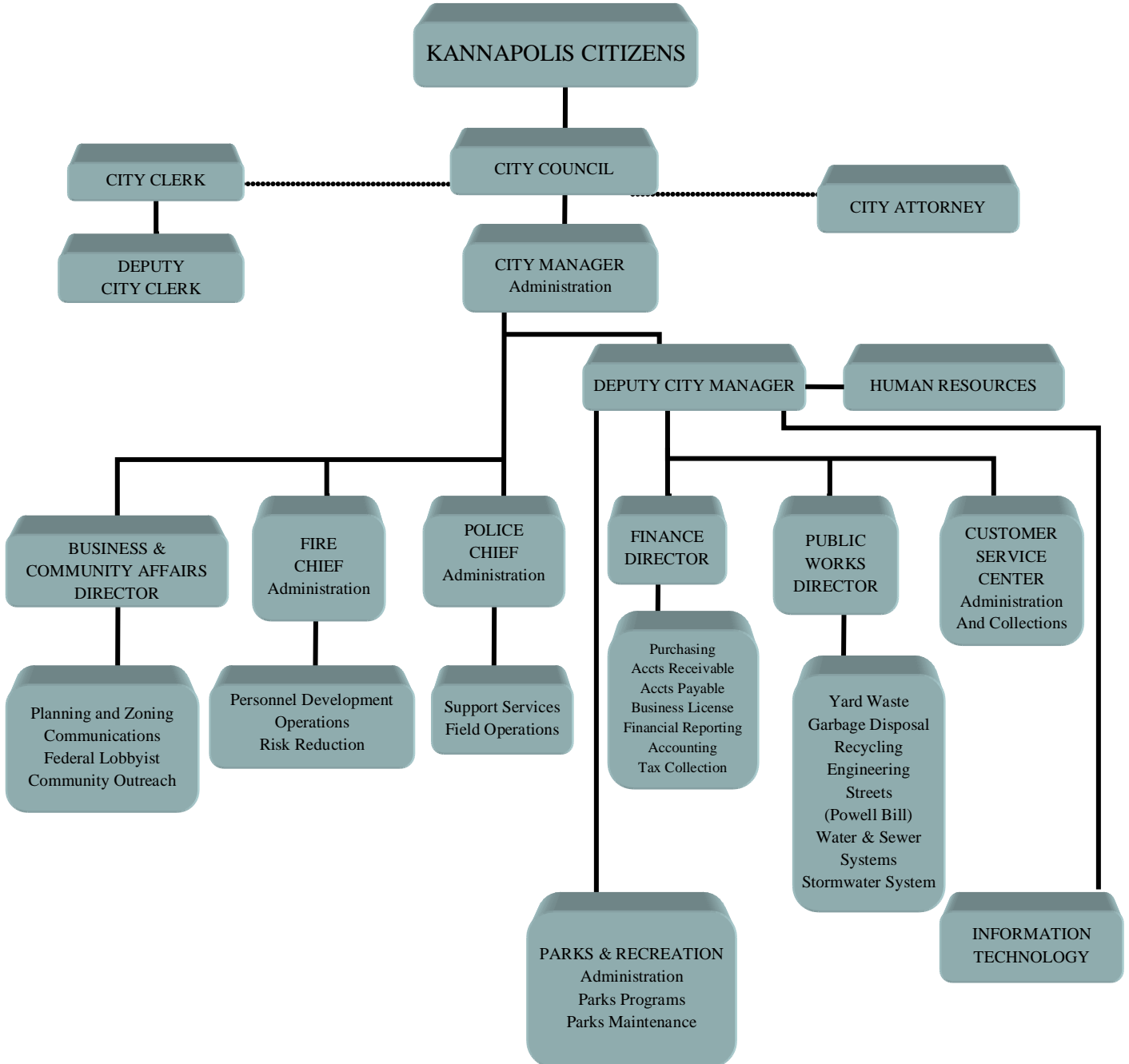
*Linda C. Danison*

President

*Jeffrey R. Egan*

Executive Director

# City of Kannapolis, North Carolina Organizational Chart



**CITY OF KANNAPOLIS  
NORTH CAROLINA**

MAYOR AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

Robert S. Misenheimer – Mayor

R. Gene McCombs – Mayor Pro-tem

Tom Kincaid – Councilman

Randy E. Cauthen – Councilman

M. Darrell Hinnant – Councilman

Roger D. Haas – Councilman

Ryan G. Dayvault – Councilman

OFFICIALS

Michael B. Legg  
City Manager

Bridgette L. Bell  
City Clerk

Eric Davis  
Finance Director

R. Edward Smith  
Deputy City Manager

Tina H. Cline  
Human Resource Director

Walter M. Safrit, II  
City Attorney

## **Financial Section**

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- Independent Auditors' Report
  - Management's Discussion and Analysis
  - Basic Financial Statements
  - Combining and Individual Fund Financial Statements and Schedules
  - Additional Financial Data
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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## INDEPENDENT AUDITORS' REPORT

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

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 Kannapolis, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kannapolis' management. Our responsibility is to express an opinion on these basic 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kannapolis, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the City of Kannapolis, internal control over financial reporting and 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 or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of 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 assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Kannapolis, North Carolina, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.

November 26, 2012



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City, we offer readers of the City of Kannapolis' (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Kannapolis exceeded its liabilities at the close of the fiscal year by \$171,091,183 (*net assets*).
- The government's total net assets increased by \$1,076,242, primarily due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the City of Kannapolis' governmental funds reported combined ending fund balances of \$19,232,125, with a net change of (\$10,209,053) in fund balance. Approximately 78.06 percent of this total amount, or \$15,012,543, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,135,479, or 12.19 percent, of the total General Fund expenditures for the fiscal year.
- The City of Kannapolis' total debt decreased \$5,272,586 (6.71%) during the current fiscal year. The key factor in this decrease was the net effect of Enterprise System Revenue Bonds, Series 2001A and 2001B refunding.
- The City holds the following underlying bond ratings:

#### **General Obligation Bonds**

Moody's	A3
Standard & Poor's	AA

#### **Water and Sewer Revenue Bonds**

Moody's	Aa3
Fitch	AA+

#### **Limited Obligation Bonds**

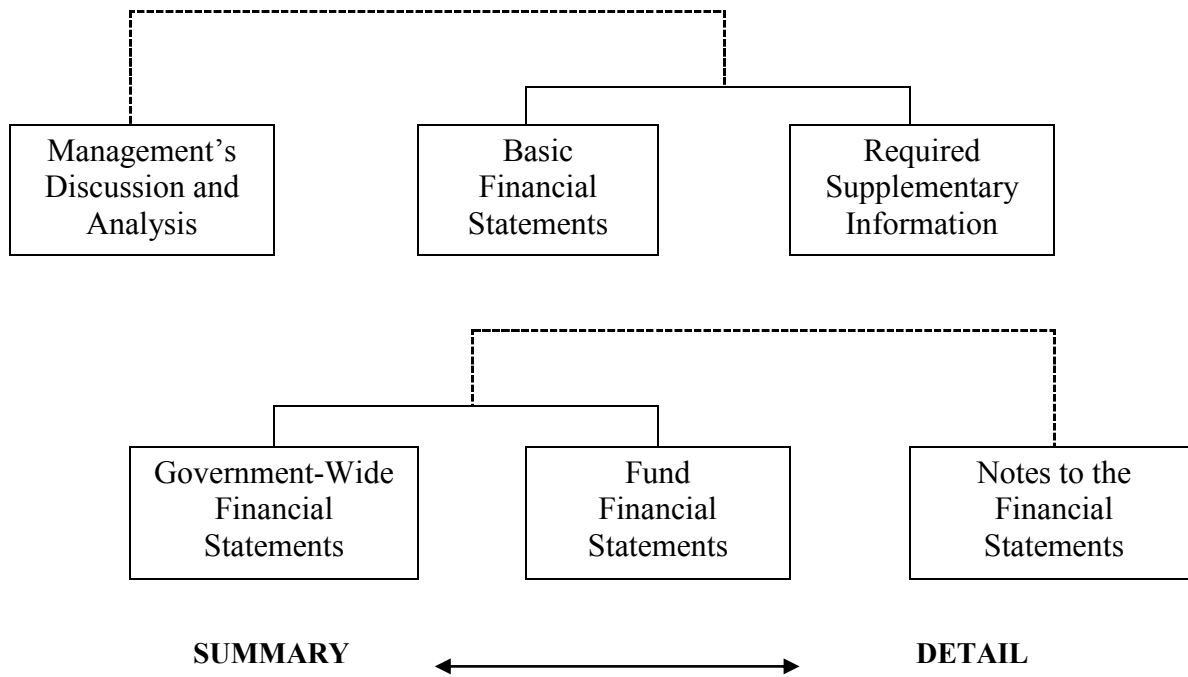
Standard & Poor's	A+
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- In May of 2012, the Kannapolis City Council approved a number financially oriented policies designed with the goal of improving the City's overall financial standing. First, the City Council adopted the five following financial policies: Budget Development, Capital Improvement Guidelines, Debt Management, Reserve (fund balance), and finally an investment policy. In addition to these policies, the City Council adopted a 10-year Capital Improvement Plan (CIP) consisting of 87 projects totaling \$124 million. The City Council also accepted a 10-year financial forecasting plan that projects all substantial revenues and expenditures, as well as a 10 year rate model. All of these policies and plans should serve as tools to enable the City of Kannapolis to improve its overall financial standing.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 statements 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.

**Required Components of Annual Financial Report**  
**Figure 1**



## BASIC FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the City.

The first two statements (Exhibit A and B) are the *Government-Wide Financial Statements*. They provide both short and long-term information about the City's overall financial status, in a manner similar to a private-sector business.

The remaining statements (Exhibits C through K) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. Following the notes is the section of *required supplemental information* and a section of *supplementary information* - (it) with combining statements that provide details on the City's nonmajor governmental funds and Internal Service Fund, all of which are combined into one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by the private-sector companies. The two government-wide statements report the City's *net assets* and how they have changed.

The *Statement of Net Assets* includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, public safety, community development, and parks and recreation. The business-type activities consist of water and sewer operations and Stormwater operations.

The government-wide financial statements are on Exhibits A and B of this report, pages 25 through 27.

## **FUND FINANCIAL STATEMENTS**

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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and the balances 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 provide a current financial resources 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 fewer financial resources available to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the NCRC Project Development Financing 2010 Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council 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 Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Council, 2) the final budget as amended by the Council, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 28 through 31 of this report.

**Proprietary Funds.** The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, Stormwater operations, and recycling operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for water and sewer operations, which is considered a major fund of the City and for the Stormwater operations and recycling operations which are considered nonmajor fund of the City.

The basic proprietary fund financial statements can be found on pages 32 through 34 of this report.

**Fiduciary Fund.** The City is the trustee for a pension trust fund for its law enforcement officers and civilian full-time employees. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements, because the City cannot use these assets to finance its operations.

The basic fiduciary fund financial statements are on Exhibits J and K, pages 35 and 36 of this report.

**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. The notes to the financial statements can be found on pages 37 through 77 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on pages 78 and 79 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 80 through 121 of this report for the City's governmental funds and pages 122 through 140 for the City's enterprise funds.

**Government-Wide Financial Analysis.** As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position.

By far, the largest portion of the City's net assets (95 percent) reflects its investment in capital assets (e.g., land, buildings, streets, sidewalks, bridges, automotive equipment, office and other equipment, water treatment and storage facilities, water distribution lines, and sewage collection lines, less any related debt still outstanding that was issued to acquire those assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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 themselves cannot be used to liquidate these liabilities. The remaining balance of net assets is made up of restricted and unrestricted net assets, totaling \$3,643,925 and 5,117,050, respectively, may be used to meet the government's ongoing obligations to citizens and creditors. The restricted net assets may be used only to pay restricted current and future obligations as dictated by restrictive covenants pertaining to these assets.

## City of Kannapolis' Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>						
Current and other assets	\$ 23,194,915	\$ 35,812,254	\$ 8,682,534	\$ 14,141,764	\$ 31,877,449	\$ 49,954,018
Capital assets	<u>140,503,971</u>	<u>132,298,672</u>	<u>83,818,964</u>	<u>78,552,164</u>	<u>224,322,935</u>	<u>210,850,836</u>
Total assets	<u>163,698,886</u>	<u>168,110,926</u>	<u>92,501,498</u>	<u>92,693,928</u>	<u>256,200,384</u>	<u>260,804,854</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	49,102,896	47,071,399	25,062,828	25,341,042	74,165,724	72,412,441
Other liabilities	<u>7,212,610</u>	<u>12,321,329</u>	<u>3,730,867</u>	<u>6,026,134</u>	<u>10,943,477</u>	<u>18,347,463</u>
Total liabilities	<u>56,315,506</u>	<u>59,392,728</u>	<u>28,793,695</u>	<u>31,367,176</u>	<u>85,109,201</u>	<u>90,759,904</u>
<b>Net Assets:</b>						
Invested in capital assets,						
net of related debt	104,874,655	103,738,770	57,455,553	54,487,983	162,330,208	158,226,753
Restricted	3,643,925	3,555,327	-	3,791,001	3,643,925	7,346,328
Unrestricted	<u>(1,135,200)</u>	<u>1,424,101</u>	<u>6,252,250</u>	<u>3,017,759</u>	<u>5,117,050</u>	<u>4,441,860</u>
Total net assets	<u>\$ 107,383,380</u>	<u>\$ 108,718,198</u>	<u>\$ 63,707,803</u>	<u>\$ 61,296,743</u>	<u>\$ 171,091,183</u>	<u>\$ 170,014,941</u>

The City's total unrestricted net assets increased this fiscal year by \$675,190, primarily due to refunding revenue bonds, which released restrictions for water and sewer utilities. Several particular aspects of the City's financial operations positively influenced the total unrestricted net assets:

- The City's continued efforts to hold down expenses for governmental activities.
- The City has maintained a policy of aggressively seeking funding through grants and contributions. The City received \$3,754,743 in grants and contributions this year.
- The property tax rate was 49 cents per \$100 of property value for FY2012. The City has maintained this rate for the past four years. The last property tax rate change occurred in FY2009 when it was reduced by the City Council from 49.7 cents per \$100 to the current rate of 49 cents per \$100.

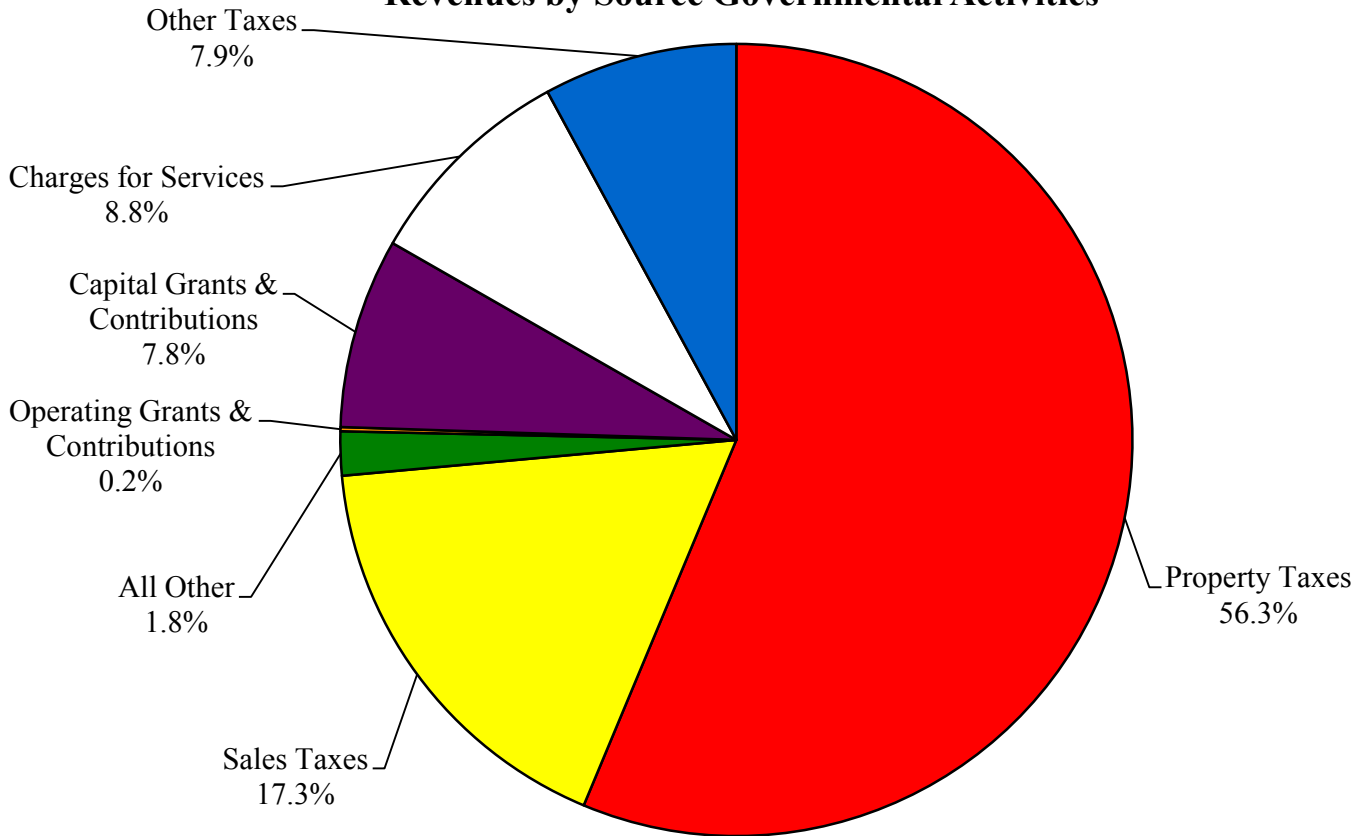
## City of Kannapolis' Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,909,576	\$ 2,859,575	\$ 15,761,522	\$ 14,642,095	\$ 18,671,098	\$ 17,501,670
Operating grants and contributions	55,865	805,968	-	-	55,865	805,968
Capital grants and contributions	2,561,065	2,981,289	1,205,313	2,775,165	3,766,378	5,756,454
General revenues:						
Property taxes	18,585,812	18,379,641	-	-	18,585,812	18,379,641
Other taxes	8,309,573	7,800,729	-	-	8,309,573	7,800,729
Other revenues	592,232	259,450	36,163	143,512	628,395	402,962
Total revenues	<u>33,014,123</u>	<u>33,086,652</u>	<u>17,002,998</u>	<u>17,560,772</u>	<u>50,017,121</u>	<u>50,647,424</u>
<b>Expenses:</b>						
General government	8,102,674	2,876,218	-	-	8,102,674	2,876,218
Public safety	12,522,436	13,398,151	-	-	12,522,436	13,398,151
Public works	7,667,867	8,711,143	-	-	7,667,867	8,711,143
Community development	1,532,947	14,578,247	-	-	1,532,947	14,578,247
Parks and recreation	1,930,657	1,940,932	-	-	1,930,657	1,940,932
Water and Sewer	-	-	13,045,102	11,184,796	13,045,102	11,184,796
Stormwater	-	-	1,436,327	1,269,793	1,436,327	1,269,793
Environmental services	-	-	426,917	-	426,917	-
Other	2,275,952	1,868,114	-	-	2,275,952	1,868,114
Total expenses	<u>34,032,533</u>	<u>43,372,805</u>	<u>14,908,346</u>	<u>12,454,589</u>	<u>48,940,879</u>	<u>55,827,394</u>
Decrease (Increase) in net assets before transfers	(1,018,410)	(10,286,153)	2,094,652	5,106,183	1,076,242	(5,179,970)
Transfers	<u>(316,408)</u>	<u>-</u>	<u>316,408</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(1,334,818)	(10,286,153)	2,411,060	5,106,183	1,076,242	(5,179,970)
<b>Net Assets:</b>						
Beginning of year - July 1	<u>108,718,198</u>	<u>119,004,351</u>	<u>61,296,743</u>	<u>56,190,560</u>	<u>170,014,941</u>	<u>175,194,911</u>
End of year - June 30	<u>\$ 107,383,380</u>	<u>\$ 108,718,198</u>	<u>\$ 63,707,803</u>	<u>\$ 61,296,743</u>	<u>\$ 171,091,183</u>	<u>\$ 170,014,941</u>

**Governmental Activities.** Net Assets decreased in the City's governmental activities this fiscal year by \$1,334,818. Key elements of this decrease are as follows:

- Tax revenues remained steady.
- The City transferred debt obligations to business-type activities for long-term debt that was obtained for the Stormwater Fund.

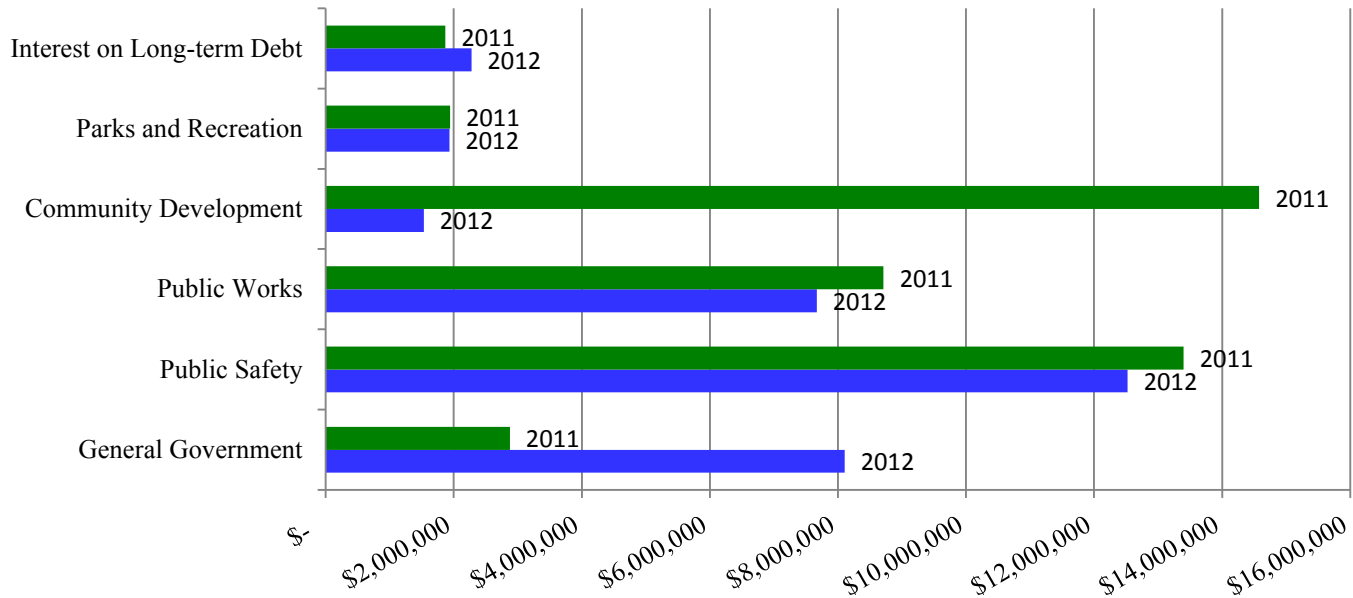
### Revenues by Source Governmental Activities



As shown in the above chart, the City’s main source of revenue is from Property Taxes. The second largest source of revenue is Sales Taxes. Property Taxes total \$18,585,812, while Sales Taxes total \$5,697,969. The third largest source of revenue is through capital grants and contributions. The City received grants from the State of North Carolina, the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation, the U.S. Environmental Protection Agency, the U.S. Department of Energy, the U.S. Department of Homeland Security, the Federal Emergency Management Agency, and the U.S. Department of Justice. The City also received property donations totaling \$501,480. This donated property came from developers donating \$91,620 in sidewalks and \$409,860 in streets.



## Government Activities Expenses

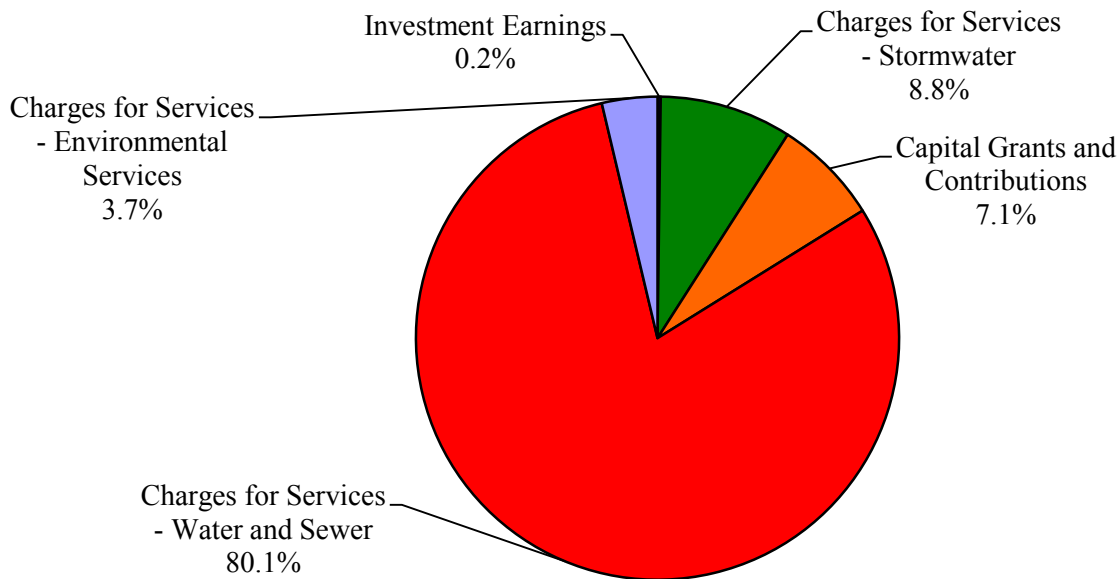


Explanations for the changes in General Government and Community Development as shown above were included earlier in the key elements for governmental activities.

**Business-Type Activities.** Business-type activities increased the City of Kannapolis' net assets by \$2,411,060. Key elements of this decrease are as follows:

- The City Water and Sewer Fund revenues increased by \$492,330 (3.75%) during the year, which can be attributed to an increase in miscellaneous revenues. The Stormwater Fund revenues also increased \$31,443 (2.14%) during the year, which is virtually unchanged over the previous year. The Environmental Services Fund revenues increased by \$663,154 during the year, however it was not established until late in FY2011, and the increase in revenues can be contributed to the fund being operational for the entirety of FY2012.
- Capital grants and contributions decreased by \$1,637,352. This can be attributed to a decrease in developer contributions of water and sewer lines to the City.

## Revenues by Source - Business-Type Activities



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds

The focus of the City of Kannapolis' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements.

The General Fund is the chief operating fund for the City of Kannapolis. At the end of the current fiscal year, the City of Kannapolis' fund balance available in the General Fund was \$4,780,785, while total fund balance reached \$6,688,020. The City currently has an available fund balance of 14.09% of General Fund expenditures, while total fund balance represents 19.71% of the same amount. As mentioned earlier, the City Council adopted a fund balance policy stipulating an acceptable range between 25% and 33% of General Fund expenditures in case of unforeseen needs or opportunities, as well as meeting the cash flow needs of the City. The City plans to continue to budget and spend conservatively in order to increase the percentage of available fund balance to 25% of General Fund expenditures.

At June 30, 2012, the governmental funds of the City of Kannapolis reported a combined fund balance of \$19,232,125, with a net decrease in fund balance of \$10,209,053. Included in this change in fund balance are decreases in fund balance in both the NCRC Project Development Financing 2010 Fund and nonmajor governmental funds. The most significant decrease is from the construction of the Cabarrus Health Alliance building totaling \$8,589,620 in the NCRC Project Development Financing 2010 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) increase in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues and expenditures by \$541,775 or 1.8%. The largest amendment to the general fund was the acceptance of cash reserves from Rowan County to be used for improvements to the baseball stadium. This one budget amendment totaled \$313,416. All other budget amendments were minor.

The total variance from the final budget numbers to the actual results for revenues that the City received was \$437,890, or 1.4% more than the budgeted amount. Intergovernmental revenues and miscellaneous revenues were up \$168,221, or 4% of budgeted revenues. All other revenues combined were up \$269,669, or 1.01%.

The total variance from the final budget numbers to the actual results for expenditures totaled \$972,001, or 2.8% of final budget. This savings can be attributed to the City Manager's directive to cut back expenditures where possible because of the economic downturn. Some turnover of employees helped to save budgeted salaries and benefits. Only critical employees were hired during this crisis.

## **Proprietary Funds**

The City of Kannapolis' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The non-capital and non-restricted portion of net assets of the business-type funds at June 30, 2012 was \$6,252,250, compared to \$3,017,759 at June 30, 2011. See the detailed explanation of this increase under key elements of the change in the net assets discussed earlier under business-type activities.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totaled \$224,322,935 (net of accumulated depreciation). This is an increase from June 30, 2011 of \$11,524,997. These assets include land, buildings and systems, improvements other than buildings, machinery and equipment, and infrastructure.

Major capital asset transactions during the year included the following:

- The construction of the Cabarrus Health Alliance building totaling \$8,589,620.
- The acceptance of sole ownership of the baseball stadium totaling \$3,000,000.
- Various Public Safety equipment totaling \$482,450.

#### City of Kannapolis' Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 9,825,807	\$ 9,134,374	\$ 730,342	\$ 730,342	\$ 10,556,149	\$ 9,864,716
Construction in progress	20,415,996	10,768,077	2,369,252	1,598,788	22,785,248	12,366,865
Rowan County water rights	-	-	2,411,100	2,411,100	2,411,100	2,411,100
Buildings and systems	15,995,880	12,267,747	22,778,854	22,778,854	38,774,734	35,046,601
Improvements other than buildings	2,856,764	2,856,764	-	-	2,856,764	2,856,764
Machinery and equipment	15,466,855	14,700,974	2,830,819	2,830,819	18,297,674	17,531,793
Infrastructure	147,760,819	152,284,042	88,876,477	81,655,065	236,637,296	233,939,107
Total	<u>212,322,121</u>	<u>202,011,978</u>	<u>119,996,844</u>	<u>112,004,968</u>	<u>332,318,965</u>	<u>314,016,946</u>
Less accumulated depreciation and amortization	<u>71,818,150</u>	<u>69,713,306</u>	<u>36,177,880</u>	<u>31,505,702</u>	<u>107,996,030</u>	<u>101,219,008</u>
Capital assets, net	<u>\$ 140,503,971</u>	<u>\$ 132,298,672</u>	<u>\$ 83,818,964</u>	<u>\$ 80,499,266</u>	<u>\$ 224,322,935</u>	<u>\$ 212,797,938</u>

For additional information on the City's Capital Assets see pages 52 through 54 of this report.

## Long-Term Debt

At the end of the current fiscal year, the City of Kannapolis had total debt outstanding of \$73,301,320. Of this amount, \$17,620,006 represents bonds secured solely by water and sewer revenues. (i.e. revenue bonds). The City also has \$21,256,314 in outstanding installment obligations and \$34,425,000 in outstanding limited obligation bonds.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Installment obligations	\$ 12,537,867	\$ 15,852,541	\$ 8,718,447	\$ 6,114,144	\$ 21,256,314	\$ 21,966,685
Revenue bonds	-	-	17,620,006	21,607,221	17,620,006	21,607,221
Limited obligation bonds	34,425,000	34,184,500	-	815,500	34,425,000	35,000,000
Total	\$ 46,962,867	\$ 50,037,041	\$ 26,338,453	\$ 28,536,865	\$ 73,301,320	\$ 78,573,906

The City did not issue any new debt in fiscal year 2012, however it did refund its 2001 revenue bonds. The City of Kannapolis did transfer a total of \$3,427,833 in debt from the general fund to the Stormwater fund. This move allowed the City to more accurately classify its debts with the services provided by those funds. The City did incur \$3,000,000 in debt when it obtained sole ownership of the newly named Northeast-CMC Stadium; home of the Kannapolis Intimidators (Chicago White Sox Single-A affiliate). Previously, the City jointly owned the stadium with Rowan County. Through an inter-local agreement, the City will pay Rowan County \$3,000,000 over 50 years at 0% interest.

The State of North Carolina limits 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. At June 30, 2012, the legal debt margin for the City totaled \$282,089,997. As mentioned previously, the City Council adopted a Debt Management policy in May of 2012. According to this policy, the Net Debt (tax supported) should not exceed 2% of the total assessed value of taxable property.

Additional information on the City of Kannapolis' long-term debt can be found in Note 3(B) on pages 62 through 72 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Cabarrus County in June 2012 was 9.3%, which is an decrease from a rate of 10.4% in June 2011. A portion of the City (18%) is located in Rowan County. The unemployment rate in Rowan County decreased to 10.3% in June 2012, compared to 11.6% in both June 2011 and June 2010.
- Population in the City has increased from 38,248 in 2003 to 43,242 in 2012.
- The nation-wide recession has negatively impacted the City in the same manner as it has in the rest of the country. The City has responded accordingly, but has not had to cut services or layoff any employees.

All of these factors were considered in preparing the City of Kannapolis' budget for FY2013. Due to Cabarrus County's revaluation in 2012, the City of Kannapolis lost \$363 million in tax base. The City Council had to increase the tax rate 7 cents to 56 cents (per \$100 of value) in order to remain revenue neutral. The overall General fund budget increased \$1,671,481 (5.36%).

The City's water and sewer structure incorporates both a base fee and a volume rate. Both the base fee for water and sewer, as well as the volume rates for water and sewer remained unchanged. The overall FY2013 water and sewer budget increased by 2.16%.

A stormwater fund budget for FY2013 totaled \$1,974,100, up 3.4% from FY2012. This fund includes cost appropriations related to a federally mandated educational program and annual maintenance of the City's storm drainage system.

A new recycling fund was added in FY2012, with a budget of \$693,735. For fiscal year 2013, the City's yard waste and curbside garbage collection programs were moved from the general fund to the newly renamed Environmental Fund. The budget for FY2013 for all three services is \$3,391,833.

In FY 2012, the City of Kannapolis acquired sole ownership of newly named Northeast–CMC Stadium; home of the Kannapolis Intimidators (Chicago White Sox Single-A affiliate). The fund includes cost appropriations related to the operation of the baseball stadium in the amount of \$101,800.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Kannapolis' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Kannapolis, P.O. Box 1199, Kannapolis, North Carolina 28082.

# Basic Financial Statements

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The **Basic Financial Statements** present a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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## CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 7,447,995	\$ 2,548,572	\$ 9,996,567
Taxes receivable	932,264	-	932,264
Accounts receivable, net	274,325	4,070,630	4,344,955
Due from other governments	1,542,082	551,829	2,093,911
Cash and cash equivalents, restricted	12,963,182	1,510,093	14,473,275
Prepaid items	35,067	1,410	36,477
Total current assets	<u>23,194,915</u>	<u>8,682,534</u>	<u>31,877,449</u>
Non-current assets:			
Intangible asset, net of amortization	-	1,928,880	1,928,880
Non-depreciable assets	30,241,803	3,099,594	33,341,397
Other capital assets, net of depreciation	110,262,168	78,790,490	189,052,658
Total non-current assets	<u>140,503,971</u>	<u>83,818,964</u>	<u>224,322,935</u>
Total assets	<u>163,698,886</u>	<u>92,501,498</u>	<u>256,200,384</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	782,419	308,416	1,090,835
Accrued expenses	1,591,327	403,074	1,994,401
Accrued interest	835,504	251,633	1,087,137
Customer deposits	-	277,762	277,762
Current compensated absences	578,196	92,320	670,516
Current maturities of long-term debt	3,009,325	2,397,662	5,406,987
Unearned revenue	415,839	-	415,839
Total current liabilities	<u>7,212,610</u>	<u>3,730,867</u>	<u>10,943,477</u>
Non-current liabilities:			
Non-current compensated absences	182,588	29,102	211,690
Other post-employment benefits obligation	3,986,667	1,092,935	5,079,602
Unfunded pension obligation	980,099	-	980,099
Long-term debt	43,953,542	23,940,791	67,894,333
Total non-current liabilities	<u>49,102,896</u>	<u>25,062,828</u>	<u>74,165,724</u>
Total liabilities	<u>56,315,506</u>	<u>28,793,695</u>	<u>85,109,201</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	104,874,655	57,455,553	162,330,208
Restricted - stabilization for State statute	1,936,499	-	1,936,499
Restricted - streets	594,123	-	594,123
Restricted - public safety	67,800	-	67,800
Restricted - community development	1,012,577	-	1,012,577
Restricted - parks and recreation	32,926	-	32,926
Unrestricted	(1,135,200)	6,252,250	5,117,050
Total net assets	<u>\$ 107,383,380</u>	<u>\$ 63,707,803</u>	<u>\$ 171,091,183</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 8,102,674	\$ 2,422,458	\$ 26,779	\$ 2,993
Public safety	12,522,436	135,147	29,086	382,428
Public works	7,667,867	43,584	-	1,730,748
Community development	1,532,947	33,073	-	444,896
Parks and recreation	1,930,657	275,314	-	-
Interest on long-term debt	<u>2,275,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>34,032,533</u>	<u>2,909,576</u>	<u>55,865</u>	<u>2,561,065</u>
<b>Business-Type Activities:</b>				
Water and sewer	13,045,102	13,626,961	-	1,137,813
Stormwater	1,436,327	1,503,831	-	-
Environmental services	<u>426,917</u>	<u>630,730</u>	<u>-</u>	<u>67,500</u>
Total business-type activities	<u>14,908,346</u>	<u>15,761,522</u>	<u>-</u>	<u>1,205,313</u>
Total primary government	<u>\$ 48,940,879</u>	<u>\$ 18,671,098</u>	<u>\$ 55,865</u>	<u>\$ 3,766,378</u>

**General Revenues:**

Taxes:  
 Ad valorem taxes  
 Sales tax  
 Other taxes and licenses  
 Franchise tax  
 Unrestricted intergovernmental revenues  
 Investment earnings  
 Transfers  
  
 Total general revenues

Change in net assets

**Net Assets:**

Beginning of year - July 1

End of year - June 30

*The accompanying notes are an integral part of the financial statements.*

**Exhibit B**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (5,650,444)	\$ -	\$ (5,650,444)
(11,975,775)	-	(11,975,775)
(5,893,535)	-	(5,893,535)
(1,054,978)	-	(1,054,978)
(1,655,343)	-	(1,655,343)
<u>(2,275,952)</u>	<u>-</u>	<u>(2,275,952)</u>
<u>(28,506,027)</u>	<u>-</u>	<u>(28,506,027)</u>
-	1,719,672	1,719,672
-	67,504	67,504
-	271,313	271,313
<u>-</u>	<u>2,058,489</u>	<u>2,058,489</u>
<u>(28,506,027)</u>	<u>2,058,489</u>	<u>(26,447,538)</u>
18,585,812	-	18,585,812
5,697,969	-	5,697,969
786,376	-	786,376
1,825,228	-	1,825,228
514,623	-	514,623
77,609	36,163	113,772
<u>(316,408)</u>	<u>316,408</u>	<u>-</u>
<u>27,171,209</u>	<u>352,571</u>	<u>27,523,780</u>
(1,334,818)	2,411,060	1,076,242
<u>108,718,198</u>	<u>61,296,743</u>	<u>170,014,941</u>
<u>\$ 107,383,380</u>	<u>\$ 63,707,803</u>	<u>\$ 171,091,183</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	NCRC Project Development Financing 2010	Other Governmental Funds	
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,813,475	\$ 19,220	\$ 615,300	\$ 7,447,995
Taxes receivable	932,264	-	-	932,264
Accounts receivable	33,384	-	240,941	274,325
Due from other governments	1,477,751	2,163	62,168	1,542,082
Due from other funds	361,033	-	-	361,033
Cash and cash equivalents - restricted	645,306	11,324,187	993,689	12,963,182
Prepaid items	35,067	-	-	35,067
Total assets	<u>\$ 10,298,280</u>	<u>\$ 11,345,570</u>	<u>\$ 1,912,098</u>	<u>\$ 23,555,948</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 670,830	\$ 9,856	\$ 101,733	\$ 782,419
Accrued liabilities	1,591,327	-	-	1,591,327
Deferred revenues	1,348,103	-	240,941	1,589,044
Due to other funds	-	-	361,033	361,033
Total liabilities	<u>3,610,260</u>	<u>9,856</u>	<u>703,707</u>	<u>4,323,823</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepaid items	35,067	-	-	35,067
Restricted:				
Stabilization for State statute	1,872,168	2,163	62,168	1,936,499
Restricted, all other	645,306	11,333,551	1,062,120	13,040,977
Committed	-	-	308,387	308,387
Unassigned	4,135,479	-	(224,284)	3,911,195
Total fund balances	<u>6,688,020</u>	<u>11,335,714</u>	<u>1,208,391</u>	<u>19,232,125</u>
Total liabilities and fund balances	<u>\$ 10,298,280</u>	<u>\$ 11,345,570</u>	<u>\$ 1,912,098</u>	
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
				140,503,971
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.				
				1,173,205
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.				
Debt payable				(46,962,867)
Unfunded LEO				(980,099)
Other post-employment benefits				(3,986,667)
Accrued interest				(835,504)
Compensated absences				(760,784)
Net assets of governmental activities				<u>\$ 107,383,380</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Major Funds		Nonmajor	Total
	General Fund	NCRC Project Development Financing 2010	Other Governmental Funds	
<b>Revenues:</b>				
Ad valorem taxes	\$ 18,600,124	\$ -	\$ -	\$ 18,600,124
Other taxes and licenses	6,323,969	-	160,376	6,484,345
Unrestricted intergovernmental	2,339,851	-	-	2,339,851
Restricted intergovernmental	1,266,297	-	862,540	2,128,837
Sales and services	2,100,728	-	-	2,100,728
Investment earnings	5,039	72,413	157	77,609
Miscellaneous	808,848	-	-	808,848
Total revenues	<u>31,444,856</u>	<u>72,413</u>	<u>1,023,073</u>	<u>32,540,342</u>
<b>Expenditures:</b>				
Current:				
General government	7,140,935	-	-	7,140,935
Public safety	11,676,365	-	-	11,676,365
Public works	5,830,901	-	-	5,830,901
Community development	671,358	-	1,007,363	1,678,721
Capital outlay	-	9,322,745	970,934	10,293,679
Parks and recreation	4,473,578	-	-	4,473,578
Debt service:				
Principal retirement	2,405,841	-	-	2,405,841
Interest and fees	1,735,261	-	-	1,735,261
Debt service reserve	-	19,536	-	19,536
Capitalized interest	-	825,714	-	825,714
Total expenditures	<u>33,934,239</u>	<u>10,167,995</u>	<u>1,978,297</u>	<u>46,080,531</u>
Revenues over (under) expenditures	<u>(2,489,383)</u>	<u>(10,095,582)</u>	<u>(955,224)</u>	<u>(13,540,189)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(290,960)	-	(81,769)	(372,729)
Transfers in	347,960	309	355,596	703,865
Issuance of long-term debt	3,000,000	-	-	3,000,000
Total other financing sources (uses)	<u>3,057,000</u>	<u>309</u>	<u>273,827</u>	<u>3,331,136</u>
Net change in fund balances	567,617	(10,095,273)	(681,397)	(10,209,053)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>6,120,403</u>	<u>21,430,987</u>	<u>1,889,788</u>	<u>29,441,178</u>
End of year - June 30	<u>\$ 6,688,020</u>	<u>\$ 11,335,714</u>	<u>\$ 1,208,391</u>	<u>\$ 19,232,125</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balances - total governmental funds (Exhibit D)	\$ (10,209,053)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	14,579,847
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(4,325,650)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(27,699)
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(916,599)
Contribution of assets from developers not reported in the fund financial statements.	501,480
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(3,000,000)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	2,710,400
Transfer of capital assets from Governmental Activities to the Business-Type Activities	(4,075,377)
Transfer of debt obligations from Governmental Activities to the Business-Type Activities	<u>3,427,833</u>
Total changes in net assets of governmental activities (Exhibit B)	<u>\$ (1,334,818)</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF KANNAPOLIS, NORTH CAROLINA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 18,323,010	\$ 18,323,010	\$ 18,600,124	\$ 277,114
Other taxes and licenses	5,840,000	6,240,000	6,323,969	83,969
Unrestricted intergovernmental	2,189,902	2,189,900	2,339,851	149,951
Restricted intergovernmental	1,189,961	1,316,461	1,266,297	(50,164)
Sales and services	2,189,179	2,189,181	2,100,728	(88,453)
Investment earnings	8,000	8,000	5,039	(2,961)
Miscellaneous	725,139	740,414	808,848	68,434
Total revenues	<u>30,465,191</u>	<u>31,006,966</u>	<u>31,444,856</u>	<u>437,890</u>
<b>Expenditures:</b>				
Current:				
General government	7,113,176	7,423,674	7,140,935	282,739
Public safety	11,334,736	11,741,511	11,676,365	65,146
Public works	5,636,727	5,871,772	5,830,901	40,871
Community development	696,896	756,396	671,358	85,038
Parks and recreation	1,498,106	4,498,106	4,473,578	24,528
Debt service:				
Principal retirement	2,405,841	2,405,841	2,405,841	-
Interest and fees	2,363,938	2,208,940	1,735,261	473,679
Total expenditures	<u>31,049,420</u>	<u>34,906,240</u>	<u>33,934,239</u>	<u>972,001</u>
Revenues over (under) expenditures	<u>(584,229)</u>	<u>(3,899,274)</u>	<u>(2,489,383)</u>	<u>1,409,891</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	300,000	347,960	47,960
Transfers out	(240,960)	(240,960)	(290,960)	(50,000)
Bond proceeds	825,189	825,189	-	(825,189)
Installment financing issued	-	3,015,045	3,000,000	(15,045)
Total other financing sources (uses)	<u>584,229</u>	<u>3,899,274</u>	<u>3,057,000</u>	<u>(842,274)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	567,617	<u>\$ 567,617</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>6,120,403</u>	
End of year - June 30			<u>\$ 6,688,020</u>	

The accompanying notes are an integral part of the financial statements.

## CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	<b>Business-Type Activities</b>			
	<b>Major Enterprise Funds</b>		<b>Nonmajor Enterprise Fund</b>	<b>Total Business-Type Activities</b>
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Environmental Services Fund</b>	
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 1,376,083	\$ 303,165	\$ 869,324	\$ 2,548,572
Accounts receivable, net	3,603,752	328,223	138,655	4,070,630
Due from other governments	539,896	11,299	634	551,829
Cash and investments, restricted	582,279	927,814	-	1,510,093
Prepaid assets	1,410	-	-	1,410
Total current assets	<u>6,103,420</u>	<u>1,570,501</u>	<u>1,008,613</u>	<u>8,682,534</u>
Non-current assets:				
Intangible asset, net of amortization	1,928,880	-	-	1,928,880
Non-depreciable assets	2,939,564	160,030	-	3,099,594
Other capital assets net of depreciation	74,465,160	4,325,330	-	78,790,490
Total capital assets	<u>77,404,724</u>	<u>4,485,360</u>	<u>-</u>	<u>81,890,084</u>
Total assets	<u>85,437,024</u>	<u>6,055,861</u>	<u>1,008,613</u>	<u>92,501,498</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	263,008	15,325	30,083	308,416
Accrued expenses	341,846	61,228	-	403,074
Accrued interest	251,633	-	-	251,633
Current portion of compensated absences	75,236	17,084	-	92,320
Current maturities of long-term debt	1,777,736	457,562	162,364	2,397,662
Deposits	277,762	-	-	277,762
Total current liabilities	<u>2,987,221</u>	<u>551,199</u>	<u>192,447</u>	<u>3,730,867</u>
Non-current liabilities:				
Compensated absences	23,759	5,343	-	29,102
Other post-employment benefits obligation	857,780	235,155	-	1,092,935
Long-term debt	19,839,928	3,591,636	509,227	23,940,791
Total non-current liabilities	<u>20,721,467</u>	<u>3,832,134</u>	<u>509,227</u>	<u>25,062,828</u>
Total liabilities	<u>23,708,688</u>	<u>4,383,333</u>	<u>701,674</u>	<u>28,793,695</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	56,091,577	1,363,976	-	57,455,553
Unrestricted	5,636,759	308,552	306,939	6,252,250
Total net assets	<u>\$ 61,728,336</u>	<u>\$ 1,672,528</u>	<u>\$ 306,939</u>	<u>\$ 63,707,803</u>

The accompanying notes are an integral part of the financial statements.



## CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	<b>Business-Type Activities</b>			
	<b>Major Enterprise Funds</b>		<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Environmental Services Fund</b>	<b>Business-Type Activities</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 12,373,324	\$ 1,503,285	\$ 630,730	\$ 14,507,339
Water and sewer taps	419,868	-	-	419,868
Other operating revenues	833,769	546	-	834,315
Total operating revenues	<u>13,626,961</u>	<u>1,503,831</u>	<u>630,730</u>	<u>15,761,522</u>
<b>Operating Expenses:</b>				
Administration	756,152	-	-	756,152
Distribution	1,920,432	-	-	1,920,432
Filter plant	1,983,948	-	-	1,983,948
General services	1,495,386	-	-	1,495,386
Sewage treatment	2,666,682	-	-	2,666,682
Stormwater	-	1,143,601	-	1,143,601
Environmental services	-	-	409,798	409,798
Depreciation and amortization	2,774,409	86,921	-	2,861,330
Total operating expenses	<u>11,597,009</u>	<u>1,230,522</u>	<u>409,798</u>	<u>13,237,329</u>
Operating income (loss)	<u>2,029,952</u>	<u>273,309</u>	<u>220,932</u>	<u>2,524,193</u>
<b>Non-Operating Revenues (Expenses):</b>				
Grant revenue	-	-	67,500	67,500
Interest earned on investments	35,550	63	550	36,163
Interest and fees on long-term debt	(1,448,093)	(205,805)	(17,119)	(1,671,017)
Total non-operating revenues (expenses)	<u>(1,412,543)</u>	<u>(205,742)</u>	<u>50,931</u>	<u>(1,567,354)</u>
Income (loss) before capital contributions and transfers	617,409	67,567	271,863	956,839
<b>Capital contributions</b>	1,137,813	4,075,377	-	5,213,190
<b>Transfers:</b>				
Transfers out	(840,213)	(3,427,833)	-	(4,268,046)
Transfers in	-	509,077	-	509,077
Total transfers	<u>(840,213)</u>	<u>(2,918,756)</u>	<u>-</u>	<u>(3,758,969)</u>
Change in net assets	915,009	1,224,188	271,863	2,411,060
<b>Net Assets:</b>				
Beginning of year - July 1	<u>60,813,327</u>	<u>448,340</u>	<u>35,076</u>	<u>61,296,743</u>
End of year - June 30	<u>\$ 61,728,336</u>	<u>\$ 1,672,528</u>	<u>\$ 306,939</u>	<u>\$ 63,707,803</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities			
	Major Enterprise Funds		Nonmajor Enterprise Fund	Total
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Business-Type Activities
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 13,335,879	\$ 1,427,693	\$ 526,306	\$ 15,289,878
Cash paid for goods and services	(7,439,968)	(585,181)	(379,715)	(8,404,864)
Cash paid to employees	(1,644,665)	(491,906)	-	(2,136,571)
Net cash provided (used) by operating activities	<u>4,251,246</u>	<u>350,606</u>	<u>146,591</u>	<u>4,748,443</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Due to other funds	-	84	-	84
Repayment of advances from other funds	(118)	-	-	(118)
Transfers (to) from other funds	(840,213)	509,077	-	(331,136)
Net cash provided (used) by non-capital financing activities	<u>(840,331)</u>	<u>509,161</u>	<u>-</u>	<u>(331,170)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Payments to escrow agent - debt refunding	(2,439,699)	-	-	(2,439,699)
Acquisition of capital assets and capital projects	(417,819)	(140,061)	-	(557,880)
Principal paid on long-term debt	(2,360,529)	(667,209)	(158,809)	(3,186,547)
Capital grants	-	-	67,500	67,500
Interest and fees paid on long-term debt	(1,666,387)	(205,805)	(17,119)	(1,889,311)
Net cash provided (used) by capital and related financing activities	<u>(6,884,434)</u>	<u>(1,013,075)</u>	<u>(108,428)</u>	<u>(8,005,937)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	<u>35,550</u>	<u>63</u>	<u>550</u>	<u>36,163</u>
Net increase (decrease) in cash and cash equivalents	(3,437,969)	(153,245)	38,713	(3,552,501)
<b>Cash and Cash Equivalents:</b>				
Beginning of year - July 1	<u>5,396,331</u>	<u>1,384,224</u>	<u>830,611</u>	<u>7,611,166</u>
End of year - June 30	<u>\$ 1,958,362</u>	<u>\$ 1,230,979</u>	<u>\$ 869,324</u>	<u>\$ 4,058,665</u>
<b>Reconciliation of Operating Income (Loss) to Provided (Used) By Operating Activities:</b>				
Operating income (loss)	\$ 2,029,952	\$ 273,309	\$ 220,932	\$ 2,524,193
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,774,409	86,921	-	2,861,330
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(299,915)	(76,138)	(104,424)	(480,477)
(Increase) decrease in prepaids	180	-	-	180
Increase (decrease) in accounts payable and accrued liabilities	(437,860)	16,875	30,083	(390,902)
Increase (decrease) in other post-employment benefits	175,647	49,639	-	225,286
Increase (decrease) in customer deposits	<u>8,833</u>	<u>-</u>	<u>-</u>	<u>8,833</u>
Net cash provided (used) by operating activities	<u>\$ 4,251,246</u>	<u>\$ 350,606</u>	<u>\$ 146,591</u>	<u>\$ 4,748,443</u>
<b>Summary of Non-Cash Activities:</b>				
Transfer of debt obligations from governmental activities, net	<u>\$ -</u>	<u>\$ (3,427,833)</u>	<u>\$ -</u>	<u>\$ (3,427,833)</u>
Capital asset contributions	<u>\$ 1,137,813</u>	<u>\$ 4,075,377</u>	<u>\$ -</u>	<u>\$ 5,213,190</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012**

	<u>Separation Pay Fund</u>
<b>Assets:</b>	
Cash and investments	\$ 52,092
<b>Liabilities:</b>	
Accounts payable	<u>10,750</u>
<b>Net Assets:</b>	
Assets held in trust for pension benefits and other purposes	<u>\$ 41,342</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Separation Pay Fund</u>
<b>Additions:</b>	
Interest	\$ 10
Employer contributions	<u>267,800</u>
Total additions	<u>267,810</u>
<b>Deductions:</b>	
Separation pay	<u>273,829</u>
Change in net assets	(6,019)
<b>Net Assets:</b>	
Beginning of year - July 1	<u>47,361</u>
End of year - June 30	<u>\$ 41,342</u>

*The accompanying notes are an integral part of the financial statements.*

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Kannapolis (the "City") 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 is a municipal corporation which is governed by an elected Mayor and a six-member Council. As required by generally accepted accounting principles, these financial statements present the City. There are no component units presented for which the City is financially accountable.

#### B. Basis of Presentation - Fund Accounting

*Government-Wide Statements.* The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations, except for interfund services provided and used, have been made to minimize the double counting of internal activities. These 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, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - 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 nonmajor 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 and investment earnings, result from non-exchange transactions or ancillary activities.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general 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 City maintains a separate Powell Bill Fund, Revolving Street Assessment Fund, Law Enforcement Grant Fund, Forfeited Property Fund, and Secondary Road Access Fund for accounting purposes. For financial reporting purposes, these funds have been consolidated into the General Fund. The primary revenue sources are ad valorem taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, cultural and recreational activities, and general governmental services.

**NCRC Project Development Financing 2010.** This fund is used to account for bond proceeds used for public improvements and debt issuance costs supporting the North Carolina Research Campus Project Development Financing District.

The City reports the following nonmajor governmental funds:

**Community Development Block Grant Fund.** This fund is used to account for federal grants under the Community Development Block Grant/Entitlement Program.

**Transit Tax Fund.** This fund is used to account for funds to be used in the development of a transit system for the City.

**Village Park Fund.** This fund is used to account for funds to be used in the construction of a new City park.

**Street and Stormwater Improvements Fund.** This fund is used to account for improvements to various City streets and stormwater systems.

**Oakwood Avenue Pedestrian Improvements.** This fund is used to account for funds used in the construction and repairs in the Oakwood Avenue area of the City.

**Cemetery/Village Park Parking Lot Fund.** This fund is used to account for funds to be used in the maintenance and upkeep of a local cemetery.

**Capital Equipment 2008.** This fund is used to account for funds used in the purchase of capital assets.

**Capital Equipment 2009.** This fund is used to account for funds used in the purchase of capital assets.

**Capital Equipment 2011.** This fund is used to account for funds used in the purchase of capital assets.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

**Firefighters Assistance Fund.** This fund is used to account for Department of Homeland Security grants to aid firefighters.

**Dakota Street Bridge Improvements Fund.** This fund is used to account for the construction of a creek culvert and crossing at Dakota Street.

**Village Park Train Fund.** This fund is used to account for funds to be used for improvements to and maintenance of a train on Village Park.

**Three Bridge Project.** This fund is used to account for the construction of three bridges.

**Public Safety Software and Related Equipment Fund.** This fund is used to account for the purchase of OSSI Public Safety Software and related equipment.

**James Street Area Plan.** This fund is used to account for funds to be used for development of an action plan to connect residents with economic opportunities.

**Irish Buffalo Creek Greenway Fund.** This fund is used to account for the development of a greenway along Irish Buffalo Creek.

**NCRC Project Financing Bonds (Series 2008) Fund.** This fund is used to account for bond proceeds used for public improvements and debt issuance cost supporting the North Carolina Research Campus Project Development Financing District.

**Stadium Drive Bridge Repairs Fund.** This fund is used to account for repairs of the Stadium Drive Bridge.

**FEMA Pre-Disaster Mitigation Grant - Patterson Branch Fund.** This fund is used to account for funds to be used in the acquisition of two residential properties located in the Patterson Branch flood plain.

**Mt. Olivet Road-NC3 Intersection Improvements.** This fund is used to account for intersection improvements at Mt. Olivet Road and NC Highway 3.

**FY '10 and FY '11 Recovery Act Byrne Grant.** This fund is used to account for funds awarded through the fiscal year 2010 and fiscal year 2011 Recovery Act Edward Byrne Memorial Justice Grant to purchase emergency light bars for patrol vehicles and mobile computing terminals.

**Tropical Storm Fay Damage Fund.** This fund is used to account for repairs of damage to River Farm Blvd. Bridge caused by Tropical Storm Fay.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

**Dale Earnhardt Blvd Sidewalk.** This fund is used to account for funds used for sidewalk improvements on Dale Earnhardt Blvd.

**Historic Preservation.** This fund is used to account for funds used for historic preservation.

**Rogers Lake Road – RR Crossing Improvement.** This fund is used to account for improvements to the “at grade” railroad crossing at Rogers Lake Road.

**City Office/Public Safety Building.** This fund is used to account for construction of a City office building.

The City reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the City’s water and sewer operations. The City maintains twelve separate water and sewer capital project funds for accounting purposes: Water and Sewer Capital Project V Fund, Water and Sewer Equipment Fund, Western Cabarrus Water Line Fund, Kannapolis Downtown Water System Improvements Fund, Albemarle Water Line Fund, EECBG WTP Pump Retrofit Fund, Second Creek Pump Station Improvements Fund, Tropical Storm Fay Damage Fund, Lane Street Sewer Line Fund, Kannapolis Lake Dam Improvements Fund, WTP Rehabilitation Project and Capital Equipment 2011 Fund. For financial reporting purposes, these funds have been consolidated into the Water and Sewer Fund.

**Stormwater Fund.** This fund is used to account for the City’s stormwater operations. The City maintains three separate stormwater capital project funds for accounting purposes: the Stormwater Capital Equipment Project Fund, 8<sup>th</sup> Street Culvert Replacement and the Stormwater 2011 Equipment Financing and Series 2010 NCRC Bonds Fund. For financial reporting purposes, these funds have been consolidated into the Stormwater Fund.

The City reports the following nonmajor enterprise fund:

**Environmental Services Fund.** This fund is used to account for the City's environmental services operations (recycling).

The City reports the following fund types:

**Fiduciary Funds** - account for assets held by the government in a trustee capacity or an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Fiduciary funds include the following fund type:

**Pension Trust Fund** - is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The City has one Pension Trust Fund, the *Separation Pay Fund*, which is used to account for the accumulation of resources for special separation allowance payments to qualified City employees.

### 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, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of 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.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The City considers all revenues available if they are collected within 60 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Cabarrus County and Rowan County are responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in those counties, including the City of Kannapolis. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Cabarrus and Rowan County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specified cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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 by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

### **D. Budgetary Data**

The City's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, Transit Tax Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Community Development Block Grant Fund, the capital project funds, and the enterprise fund capital project funds, which are consolidated with the operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions to a fund which increase total appropriations. All amendments must be approved by the governing board. The City Manager has authority to alter appropriations within a fund without Council approval.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

During the year, several amendments to the original budget were necessary. 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, and Equity**

#### **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 City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

#### **Cash and Cash Equivalents**

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

#### **Restricted Assets**

The unexpended debt proceeds of the General Fund, enterprise funds, and capital project funds for debt issued by the City are classified as restricted assets because their use is restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it 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 KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### **Ad Valorem Taxes Receivable and Deferred Revenues**

In accordance with State laws (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the City has established a schedule of discounts that applies to taxes which are paid prior to the due date. In the General Fund, ad valorem tax revenues are reported net of such discounts.

### **Allowance for Doubtful Accounts**

All receivables that have historically experienced 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.

### **Interfund Receivables/Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

### **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 are expensed as the items are used.

### **Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$250,000 for general infrastructure and \$5,000 for other capital asset classifications. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The City has elected not to capitalize monuments and works of art that are held for public exhibition.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements	25 years
Plants and distribution systems	50 years
Vehicles and service equipment	5 years
Furniture and equipment	7 years

Interest is capitalized on Enterprise Fund capital assets financed by tax-exempt debt, if material. The amount capitalized is reduced by offsetting the interest expense by the interest revenues from unspent funds from the date of issue until completion of the project.

### **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 Assets. Bond premiums and discounts, as well as issuance costs, 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 discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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 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.

### **Compensated Absences**

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. 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.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The City's sick leave policies provide 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.

### **Net Assets/Fund Balances**

#### **Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

#### **Non-Spendable 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 in tact.

*Prepaid items* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

#### **Restricted Fund Balance**

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

*Stabilization for State Statute* – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

*Restricted for Streets - Powell Bill* – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Restricted for Public Safety* – portion of fund balance restricted by revenue source for public safety related activities such as police and fire.

*Restricted for Community Development* – portion of fund balance restricted by revenue source for community development activities.

*Restricted for Parks & Recreation* – portion of fund balance restricted by revenue source for activities related to parks and recreation.

Restricted fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>NCRC Project Development Financing 2010</u>	<u>Other Governmental Funds</u>
<b>Restricted, All Other:</b>			
Streets	\$ 594,123	\$ -	\$ -
Public safety	51,183	-	16,617
Community development	-	11,333,551	1,012,577
Parks and recreation	-	-	32,926
Total	<u>\$ 645,306</u>	<u>\$ 11,333,551</u>	<u>\$ 1,062,120</u>

### Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that 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 action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Committed for Community Development* – portion of fund balance budgeted by the City Council to be used for community development activities.

*Committed for General Government* – portion of fund balance budgeted by the City Council to be used for general government activities, as they relate to storm damage.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

Committed fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>NCRC Project Development Financing 2010</u>	<u>Other Governmental Funds</u>
Community development	\$ -	\$ -	\$ 308,284
General government	-	-	103
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,387</u>

**Assigned Fund Balance**

Assigned fund balance is the portion of fund balance that the City of Kannapolis intends to use for specific purposes. The City's governing body has the authority to assign fund balance.

**Unassigned Fund Balance**

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

The City of Kannapolis has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-City funds, and/or 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 lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the City or when required by grant or other contractual agreements.

The City has not officially adopted a fund balance policy.

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	\$ 6,688,020
Less:	
Prepaid items	(35,067)
Stabilization by State statute	<u>(1,872,168)</u>
Fund balance available for appropriation	<u>\$ 4,780,785</u>



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The City considers restricted, committed, assigned, unassigned and unrestricted amounts to have been spent when an expenditure is incurred for purposes of determining when amounts are available or could be used.

### **Revenues, Expenditures, and Expenses**

#### **Other Resources**

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers - out" in the Disbursing Fund and "Transfers - in" in the Receiving Fund.

#### **Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **2. Stewardship, Compliance, and Accountability**

### **A. Deficit in Fund Balance or Net Assets of Individual Funds**

The Capital Project Fund – Rogers Lake Road – RR Crossing Improvement reported a deficit in fund balance of \$201,996. The City will correct the deficit in fund balance with a transfer in the upcoming year.

## **3. Detail Notes on All Funds**

### **A. Assets**

#### **Deposits**

All of the 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 agents 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 its name. The amount of the pledged collateral is based on an approved

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 with 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 undercollateralization, 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 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 that deposits are properly secured.

At June 30, 2012, the City's deposits had a carrying amount of \$2,129,959 and a bank balance of \$2,503,846. Of the bank balance, \$583,868 was covered by federal depository insurance, and \$1,919,978 was covered by collateral held under the Pooling Method. At June 30, 2012, the City's petty cash fund totaled \$3,420.

### Investments

At June 30, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
NC Capital Management Trust - Cash Portfolio	\$ 9,431,250	\$ 9,431,250
NC Capital Management Trust - Term Portfolio	799,096	799,096
Commercial Paper	12,158,209	12,158,209
Total	<u>\$ 22,388,555</u>	<u>\$ 22,388,555</u>

*Interest Rate Risk.* The City has a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The policy limits investments to a maximum of five years.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSRO's); however, the City had no formal policy on managing credit risk. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2012. The City's investment in the NC Capital Management Trust Term Portfolio was not rated at June 30, 2012.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Receivables**

Receivables at the government-wide level at June 30, 2012 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 33,384	\$ 1,285,626	\$ 1,477,751	\$ 2,796,761
Governmental	240,941	-	64,331	305,272
Total receivables	274,325	1,285,626	1,542,082	3,102,033
Allowance for doubtful accounts	-	(353,362)	-	(353,362)
Total	<u>\$ 274,325</u>	<u>\$ 932,264</u>	<u>\$ 1,542,082</u>	<u>\$ 2,748,671</u>
<b>Business-Type Activities:</b>				
Water and sewer	\$ 4,231,482	\$ -	\$ 539,896	\$ 4,771,378
Stormwater	357,184	-	11,299	368,483
Environmental services	148,296	-	634	148,930
Allowance for doubtful accounts	(666,332)	-	-	(666,332)
Total	<u>\$ 4,070,630</u>	<u>\$ -</u>	<u>\$ 551,829</u>	<u>\$ 4,622,459</u>

The due from other governments that is owed to the City consists of the following:

Local option sales tax	\$ 1,015,563
Grants	339,267
Other	739,081
Total	<u>\$ 2,093,911</u>

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Capital Assets**

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2012</u>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 9,134,374	\$ 691,433	\$ -	\$ 9,825,807
Construction in progress	10,768,077	10,566,155	(918,236)	20,415,996
Total non-depreciable capital assets	<u>19,902,451</u>	<u>11,257,588</u>	<u>(918,236)</u>	<u>30,241,803</u>
<b>Depreciable Capital Assets:</b>				
Buildings and improvements	12,267,747	3,728,133	-	15,995,880
Other improvements	2,856,764	-	-	2,856,764
Machinery and equipment	14,700,974	765,881	-	15,466,855
Infrastructure	152,284,042	854,724	(5,377,947)	147,760,819
Total depreciable capital assets	<u>182,109,527</u>	<u>5,348,738</u>	<u>(5,377,947)</u>	<u>182,080,318</u>
<b>Less Accumulated Depreciation:</b>				
Building and improvements	2,244,510	464,319	-	2,708,829
Other improvements	795,408	68,683	-	864,091
Machinery and equipment	11,028,209	1,134,842	-	12,163,051
Infrastructure	55,645,179	2,657,806	(2,220,806)	56,082,179
Total accumulated depreciation	<u>69,713,306</u>	<u>4,325,650</u>	<u>(2,220,806)</u>	<u>71,818,150</u>
Total depreciable capital assets, net	<u>112,396,221</u>	<u>\$ 1,023,088</u>	<u>\$ (3,157,141)</u>	<u>110,262,168</u>
Total capital assets, net	<u>\$ 132,298,672</u>			<u>\$ 140,503,971</u>

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

General government	\$ 391,201
Public safety	737,655
Public works	2,678,050
Parks and recreation	518,744
Total depreciation expense	<u>\$ 4,325,650</u>

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2012.

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Water-Sewer Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 730,342	\$ -	\$ -	\$ 730,342
Construction in progress	<u>1,578,819</u>	<u>630,403</u>	<u>-</u>	<u>2,209,222</u>
Total non-depreciable capital assets	<u>2,309,161</u>	<u>630,403</u>	<u>-</u>	<u>2,939,564</u>
<b>Depreciable Capital Assets:</b>				
Buildings	22,778,854	-	-	22,778,854
Distribution systems	81,655,065	925,229	-	82,580,294
Furniture and equipment	46,423	-	-	46,423
Vehicles and service equipment	2,131,240	-	-	2,131,240
Other improvements	<u>17,548</u>	<u>-</u>	<u>-</u>	<u>17,548</u>
Total depreciable capital assets	<u>106,629,130</u>	<u>925,229</u>	<u>-</u>	<u>107,554,359</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	6,245,985	545,097	-	6,791,082
Distribution systems	22,669,959	1,662,937	-	24,332,896
Furniture and equipment	38,779	6,375	-	45,154
Vehicles and service equipment	<u>1,818,247</u>	<u>101,820</u>	<u>-</u>	<u>1,920,067</u>
Total accumulated depreciation	<u>30,772,970</u>	<u>\$ 2,316,229</u>	<u>\$ -</u>	<u>33,089,199</u>
Total depreciable capital assets, net	<u>75,856,160</u>			<u>74,465,160</u>
Total Water and Sewer Fund capital assets, net	<u>78,165,321</u>			<u>77,404,724</u>

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Stormwater Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Construction in progress	19,969	\$ 140,061	\$ -	160,030
Total non-depreciable capital assets	<u>19,969</u>	<u>140,061</u>	<u>-</u>	<u>160,030</u>
<b>Depreciable Capital Assets:</b>				
Furniture and equipment	244,142	-	-	244,142
Vehicles and service equipment	391,466	-	-	391,466
Infrastructure	-	-	6,296,183	6,296,183
Total depreciable capital assets	<u>635,608</u>	<u>-</u>	<u>6,296,183</u>	<u>6,931,791</u>
<b>Less Accumulated Depreciation:</b>				
Furniture and equipment	159,612	48,827	-	208,439
Vehicles and service equipment	139,122	38,094	-	177,216
Infrastructure	-	-	2,220,806	2,220,806
Total accumulated depreciation	<u>298,734</u>	<u>\$ 86,921</u>	<u>\$ 2,220,806</u>	<u>2,606,461</u>
Total depreciable capital assets, net	<u>336,874</u>			<u>4,325,330</u>
Total Stormwater Fund capital assets, net	<u>356,843</u>			<u>4,485,360</u>
Total business-type capital assets, net	<u>\$ 78,522,164</u>			<u>\$ 81,890,084</u>

**Proprietary Intangible Assets**

The intangible assets of the Water and Sewer Fund at June 30, 2012 were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Intangible Assets:</b>				
Rowan County Water Rights	\$ 2,411,100	\$ -	\$ -	\$ 2,411,100
Less accumulated amortization	<u>(433,998)</u>	<u>(48,222)</u>	<u>-</u>	<u>(482,220)</u>
Intangible assets, net	<u>\$ 1,977,102</u>	<u>\$ (48,222)</u>	<u>\$ -</u>	<u>\$ 1,928,880</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### B. Liabilities

#### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

**Plan Description.** The City contributes to the State-wide Local Governmental Employee's Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS 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, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.44% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Kannapolis are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$858,929, \$781,483, and \$597,767, respectively. The contributions made by the City equaled the required contributions for each year.

##### Law Enforcement Officers' Special Separation Allowance

**Plan Description.** The City administers a public employee retirement system (the "e-employer defined benefit pension plan that provides retirement benefits to the City's qualified full-time employees. The Separation Allowance is equal to .85 percent 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. The Separation Allowance is reported in the City's report as a Pension Trust Fund. A separate report was not issued for the plan. All full-time employees of the City are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	19
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>284</u>
Total	<u><u>303</u></u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Summary of Significant Accounting Policies

*Basis of Accounting.* Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States government and United States agency securities are valued at the last reported sales price.

**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits to law enforcement officers and has elected to cover all City employees. It has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$273,829, or 2.2% of annual covered payroll. 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. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year for law enforcement officers and ranging from 4.25% to 8.55% per year for firefighters and general employees. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was the market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.



**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Annual Pension Cost and Net Pension Obligation.** The City’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 375,331
Interest on net pension obligation	44,358
Adjustment to annual required contribution	<u>(52,924)</u>
Annual pension cost	366,765
Employer contributions made	
for fiscal year ended June 30, 2012	<u>273,829</u>
Increase (decrease) in net pension obligation	92,936
Net pension obligation:	
Beginning of year - July 1	<u>887,163</u>
End of year - June 30	<u><u>\$ 980,099</u></u>

**Three-Year Trend Information**

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2010	\$ 248,369	93.77%	\$ 895,022
2011	293,141	102.68%	887,163
2012	366,765	74.66%	980,099

**Funded Status and Funding Progress.** As of December 31 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,637,669, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,637,669. The covered payroll (annual payroll of active employees covered by the plan) was \$12,285,668, and the ratio of the UAAL to the covered payroll was 29.61 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### **Supplemental Retirement Income Plan 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 the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$265,495, which consisted of \$185,543 from the City and \$79,952 from the law enforcement officers.

### **Firemen's and Rescue Squad Workers' Relief Fund**

**Plan Description.** The State of North Carolina contributes, on behalf of the City, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible firefighters 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. The 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 Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

### **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

The City has complied with changes in the laws which govern the City’s deferred compensation plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants, and their beneficiaries. Formerly, the undistributed amounts, which had been deferred by the plan participants, were required to be reported as assets of the City. In accordance with GASB Statement No. 32, “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”, the City’s deferred compensation plan is no longer reported within the City’s agency funds. The City contributes to the plan on behalf of the City Manager. During the year ended June 30, 2012, the City contributed \$6,631 to this account.

**Other Post-Employment Benefits**

**Plan Description.** The City has established a policy as a single-employer defined benefit plan providing group medical and dental benefits to employees eligible to retire under the requirements of the Local Government Employees’ Retirement System noted above. Currently, sixty-six (66) retirees are eligible. The benefit provided by the City varies from -0-% to 75% of the monthly premium, depending on years of service. The retiree is required to make up the difference in the benefit provided and the actual cost of the insurance. The coverage provided is the same type as was in effect immediately preceding the retirement date. If the retiree is or becomes eligible for Medicare, the City’s policy pays secondary to Medicare. The City finances these benefits on a pay-as-you-go basis. For the year ended June 30, 2012, expenditures under the plan were \$800,152. A separate report was not issued for the plan.

Membership of the Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	<b>General</b>	<b>Law</b>	
	<b>Employees</b>	<b>Enforcement</b>	
	<u>          </u>	<u>Officers</u>	<u>Firefighters</u>
Retirees and dependents receiving benefits	40	-	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-	-
Active plan members	<u>136</u>	<u>78</u>	<u>70</u>
Total	<u>176</u>	<u>78</u>	<u>70</u>

**Funding Policy.** Depending on the length of creditable service at the time of retirement, the City’s contribution for retiree healthcare benefits ranges from -0-% to 75% of the monthly premium. The City’s members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The current ARC rate is 15.26% of annual covered payroll. For the current year, the City contributed \$800,152, or 6.6% of annual covered payroll. Employee health coverage is self-insured and administered through a third-party insurer.

**Summary of Significant Accounting Policies.** Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Annual OPEB Cost and Net OPEB Obligation.** The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 1,468,254	\$ 390,295	\$ 1,858,549
Interest on net OPEB obligation	82,853	22,024	104,877
Adjustments to annual required contribution	(71,481)	(19,001)	(90,482)
Annual OPEB cost (expense)	1,479,626	393,318	1,872,944
Contributions made	(632,120)	(168,032)	(800,152)
Increase (decrease) in net OPEB obligation	847,506	225,286	1,072,792
Net OPEB obligation:			
Beginning of year - July 1	3,139,161	867,649	4,006,810
End of year - June 30	<u>\$ 3,986,667</u>	<u>\$ 1,092,935</u>	<u>\$ 5,079,602</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 1,595,265	27.0%	\$ 2,621,924
2011	1,872,944	26.1%	4,006,810
2012	1,872,944	42.7%	5,079,602

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

**Funding Status and Funding Progress.** As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$19,485,853. The covered payroll (annual payroll of active employees covered by the plan) was \$12,177,773, and the ratio of the UAAL to the covered payroll was 160.0 percent.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included (a) 4% investment rate of return, which included an inflation component of 3.75% and (b) a 10.5%-5.0% pre-Medicare trend rate and 9.0%-5.0% post-Medicare trend rate with 2017 as the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2009 was 30 years.

As of June 30, 2012, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

### **Other Employment Benefits**

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental 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 are equal to the employee's 12

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

highest months' salary in a row during the 24 months prior to the employee's death, but the benefit must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the City made contributions to the State for death benefits of \$11,060. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**Deferred/Unearned Revenues**

The balances in deferred revenues in the governmental funds statement and unearned revenues in the Statement of Net Assets are comprised of the following elements:

	<b>Deferred Revenues</b>	<b>Unearned Revenues</b>
<b>General Fund:</b>		
Prepaid taxes	\$ 27,413	\$ 27,413
Taxes receivable	932,264	-
Prepaid business licenses	54,939	54,939
Cabarrus County contribution - fire station	333,487	333,487
<b>Other Governmental Funds:</b>		
CDBG loan receivable	240,941	-
Total	\$ 1,589,044	\$ 415,839

**Long-Term Obligations**

The City records long-term debt of the governmental funds at face value in the government-wide Statement of Net Assets. Principal and interest payments are appropriated when due. Compensated absences, net pension obligation and other post-employment benefits typically have been liquidated in the General Fund.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Changes in Long-Term Debt – Governmental Funds**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Portion</u>
Notes payable	\$ 14,503,541	\$ 3,000,000	\$ (6,145,674)	\$ 11,357,867	\$ 1,535,325
U.S. government obligations	1,349,000	-	(169,000)	1,180,000	174,000
Limited obligation bonds	34,184,500	815,500	(575,000)	34,425,000	1,300,000
Compensated absences	784,628	434,312	(458,156)	760,784	578,196
Other post-employment benefits	3,139,161	1,479,626	(632,120)	3,986,667	-
Net pension obligation	887,163	366,765	(273,829)	980,099	-
Total	<u>\$ 54,847,993</u>	<u>\$ 6,096,203</u>	<u>\$ (8,253,779)</u>	<u>\$ 52,690,417</u>	<u>\$ 3,587,521</u>

Included in the notes payable retirement column above is debt transferred from the General fund to the Stormwater fund of \$4,243,333. Included in the limited obligation bonds addition column above is debt transferred from the Stormwater fund to the General fund of \$815,500.

Total debt used in the calculation of invested in capital assets, net of related debt, for governmental activities is reduced by unexpended debt proceeds of \$11,333,551.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Governmental Activities - Notes Payable**

4.16% note, payable in semi-annual installments of \$153,333, including interest beginning June 1998 through December 2013; secured by public works facility. Half of the obligation is funded by the enterprise funds and half by the General Fund.	\$ 230,000
Various notes payable secured by personal property. See schedule below for terms and portion funded by the Enterprise Fund and a portion funded by the General Fund.	2,079,633
4.38% note, payable in semi-annual installments of \$19,000, including interest beginning January 2010 through July 2019; secured by three bridges	285,000
3.97% note, payable in semi-annual installments ranging \$26,652 to \$41,696, including interest beginning October 2006 through April 2021; secured by park building	470,400
4.385% note, payable in semi-annual installments of \$139,105, plus interest beginning January 2008 through July 2022; secured by street improvements	2,921,197
3.99% note, payable in semi-annual installments of \$107,802, plus interest beginning August 2008 through February 2023; secured by a fire station	2,371,637
0% note, payable to County in annual installments of \$62,500, beginning April 2014 through April 2061, secured by the stadium	<u>3,000,000</u>
Total	<u>\$ 11,357,867</u>

Various notes payable are serviced jointly by governmental and enterprise funds.



**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

The City executed the following obligations under installment purchase agreements with various financial institutions. The obligations were used to purchase water and sewer, firefighting, street, parks and recreation, and police equipment.

<b>Date Issued</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Annual Payments</b>		<b>Balance June 30, 2012</b>	
			<b>General Fund</b>	<b>Enterprise Fund</b>	<b>General Fund</b>	<b>Enterprise Fund</b>
Sept 2006	3.75%	Aug 2011	\$ 27,612	\$ 5,476	\$ -	\$ -
Nov 2007	3.45%	Oct 2012	421,982	294,447	-	-
Nov 2008	3.16%	Oct 2013	432,410	21,088	598,240	29,121
Feb 2010	3.17%	Feb 2017	129,845	-	663,290	-
June 2011	1.81%	June 2014	110,926	-	227,952	-
June 2011	2.22%	June 2016	-	158,809	-	671,591
June 2011	4.05%	June 2025	42,154	94,090	590,151	1,317,253
<b>Total</b>					<u>\$ 2,079,633</u>	<u>\$ 2,017,965</u>

Annual debt service requirements to maturity for the City's governmental activities notes payable are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,535,325	\$ 313,879	\$ 1,849,204
2014	1,170,647	263,414	1,434,061
2015	831,494	228,824	1,060,318
2016	836,079	197,990	1,034,069
2017	789,583	167,212	956,795
2018-2022	3,296,423	440,812	3,737,235
2023-2027	835,816	24,013	859,829
2028-2032	312,500	-	312,500
2033-2037	312,500	-	312,500
2038-2042	312,500	-	312,500
2043-2047	312,500	-	312,500
2048-2052	312,500	-	312,500
2053-2057	312,500	-	312,500
2058-2061	187,500	-	187,500
<b>Total</b>	<u>\$ 11,357,867</u>	<u>\$ 1,636,144</u>	<u>\$ 12,994,011</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Governmental Activities - U.S. Government Obligations

A Section 108 loan of \$1,658,000 was executed on August 9, 2001 with the Department of Housing and Urban Development. A principal payment of \$120,000 is due August 2012. Principal payments increase in \$5,000 increments yearly until the last year of the loan, 2016, when the balance is due. Interest is due semi-annually at rates from 5.49% to 5.29% on February 1 and August 1. This obligation is to be used in the construction of Gateway Business Park. The principal balance due at June 30, 2012 was \$683,000.

A Section 108 loan of \$742,000 was executed on August 28, 2006 with the Department of Housing and Urban Development. A principal payment of \$49,000 is due August 2012. Principal payments are \$49,000 until 2015, when they increase to \$50,000. Interest is due semi-annually at rates from 4.96% to 5.57% on February 1 and August 1. This obligation is to be used in the construction of Gateway Business Park. The principal balance due at June 30, 2012 was \$497,000.

Annual debt service requirements to maturity for the City's U.S. obligations are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2013	\$ 174,000	\$ 29,722	\$ 203,722	
2014	179,000	26,779	205,779	
2015	184,000	23,850	207,850	
2016	190,000	20,333	210,333	
2017	203,000	20,195	223,195	
2018-2022	250,000	40,480	290,480	
Total	<u>\$ 1,180,000</u>	<u>\$ 161,359</u>	<u>\$ 1,341,359</u>	

### Limited Obligation Bonds

The City issued Series 2010A and 2010B Limited Obligation Bonds in December 2010. The City's Limited Obligation Bonds are serviced by a governmental Capital Project Fund and a Stormwater Capital Project Fund. As security for the 2010 Bonds, the City will execute and deliver a deed of trust, granting, among other things, a lien of record on the Mortgaged Property subject to permitted encumbrances. Each series of the 2010 Bonds will also be secured by a debt service reserve fund.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Approximately 50% of the Limited Obligation Bonds were issued to provide funds for the acquisition of property and construction of a new Health Department; operated and managed by the Cabarrus Health Alliance. The Health Alliance Building will be a three-story, 62,503 square foot facility located on approximately 3.4 acres of land east of D Street and south of Juniper Street just west of its intersection with Dale Earnhardt Boulevard in the City. The remaining 50% of the Limited Obligation Bonds were issued with the intention to provide funds for the construction of various infrastructure projects. These projects generally include, but are not limited to, water, sewer and storm water infrastructure improvements, street, sidewalk and streetscape improvements and park and recreation improvements. As the development of the NCRC continues in the future, the City will consider financing additional infrastructure projects as may be necessary to support such development.

The City's limited obligation bonds payable at June 30, 2012 are comprised of the following individual issues:

Series 2010A Limited Obligation Bonds \$15,690,000  
Series 2010B Limited Obligation Bonds \$19,310,000

### Governmental Activities – Limited Obligation Bonds

\$35,000,000 Series 2010A and 2010B Limited Obligation Bonds, issued in December 2010, due in annual installments ranging from \$575,000 to \$4,770,000 on March 1, through 2027. Interest is payable semi-annually at rates ranging from 3% to 5%, fluctuating throughout the life of the bonds. The City also receives a 35% Build America Bond (BAB) subsidy from the federal government through March 1, 2027.

\$ 34,425,000

Annual debt service requirements to maturity for the City's Limited Obligation Bonds for governmental activities are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2013	\$ 1,300,000	\$ 2,118,268	\$ 3,418,268
2014	1,440,000	2,066,268	3,506,268
2015	1,585,000	2,008,668	3,593,668
2016	1,655,000	1,945,268	3,600,268
2017	1,735,000	1,862,518	3,597,518
2018-2022	11,810,000	7,703,666	19,513,666
2023-2027	14,900,000	6,322,528	21,222,528
Total	<u>\$ 34,425,000</u>	<u>\$ 24,027,184</u>	<u>\$ 58,452,184</u>

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Changes in Long-Term Debt - Business-Type Activities**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Current</u> <u>Maturities</u>
Revenue bonds	\$ 21,607,221	\$ 16,300,300	\$ (20,287,515)	\$ 17,620,006	\$ 1,253,104
Notes payable	6,114,144	4,243,335	(1,639,032)	8,718,447	1,144,558
Limited obligation bonds	815,500	-	(815,500)	-	-
Other post-employment benefits	867,649	393,318	(168,032)	1,092,935	-
Compensated absences	133,161	90,838	(102,577)	121,422	92,320
<b>Total</b>	<u>\$ 29,537,675</u>	<u>\$ 21,027,791</u>	<u>\$ (23,012,656)</u>	<u>\$ 27,552,810</u>	<u>\$ 2,489,982</u>

Included in the notes payable additions column above is debt transferred from the General fund to the Stormwater fund of \$4,243,333. Included in the limited obligation bonds retirements column above is debt transferred from the Stormwater fund to the General fund of \$815,500.

Total debt used in the calculation of invested in capital assets, net of related debt, for business-type activities is reduced by unexpended debt proceeds of \$1,193,861 (\$304,517 for Water and Sewer, and \$927,814 for Stormwater).

At June 30, 2012, the City had no authorized, but unissued, debt and a legal debt margin of \$247,664,995.

**Revenue Bonds**

On November 1, 2011, the City issued \$16,300,300 in 2011 Refunding Revenue Bonds. The proceeds were used to advance refund \$18,740,000 of outstanding Combined Enterprise System Revenue Bonds, Series 2001A and 2001B. The net proceeds of \$16,300,300 (after payment of \$367,562 for underwriter fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds.

Additional funds still held in escrow related to the original 2001 issue were also deposited in the irrevocable trust with the escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, \$18,740,000 of the Combined Enterprise System Revenue Bonds, Series 2001A and 2001B is considered defeased and the respective liabilities for those bonds has been removed from the statement of net assets. The City advance refunded Combined Enterprise System Revenue Bonds, Series 2001A and 2001B to reduce its annual total debt service payments by \$3,042,227 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,488,000.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds outstanding are being retired by the resources of the Water and Sewer Fund. Revenue bonds outstanding at year-end are as follows:

\$5,324,000 Enterprise System Revenue Bonds, Series 2002, with an interest only payment in February of 2003, and equal payments of \$235,922 semi-annually, August 1 and February 1 starting in 2003 until 2018; interest rate is 3.89%	\$ 2,503,406
\$16,300,300 Combined Enterprise System Revenue Bonds, Refunding Series 2011, due annually in amounts ranging from \$875,000 to \$1,420,000 through February 2025, interest rate of 2.85%	<u>15,116,600</u>
<b>Total</b>	<u><u>\$ 17,620,006</u></u>

Annual debt service requirements to maturity for business-type revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,253,104	\$ 524,564	\$ 1,777,668
2014	1,387,555	484,775	1,872,330
2015	1,429,189	440,995	1,870,184
2016	1,474,530	395,861	1,870,391
2017	1,527,301	349,262	1,876,563
2018-2022	6,408,127	1,124,758	7,532,885
2023-2027	<u>4,140,200</u>	<u>238,197</u>	<u>4,378,397</u>
<b>Total</b>	<u><u>\$ 17,620,006</u></u>	<u><u>\$ 3,558,412</u></u>	<u><u>\$ 21,178,418</u></u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 6.6 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2002 and Series 2011 since their adoption. Section 6.6 of the Bond Order requires the debt service parity coverage ratio to be no less than 120% and 110% and the total debt service coverage ratio to be no less than 100%. Additional indebtedness constituted by the Series 2002 and Series 2011 revenue bonds is to be considered in the calculation of the debt service parity coverage ratio. The debt service parity coverage ratio calculation for the year ended June 30, 2012 is as follows:

2013 budgeted revenues	\$ 13,370,000
50% of surplus fund at June 30, 2012	558,165
2013 budgeted expenses*	<u>(7,958,905)</u>
Operating income	<u>\$ 5,969,260</u>
Debt service on parity indebtedness	<u>\$ 2,133,202</u>
Debt service on parity indebtedness	280%
Other indebtedness related to the Combined Enterprise System	<u>\$ 531,235</u>
Pro-forma debt service coverage ratio on parity and other indebtedness	224%

\* Excludes debt service, transfers out and general management expense allocation

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$21,624,300 in water and sewer system revenue bonds issued in 2002 and 2011. Proceeds from the bonds provided financing for water and sewer extensions and water treatment plant renovations. The bonds are payable solely from water and sewer customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require about 17 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$21,178,418. Principal and interest paid for the current year and total customer net revenues were \$2,479,705 and \$14,604,587, respectively.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### Business-Type Activities - Notes Payable

5.85% note, payable in annual installments of \$86,800 due in May with interest payable semi-annually, beginning May 1995 through November 2016; secured by water and sewer distribution assets. Note was issued by the State Clean Water Program.	\$ 368,900
4.16% note, payable in semi-annual installments of \$153,333, including interest beginning June 1998 through December 2013; secured by public works facility. Half of the obligation is funded by the enterprise funds and half by the General Fund.	230,000
4.09% note, payable in annual installments of \$76,633, plus interest beginning September 2007 through September 2021; secured by water improvements associated with the North Carolina Research Campus Development	766,333
3.48% note, with one payment of \$32,041 made October 2008, then payable in semi-annual installments of \$31,794, including interest beginning April 2009 through April 2023; secured by water improvements	579,820
3.87% note, payable in semi-annual installments of \$38,69, including interest beginning December 2008 through June 2023; secured by water improvements	687,992
2.48% note, payable in annual installments of \$15,000 beginning May 2013 through May 2032 with interest payable semi-annually, beginning November 2012 through May 2032; secured by water pump station. Note was issued by NCDENR.	264,103
3.63% note, payable in semi-annual installments ranging \$118,819 to \$181,250, including interest beginning November 2005 through May 2020; secured by street and stormwater improvements	1,866,667
3.74% note, payable in semi-annual installments ranging \$27,165 to \$41,627, including interest beginning September 2006 through March 2021; secured by street and Stormwater improvements	480,000
4.03% note, payable in semi-annual installments of \$76,667, plus interest beginning January 2007 through July 2021; secured by street and Stormwater improvements	1,456,667
Various notes payable secured by personal property. See schedule above for terms and portion funded by the enterprise funds and a portion funded by the General Fund.	<u>2,017,965</u>
Total	<u>\$ 8,718,447</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Annual debt service requirements to maturity for business-type notes payable are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,144,558	\$ 312,148	\$ 1,456,706
2014	1,060,856	269,067	1,329,923
2015	984,316	233,890	1,218,206
2016	992,075	200,231	1,192,306
2017	757,575	167,953	925,528
2018-2022	3,150,195	423,830	3,574,025
2023-2027	589,769	51,272	641,041
2028-2032	39,103	5,580	44,683
Total	<u>\$ 8,718,447</u>	<u>\$ 1,663,971</u>	<u>\$ 10,382,418</u>

### Operating Leases

The City is committed under operating leases for office space, equipment, and other facilities. For the year ended June 30, 2012, lease expenditures amounted to \$362,753. Future minimum payments under these leases are as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2013	\$ 141,001
2014	139,489
2015	129,339
2016	126,891
Total	<u>\$ 536,720</u>



**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**4. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2012 consist of the following:

<u>Due To/ From Fund</u>	<u>Receivable (Payable) Amount</u>	<u>Purpose</u>
General	\$ 361,033	
Nonmajor governmental funds:		
Capital Projects - Dale Earnhardt Blvd Sidewalk	(4,709)	Advance for capital projects
Capital Projects - Rogers Lake Road - RR Crossing	(201,996)	Advance for capital projects
Capital Projects - Assistance to Firefighters Grant	(8,392)	Advance for capital projects
Capital Projects - James Street Area Plan	(465)	Advance for capital projects
Capital Projects - Three Bridges Projects	(1,175)	Advance for capital projects
Capital Projects - Cemetery/Village Park Parking Lot	(7,547)	Advance for capital projects
Capital Projects - Capital Equipment 2011	(76,293)	Advance for capital projects
Special Revenue - CDBG	(60,456)	Advance for operating expenses
Total	<u>\$ -</u>	

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

Interfund transfers for the fiscal year ended June 30, 2012 consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 290,960		
Nonmajor governmental funds:			
Transit Fund		\$ 240,960	Operating expenditures
City Office/Public Safety Building		50,000	Capital expenditures
NCRC Project Equipment Financing Bonds	309		
NCRC Project Equipment Financing Bonds		309	Capital expenditures
Cemetery/Village Park Parking Lot Capital Equipment 2011	33,500		
		33,500	Capital expenditures
Public Safety Software	34,103		
Oak Ave Pedestrian Improvements	604		
Capital Equipment 2009	5,637		
Capital Equipment 2008	6,955		
Village Park Improvements	458		
Street & Stormwater Improvements	203		
General Fund		47,960	Close out projects
Water/Sewer	840,213		
Mt. Olivet Road		31,136	Capital expenditures
Stormwater		509,077	Operating expenditures
General Fund		300,000	Operating expenditures
General Fund	4,075,377		Capital asset transfers
Stormwater		4,075,377	
General Fund	4,243,333		
Stormwater		4,243,333	Debt transferred
Stormwater	815,500		
General Fund	-	815,500	Debt transferred
Total	<u>\$ 10,347,152</u>	<u>\$ 10,347,152</u>	

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

### 5. Revenues, Expenditures, and Expenses

#### On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2012, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$20,636 for the 54 firefighters in the City's Fire Department. The employees elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

### 6. Jointly Governed Organizations

The City, in conjunction with 8 counties and 50 other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$10,017 to the Council during the fiscal year ended June 30, 2012.

The City, Cabarrus County, and three other municipalities established the Water and Sewer Authority of Cabarrus County (WSACC). WSACC was established to provide water and sewer services to the citizens of Cabarrus County. The City appoints two members to the ten-member Board. The City purchased sewer transportation services amounting to \$2,642,056 from WSACC for the year ended June 30, 2012.

### 7. Significant Economic Dependence

The Enterprise Fund is dependent upon another governmental entity, the Water and Sewer Authority of Cabarrus County (WSACC), for sewer transportation services.

### 8. 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 has a self-funded workers' compensation insurance plan. The City carries commercial insurance to cover all other risks.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

The City's coverage is as follows:

Property	\$54,115,060 property, inland marine - equipment \$2,547,227, computer equipment/media \$2,062,154, fine arts \$342,675, and portable equipment \$1,061,229
Police Official's Liability	\$1,000,000 per occurrence, \$3,000,000 aggregate
Public Official's Liability	\$1,000,000 per occurrence, \$3,000,000 aggregate
General Liability	\$5,000,000 per occurrence, \$5,000,000 aggregate
Automobile Liability	\$5,000,000
Workers' Compensation	Legal limits, \$350,000 retention
Employee Crime/Dishonesty	\$250,000 per occurrence
Employee Practices	\$1,000,000 per occurrence, \$3,000,000 aggregate
Finance Director Bond	\$50,000
Tax Collector	\$10,000
Employee Benefits Liability	\$1,000,000 per occurrence, \$1,000,000 aggregate
Liquor	\$1,000,000 per occurrence, \$1,000,000 aggregate

Employee health coverage is self-insured and administered through a third-party insurer. All full-time employees and eligible retirees receive coverage through a Preferred Provider Option Plan or consumer driven health plan.

The City does not carry flood insurance.

There have been no significant reductions in insurance coverage from the prior year, and claims have not exceeded coverage in any of the last three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR's).

Changes in the balances of claims liabilities for health insurance during the past fiscal year are as follows:

Unpaid claims:	
Beginning of year - July 1	\$ 135,384
Incurred claims	1,918,554
Claim payments	<u>(1,946,389)</u>
End of year - June 30	<u>\$ 107,549</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Changes in the balances of claims liabilities for workers' compensation insurance during the past fiscal year are as follows:

Unpaid claims:		
Beginning of year - July 1	\$	259,555
Incurred claims		665,168
Claim payments		<u>(477,546)</u>
End of year - June 30	\$	<u>447,177</u>

Claims typically have been liquidated in the General Fund.

### 9. Claims and Judgments

At June 30, 2012, the City was a 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.

### 10. Summary Disclosure of Significant Contingencies

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 monies 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 monies.

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## **Required Supplemental Financial Data**

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

***Special Separation Allowance*** - Schedule of Funding Progress and  
Schedule of Employer Contributions

***Other Post-Employment Benefits*** - Schedule of Funding Progress and  
Schedule of Employer Contributions

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## CITY OF KANNAPOLIS, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Valuation of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (B)	Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Annual Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A) / C
12/31/2005	\$ 70,267	\$ 2,062,963	3.41%	\$ 1,992,696	\$ 9,506,341	20.96%
12/31/2006	115,781	2,141,235	5.41%	2,025,454	9,612,783	21.07%
12/31/2007	142,922	2,598,764	5.50%	2,455,842	10,015,403	24.52%
12/31/2008	163,079	2,801,646	5.82%	2,638,567	11,668,966	22.61%
12/31/2009	56,994	3,737,469	1.52%	3,680,475	12,177,773	30.22%
12/31/2010	1,128	3,492,402	0.03%	3,491,274	11,939,634	29.24%
12/31/2011	-	3,637,669	0.00%	3,637,669	12,285,668	29.61%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed by Employer	Percentage of ARC Contributed
2006	\$ 215,475	\$ 10,000	4.64%
2007	210,830	180,000	85.38%
2008	220,174	232,900	105.78%
2009	216,059	232,900	107.79%
2010	240,007	232,900	97.04%
2011	296,307	301,000	101.58%
2012	375,331	273,829	72.96%

## Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	0.05
Projected salary increases*	
Law enforcement officers	4.25 - 7.85%
Firefighters	4.25 - 8.55%
General employees	4.25 - 7.75%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

## CITY OF KANNAPOLIS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Unfunded AAL (UAAL) (b - a)					
12/31/2007	\$ -	\$ 16,443,235	\$ 16,443,235	0.00%	\$ 10,015,403	164.2%	
12/31/2009	-	19,485,853	19,485,853	0.00%	12,177,773	160.0%	

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 1,595,265	8.6%
2010	1,595,265	27.0%
2011	1,858,549	26.3%
2012	1,858,549	43.1%

## Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rates:	
Pre-Medicare trend rate	10.5% - 5.0%
Post-Medicare trend rate	9.0% - 5.0%
Year of Ultimate trend rate	2017

\* Includes inflation at 3.75%

## **General Fund**

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The **General Fund** accounts for resources traditionally associated with governments that are not required legally or by sound financial management to be accounted for in other funds.

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CITY OF KANNAPOLIS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Current year, net of refund	\$ 17,923,010	\$ 18,076,980	\$ 153,970
Prior year, net of refunds	400,000	523,144	123,144
Total	<u>18,323,010</u>	<u>18,600,124</u>	<u>277,114</u>
<b>Other Taxes and Licenses:</b>			
ABC mixed beverages	50,000	51,487	1,487
Vehicle licenses	327,000	324,356	(2,644)
Privilege licenses	205,000	220,915	15,915
Local option sales tax	5,625,000	5,697,969	72,969
Other taxes and licenses	<u>33,000</u>	<u>29,242</u>	<u>(3,758)</u>
Total	<u>6,240,000</u>	<u>6,323,969</u>	<u>83,969</u>
<b>Unrestricted Intergovernmental:</b>			
Sales tax refund	225,000	-	(225,000)
Franchise tax	1,770,000	1,738,421	(31,579)
Other franchise tax	-	86,807	86,807
Beer and wine	189,900	185,562	(4,338)
Food stamp reimbursement	5,000	15,646	10,646
Rowan County contribution	<u>-</u>	<u>313,415</u>	<u>313,415</u>
Total	<u>2,189,900</u>	<u>2,339,851</u>	<u>149,951</u>
<b>Restricted Intergovernmental:</b>			
"State Street-Aid" allocation	1,189,961	1,210,432	20,471
Federal Emergency Management Agency	-	8,450	8,450
Other federal and State grants	<u>126,500</u>	<u>47,415</u>	<u>(79,085)</u>
Total	<u>1,316,461</u>	<u>1,266,297</u>	<u>(50,164)</u>
<b>Sales and Services:</b>			
Public safety fees	110,940	134,980	24,040
Rents	145,500	88,206	(57,294)
Other fees	<u>1,932,741</u>	<u>1,877,542</u>	<u>(55,199)</u>
Total	<u>2,189,181</u>	<u>2,100,728</u>	<u>(88,453)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Investment Earnings</b>	8,000	5,039	(2,961)
<b>Miscellaneous</b>	740,414	808,848	68,434
Total revenues	<u>31,006,966</u>	<u>31,444,856</u>	<u>437,890</u>
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and employee benefits	78,940	76,412	2,528
Operating expenditures	88,800	70,934	17,866
Total	<u>167,740</u>	<u>147,346</u>	<u>20,394</u>
<b>Legislative Auditor:</b>			
Contract services	29,500	36,950	(7,450)
<b>City Manager:</b>			
Salaries and employee benefits	640,907	634,591	6,316
Operating expenditures	473,559	488,202	(14,643)
Total	<u>1,114,466</u>	<u>1,122,793</u>	<u>(8,327)</u>
<b>City Memberships:</b>			
Membership dues	98,781	98,330	451
<b>Human Resources:</b>			
Salaries and employee benefits	216,859	220,151	(3,292)
Operating expenditures	89,410	76,914	12,496
Total	<u>306,269</u>	<u>297,065</u>	<u>9,204</u>
<b>Tax Collection:</b>			
Contract services	144,739	94,036	50,703
<b>City Attorney:</b>			
Contract services	91,900	105,245	(13,345)
Salaries and employee benefits	193,058	182,062	10,996
Operating expenditures	51,291	36,109	15,182
Total	<u>336,249</u>	<u>323,416</u>	<u>12,833</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Finance Director:</b>			
Salaries and employee benefits	477,150	433,434	43,716
Operating expenditures	17,500	19,683	(2,183)
Total	<u>494,650</u>	<u>453,117</u>	<u>41,533</u>
<b>Data Processing:</b>			
Contract services	249,564	249,879	(315)
Operating expenditures	193,796	171,298	22,498
Total	<u>443,360</u>	<u>421,177</u>	<u>22,183</u>
<b>General Services:</b>			
Operating expenditures	329,380	295,721	33,659
Contract services	39,200	49,036	(9,836)
Capital outlay	20,000	-	20,000
Total	<u>388,580</u>	<u>344,757</u>	<u>43,823</u>
<b>Non-Departmental:</b>			
Operating expenditures	3,720,069	3,801,948	(81,879)
Contingency	179,271	-	179,271
Total	<u>3,899,340</u>	<u>3,801,948</u>	<u>97,392</u>
Total general government	<u>7,423,674</u>	<u>7,140,935</u>	<u>282,739</u>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	5,316,015	5,224,026	91,989
Operating expenditures	1,245,179	1,386,713	(141,534)
Capital outlay	136,697	117,672	19,025
Total	<u>6,697,891</u>	<u>6,728,411</u>	<u>(30,520)</u>
<b>Fire:</b>			
Salaries and employee benefits	4,150,976	4,038,209	112,767
Operating expenditures	892,644	903,735	(11,091)
Capital outlay	-	6,010	(6,010)
Total	<u>5,043,620</u>	<u>4,947,954</u>	<u>95,666</u>
Total public safety	<u>11,741,511</u>	<u>11,676,365</u>	<u>65,146</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Public Works:</b>			
<b>Engineering:</b>			
Salaries and employee benefits	345,854	348,431	(2,577)
Operating expenditures	42,400	43,219	(819)
Contract services	<u>635,900</u>	<u>645,766</u>	<u>(9,866)</u>
Total	<u>1,024,154</u>	<u>1,037,416</u>	<u>(13,262)</u>
<b>Streets and Highways:</b>			
Operating expenditures	502,100	531,775	(29,675)
Street projects	<u>15,045</u>	<u>-</u>	<u>15,045</u>
Total	<u>517,145</u>	<u>531,775</u>	<u>(14,630)</u>
<b>Operations Center:</b>			
Operating expenditures	189,912	176,369	13,543
Contract services	<u>25,000</u>	<u>30,461</u>	<u>(5,461)</u>
Total	<u>214,912</u>	<u>206,830</u>	<u>8,082</u>
<b>Signs and Markings:</b>			
Salaries and employee benefits	133,631	127,511	6,120
Operating expenditures	94,262	78,230	16,032
Contract services	27,600	24,070	3,530
Capital outlay	<u>-</u>	<u>9,750</u>	<u>(9,750)</u>
Total	<u>255,493</u>	<u>239,561</u>	<u>15,932</u>
<b>Powell Aid:</b>			
Salaries and employee benefits	323,913	277,404	46,509
Operating expenditures	267,894	258,746	9,148
Contract services	145,385	153,783	(8,398)
Capital outlay	<u>361,164</u>	<u>354,817</u>	<u>6,347</u>
Total	<u>1,098,356</u>	<u>1,044,750</u>	<u>53,606</u>
<b>Refuse Collection:</b>			
Operating expenditures	32,300	76,621	(44,321)
Contract services	<u>2,729,412</u>	<u>2,693,948</u>	<u>35,464</u>
Total	<u>2,761,712</u>	<u>2,770,569</u>	<u>(8,857)</u>
Total public works	<u>5,871,772</u>	<u>5,830,901</u>	<u>40,871</u>



## CITY OF KANNAPOLIS, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Community Development:</b>			
<b>Planning:</b>			
Operating expenditures	10,600	8,876	1,724
Contract services	522,794	479,177	43,617
Total	<u>533,394</u>	<u>488,053</u>	<u>45,341</u>
<b>Code Enforcement:</b>			
Contract services	223,002	183,305	39,697
Total community development	<u>756,396</u>	<u>671,358</u>	<u>85,038</u>
<b>Parks and Recreation:</b>			
<b>Recreation:</b>			
Salaries and employee benefits	782,306	779,032	3,274
Operating expenditures	305,300	310,264	(4,964)
Contract services	336,500	310,860	25,640
Total	<u>1,424,106</u>	<u>1,400,156</u>	<u>23,950</u>
<b>Stadium:</b>			
Operating expenditures	25,000	42,528	(17,528)
Contract services	18,000	5,648	12,352
Capital outlay	3,025,000	3,022,600	2,400
Total	<u>3,068,000</u>	<u>3,070,776</u>	<u>(2,776)</u>
<b>Cemetery:</b>			
Contract services	6,000	2,646	3,354
Total parks and recreation	<u>4,498,106</u>	<u>4,473,578</u>	<u>24,528</u>
<b>Debt Service:</b>			
Principal retirement	2,405,841	2,405,841	-
Interest and fees	2,208,940	1,735,261	473,679
Total debt service	<u>4,614,781</u>	<u>4,141,102</u>	<u>473,679</u>
Total expenditures	<u>34,906,240</u>	<u>33,934,239</u>	<u>972,001</u>
Total revenues over (under) expenditures	<u>(3,899,274)</u>	<u>(2,489,383)</u>	<u>1,409,891</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	3,015,045	3,000,000	(15,045)
Bond proceeds	825,189	-	(825,189)
Transfers in	300,000	347,960	47,960
Transfers out	<u>(240,960)</u>	<u>(290,960)</u>	<u>(50,000)</u>
 Total other financing sources (uses)	 <u>3,899,274</u>	 <u>3,057,000</u>	 <u>(842,274)</u>
 Net change in fund balance	 <u>\$ -</u>	 567,617	 <u>\$ 567,617</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>6,120,403</u>	
End of year - June 30		<u><u>\$ 6,688,020</u></u>	

## **Major Capital Project Fund**

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*NCRC Project Development Financing 2010 Fund* - This fund is used to account for bond proceeds used for public improvements and debt issuance costs supporting the North Carolina Research Campus Project Development Financing District.

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## CITY OF KANNAPOLIS, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND**  
**NCRC PROJECT DEVELOPMENT FINANCING BONDS (SERIES 2010)**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 9,632	\$ 72,413	\$ 82,045
Miscellaneous revenue	82,205	82,204	-	82,204
Total revenues	<u>82,205</u>	<u>91,836</u>	<u>72,413</u>	<u>164,249</u>
<b>Expenditures:</b>				
DOT tunnel	1,350,000	61,312	56,542	117,854
Veterans' Park	397,000	14,529	158,587	173,116
DOT interstate sign	90,000	-	-	-
N. Main Street	130,000	-	116,377	116,377
Phase I streets	360,000	29,324	398,159	427,483
NCRC Phase II-A	4,193,912	-	510	510
Castle and Cooke projects	6,291,727	6,041,726	-	6,041,726
Health Alliance Building	13,500,000	4,807,462	8,589,620	13,397,082
Departmental supplies	-	-	2,950	2,950
Debt service:				
Interest and fees	1,210,365	1,210,364	-	1,210,364
Debt service reserve	3,580,842	381	19,536	19,917
Capitalized interest	<u>965,013</u>	<u>139,824</u>	<u>825,714</u>	<u>965,538</u>
Total expenditures	<u>32,068,859</u>	<u>12,304,922</u>	<u>10,167,995</u>	<u>22,472,917</u>
Revenues over (under) expenditures	<u>(31,986,654)</u>	<u>(12,213,086)</u>	<u>(10,095,582)</u>	<u>(22,308,668)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	34,184,829	34,184,500	-	34,184,500
Premium on long-term debt	789,593	789,593	-	789,593
Payments to bondholders	(2,987,768)	(1,330,020)	-	(1,330,020)
Transfers in	-	-	309	309
Total other financing sources (uses)	<u>31,986,654</u>	<u>33,644,073</u>	<u>309</u>	<u>33,644,382</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 21,430,987</u>	<u>\$ (10,095,273)</u>	<u>\$ 11,335,714</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	<i>Schedule C-1</i> <b>Special Revenue Funds</b>	<i>Schedule D-1</i> <b>Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 224,007	\$ 391,293	\$ 615,300
Accounts receivable	240,941	-	240,941
Due from other governments	10,396	51,772	62,168
Cash and cash equivalents, restricted	<u>913,480</u>	<u>80,209</u>	<u>993,689</u>
Total assets	<u>\$ 1,388,824</u>	<u>\$ 523,274</u>	<u>\$ 1,912,098</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 99,485	\$ 2,248	\$ 101,733
Due to other funds	60,456	300,577	361,033
Deferred revenues	<u>240,941</u>	<u>-</u>	<u>240,941</u>
Total liabilities	<u>400,882</u>	<u>302,825</u>	<u>703,707</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization for State statute	10,396	51,772	62,168
Restricted, all other	977,546	84,574	1,062,120
Committed	-	308,387	308,387
Unassigned	<u>-</u>	<u>(224,284)</u>	<u>(224,284)</u>
Total fund balances	<u>987,942</u>	<u>220,449</u>	<u>1,208,391</u>
Total liabilities and fund balances	<u>\$ 1,388,824</u>	<u>\$ 523,274</u>	<u>\$ 1,912,098</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Schedule C-2</i> <b>Special Revenue Funds</b>	<i>Schedule D-2</i> <b>Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Other taxes and licenses	\$ 160,376	\$ -	\$ 160,376
Restricted intergovernmental	458,282	404,258	862,540
Investment earnings	<u>153</u>	<u>4</u>	<u>157</u>
Total revenues	<u>618,811</u>	<u>404,262</u>	<u>1,023,073</u>
<b>Expenditures:</b>			
Economic development	1,007,363	-	1,007,363
Departmental supplies	-	189,370	189,370
Contracted services	-	36,067	36,067
Capital outlay	<u>-</u>	<u>745,497</u>	<u>745,497</u>
Total expenditures	<u>1,007,363</u>	<u>970,934</u>	<u>1,978,297</u>
Revenues over (under) expenditures	<u>(388,552)</u>	<u>(566,672)</u>	<u>(955,224)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	240,960	114,636	355,596
Transfers out	<u>-</u>	<u>(81,769)</u>	<u>(81,769)</u>
Total other financing sources (uses)	<u>240,960</u>	<u>32,867</u>	<u>273,827</u>
Net change in fund balances	(147,592)	(533,805)	(681,397)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>1,135,534</u>	<u>754,254</u>	<u>1,889,788</u>
End of year - June 30	<u>\$ 987,942</u>	<u>\$ 220,449</u>	<u>\$ 1,208,391</u>

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## Special Revenue Funds

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**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

***Community Development Block Grant Fund*** – This fund is used to account for federal grants under the Community Development Block Grant/Entitlement Program.

***Transit Tax Fund*** – This fund is used to account for funds to be used in the development of a transit system for the City.

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## CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	<b>CDBG Fund</b>	<b>Transit Tax Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 76,726	\$ 147,281	\$ 224,007
Accounts receivable	240,941	-	240,941
Due from other governments	164	10,232	10,396
Restricted cash	<u>913,480</u>	<u>-</u>	<u>913,480</u>
Total assets	<u>\$ 1,231,311</u>	<u>\$ 157,513</u>	<u>\$ 1,388,824</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 99,485	\$ 99,485
Due to other funds	60,456	-	60,456
Deferred revenue	<u>240,941</u>	<u>-</u>	<u>240,941</u>
Total liabilities	<u>301,397</u>	<u>99,485</u>	<u>400,882</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization for State statute	164	10,232	10,396
Restricted, all other	<u>929,750</u>	<u>47,796</u>	<u>977,546</u>
Total fund balances	<u>929,914</u>	<u>58,028</u>	<u>987,942</u>
Total liabilities and fund balances	<u>\$ 1,231,311</u>	<u>\$ 157,513</u>	<u>\$ 1,388,824</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>CDBG Fund</b>	<b>Transit Tax Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Other taxes and licenses	\$ -	\$ 160,376	\$ 160,376
Restricted intergovernmental	458,282	-	458,282
Investment earnings	98	55	153
Total revenues	<u>458,380</u>	<u>160,431</u>	<u>618,811</u>
<b>Expenditures:</b>			
Current:			
Community development	<u>605,279</u>	<u>402,084</u>	<u>1,007,363</u>
Revenues over (under) expenditures	<u>(146,899)</u>	<u>(241,653)</u>	<u>(388,552)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	<u>-</u>	<u>240,960</u>	<u>240,960</u>
Total other financing sources (uses)	<u>-</u>	<u>240,960</u>	<u>240,960</u>
Net change in fund balances	(146,899)	(693)	(147,592)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>1,076,813</u>	<u>58,721</u>	<u>1,135,534</u>
End of year - June 30	<u>\$ 929,914</u>	<u>\$ 58,028</u>	<u>\$ 987,942</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Prior Years	Actual	
			Actual	Total To Date
<b>Revenues:</b>				
CDBG 2011	\$ 322,391	\$ -	\$ 137,652	\$ 137,652
CDBG 2010	394,143	-	394,143	394,143
CDBG 2007	-	392,000	(241,645)	150,355
2007 HOME Program Grant	128,970	123,970	5,000	128,970
2008 HOME Program Grant	-	79,865	12,833	92,698
2009 HOME Program Grant	132,819	131,739	-	131,739
2010 HOME Program Grant	132,073	25,994	53,465	79,459
2011 HOME Program Grant	124,946	-	-	-
2007 Consortium HOME Program Income	127,175	127,175	-	127,175
2009 Consortium HOME Program Income	183,942	183,942	-	183,942
2010 Consortium HOME Program Income	13,385	13,386	-	13,386
2011 Consortium HOME Program Income	83,448	-	96,834	96,834
Sales and services	1,177,546	2,010,347	-	2,010,347
Miscellaneous revenue	-	717	-	717
Investment income	-	128,837	98	128,935
Total revenues	<u>2,820,838</u>	<u>3,217,972</u>	<u>458,380</u>	<u>3,676,352</u>
<b>Expenditures:</b>				
CDBG 2011:				
Administration	64,400	-	54,400	54,400
Public service	48,000	-	40,694	40,694
Section 108 loan payments	78,611	-	13,064	13,064
Urgent repair program	81,380	-	29,494	29,494
Demolition	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>322,391</u>	<u>-</u>	<u>137,652</u>	<u>137,652</u>
CDBG 2010:				
Administration	71,000	71,000	-	71,000
Neighborhood improvements	188,332	35,835	152,498	188,333
Public service	56,000	56,000	-	56,000
Section 108 loan payments	<u>78,811</u>	<u>78,811</u>	<u>-</u>	<u>78,811</u>
Total	<u>394,143</u>	<u>241,646</u>	<u>152,498</u>	<u>394,144</u>
CDBG 2006:				
Section 108 loan payments	<u>1,177,546</u>	<u>713,389</u>	<u>166,740</u>	<u>880,129</u>
Total	<u>1,177,546</u>	<u>713,389</u>	<u>166,740</u>	<u>880,129</u>

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**COMMUNITY DEVELOPMENT BLOCK GRANT  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual</b>	
			<b>Actual</b>	<b>Total To Date</b>
2007 HOME Program Grant:				
Administration	20,778	20,778	-	20,778
Single family rehabilitation	43,785	43,785	-	43,785
Construction	166,031	166,031	-	166,031
Downpayment assistance	25,551	20,551	5,000	25,551
<b>Total</b>	<b>256,145</b>	<b>251,145</b>	<b>5,000</b>	<b>256,145</b>
2009 HOME Program Grant:				
Administration	20,846	5,082	-	5,082
Construction	466	466	-	466
Transitional housing	165,219	147,154	-	147,154
Program rehabilitation	80,230	80,230	-	80,230
Downpayment assistance	50,000	30,000	10,000	40,000
<b>Total</b>	<b>316,761</b>	<b>262,932</b>	<b>10,000</b>	<b>272,932</b>
2010 HOME Program Grant:				
Transitional housing	137,982	79,175	47,541	126,716
Administration	7,476	-	-	-
<b>Total</b>	<b>145,458</b>	<b>79,175</b>	<b>47,541</b>	<b>126,716</b>
2011 HOME Program Grant:				
Administration	15,372	-	825	825
Construction	50,000	-	10,547	10,547
Transitional housing	123,022	-	74,476	74,476
Downpayment assistance	20,000	-	-	-
<b>Total</b>	<b>208,394</b>	<b>-</b>	<b>85,848</b>	<b>85,848</b>
<b>Total expenditures</b>	<b>2,820,838</b>	<b>1,548,287</b>	<b>605,279</b>	<b>2,153,566</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 1,669,685</b>	<b>\$ (146,899)</b>	<b>\$ 1,522,786</b>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**TRANSIT TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses:			
Vehicle license tax	\$ 165,000	\$ 160,376	\$ (4,624)
Investment earnings	<u>100</u>	<u>55</u>	<u>(45)</u>
Total revenues	<u>165,100</u>	<u>160,431</u>	<u>(4,669)</u>
<b>Expenditures:</b>			
Contracted services	<u>406,060</u>	<u>402,084</u>	<u>3,976</u>
Revenues over (under) expenditures	<u>(240,960)</u>	<u>(241,653)</u>	<u>(693)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	<u>240,960</u>	<u>240,960</u>	<u>-</u>
Total other financing sources (uses)	<u>240,960</u>	<u>240,960</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (693)</u>	<u>\$ (693)</u>

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# Capital Project Funds

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**Capital Projects Funds** account for all resources used for the acquisition and/or construction of major capital facilities other than those financed by Enterprise Funds.

The City of Kannapolis has twenty-five Capital Project Funds.

***Village Park Project Fund*** - This fund is used to account for funds to be used in the construction of a new City park.

***Street and Stormwater Improvement Fund*** - This fund is used to account for improvements to various city streets and stormwater systems.

***Oakwood Avenue Pedestrian Improvements Fund*** - This fund is used to account for funds used in the construction and repairs in the Oakwood Avenue area of the City.

***Cemetery/Village Park Parking Lot Fund*** - This fund is used to account for funds to be used in the maintenance and upkeep of a local cemetery.

***Capital Equipment 2008 Fund*** - This fund is used to account for funds used in the purchase of capital assets.

***Capital Equipment 2009 Fund*** - This fund is used to account for funds used in the purchase of capital assets.

***Capital Equipment 2011 Fund*** - This fund is used to account for funds used in the purchase of capital assets.

***Firefighters' Assistance Fund*** - This fund is used to account for Department of Homeland Security grants to aid firefighters.

***Dakota Street Bridge Improvements Fund*** - This fund is used to account for the construction of a creek culvert and crossing at Dakota Street.

***Village Park Train Fund*** - This fund is used to account for funds to be used for improvements to and maintenance of a train on Village Park.

***Three Bridge Projects Fund*** - This fund is used to account for the construction of three bridges.

***Public Safety Software and Related Equipment Fund*** - This fund is used to account for the purchase of OSSI Public Safety Software and related equipment.

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## Capital Projects Funds (continued)

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***James Street Area Plan Fund*** - This fund is used to account for funds to be used for development of an action plan to connect residents with economic opportunities.

***Irish Buffalo Creek Greenway Fund*** - This fund is used to account for the development of a greenway along Irish Buffalo Creek.

***NCRC Project Development Financing Bonds (Series 2008) Fund*** - This fund is used to account for bond proceeds used for public improvements and debt issuance cost supporting the North Carolina Research Campus Project Development Financing District.

***Stadium Drive Bridge Repairs Fund*** - This fund is used to account for repairs of the Stadium Drive Bridge.

***FEMA Pre-Disaster Mitigation Grant Fund*** - This fund is used to account for funds to be used in the acquisition of two residential properties located in the Patterson Branch flood plain.

***Mt. Olivet Road-NC3 Intersection Improvements Fund*** - This fund is used to account for intersection improvements at Mt. Olivet Road and NC Highway 3.

***FY '10 and FY '11 Recovery Act Byrne Grant*** - This fund is used to account for funds awarded through the FY '09 Recovery Act Edward Byrne Memorial Justice Grant to purchase conductive energy weapons.

***Tropical Storm Fay Damage Fund*** - This fund is used to account for repairs of damage to River Farm Blvd. Bridge caused by Tropical Storm Fay.

***Dale Earnhardt Blvd Sidewalk*** - This fund is used to account for funds used for sidewalk improvements on Dale Earnhardt Blvd.

***Historic Preservation*** - This fund is used to account for funds used for historic preservation.

***Rogers Lake Road – RR Crossing Improvement*** - This fund is used to account for improvements to the “at grade” railroad crossing at Rogers Lake Road.

***City Office/Public Safety Building*** - This fund is used to account for construction of a city office building.

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CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	Cemetery/ Village Park Parking Lot	Capital Equipment 2011	Firefighter's Assistance	Dakota Street Bridge Improvements	Village Park Train	Three Bridge Project	James Street Area Plan	Irish Buffalo Creek Greenway	Stadium Drive Bridge Repairs
<b>Assets:</b>									
Cash and investments	\$ -	\$ -	\$ -	\$ 235,573	\$ 32,926	\$ -	\$ -	\$ 31,115	\$ 20,933
Due from other governments	17	-	8,770	-	80	-	18	-	120
Cash and cash equivalents, restricted	-	80,209	-	-	-	-	-	-	-
Total assets	\$ 17	\$ 80,209	\$ 8,770	\$ 235,573	\$ 33,006	\$ -	\$ 18	\$ 31,115	\$ 21,053
<b>Liabilities and Fund Balances:</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 2,248	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,547	76,293	8,392	-	-	1,175	465	-	-
Total liabilities	7,547	76,293	8,392	2,248	-	1,175	465	-	-
<b>Fund Balances:</b>									
Restricted:									
Stabilization for State statute	17	-	8,770	-	80	-	18	-	120
Restricted, all other	-	3,916	-	-	32,926	-	-	31,115	-
Committed	-	-	-	233,325	-	-	-	-	20,933
Unassigned	(7,547)	-	(8,392)	-	-	(1,175)	(465)	-	-
Total fund balances	(7,530)	3,916	378	233,325	33,006	(1,175)	(447)	31,115	21,053
Total liabilities and fund balances	\$ 17	\$ 80,209	\$ 8,770	\$ 235,573	\$ 33,006	\$ -	\$ 18	\$ 31,115	\$ 21,053

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	FEMA Pre-Disaster Mitigation Grant	FY '10 and FY '11 Recovery Act Byrne Grant	Tropical Storm Fay Damage	Dale Earnhardt Blvd Sidewalk	Historic Preservation	Rogers Lake Road - RR Crossing Improvement	City Office/ Public Safety Building	Total
<b>Assets:</b>								
Cash and investments	\$ 83	\$ 327	\$ 103	\$ -	\$ 54,026	\$ -	\$ 16,207	\$ 391,293
Due from other governments	-	-	42,767	-	-	-	-	51,772
Cash and cash equivalents, restricted	-	-	-	-	-	-	-	80,209
Total assets	\$ 83	\$ 327	\$ 42,870	\$ -	\$ 54,026	\$ -	\$ 16,207	\$ 523,274
<b>Liabilities and Fund Balances:</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,248
Due to other funds	-	-	-	4,709	-	201,996	-	300,577
Total liabilities	-	-	-	4,709	-	201,996	-	302,825
<b>Fund Balances:</b>								
Restricted:								
Stabilization for State statute	-	-	42,767	-	-	-	-	51,772
Restricted, all other	83	327	-	-	-	-	16,207	84,574
Committed	-	-	103	-	54,026	-	-	308,387
Unassigned	-	-	-	(4,709)	-	(201,996)	-	(224,284)
Total fund balances	\$ 83	\$ 327	\$ 42,870	\$ (4,709)	\$ 54,026	\$ (201,996)	\$ 16,207	\$ 220,449
Total liabilities and fund balances	\$ 83	\$ 327	\$ 42,870	\$ -	\$ 54,026	\$ -	\$ 16,207	\$ 523,274

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	Village Park	Street and Stormwater Improvements	Oakwood Avenue Pedestrian Improvements	Cemetery/Village Park Parking Lot	Capital Equipment 2008	Capital Equipment 2009	Capital Equipment 2011	Firefighter's Assistance	Dakota Street Bridge Improvements	Village Park Train	Three Bridge Project	Public Safety Software and Related Equipment	James Street Area Plan
<b>Revenues:</b>													
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,868	\$ -	\$ -	\$ (1,401)	\$ -	\$ -
Investment earnings	-	-	-	4	-	-	-	-	-	-	-	-	-
Total revenues	-	-	-	4	-	-	-	367,868	-	-	(1,401)	-	-
<b>Expenditures:</b>													
<b>Current:</b>													
Departmental supplies	-	-	-	8,424	-	-	-	165,890	-	-	-	-	496
Capital outlay	-	-	-	34,358	-	-	239,493	242,958	2,248	-	-	-	-
Total expenditures	-	-	-	42,782	-	-	239,493	408,848	2,248	2,274	-	-	496
Revenues over (under) expenditures	-	-	-	(42,778)	-	-	(239,493)	(40,980)	(2,248)	(2,274)	(1,401)	-	(496)
<b>Other Financing Sources (Uses):</b>													
Transfers in	-	-	-	33,500	-	-	-	-	-	-	-	-	-
Transfers out	(458)	(203)	(604)	-	(6,955)	(5,637)	(33,500)	-	-	-	-	(34,103)	-
Total other financing sources (uses)	(458)	(203)	(604)	33,500	(6,955)	(5,637)	(33,500)	-	-	-	-	(34,103)	-
Net change in fund balances	(458)	(203)	(604)	(9,278)	(6,955)	(5,637)	(272,993)	(40,980)	(2,248)	(2,274)	(1,401)	(34,103)	(496)
<b>Fund Balances:</b>													
Beginning of year - July 1	458	203	604	1,748	6,955	5,637	276,909	41,358	235,573	35,280	226	34,103	49
End of year - June 30	\$ -	\$ -	\$ -	(7,530)	\$ -	\$ -	\$ 3,916	\$ 378	\$ 233,325	\$ 33,006	\$ (1,175)	\$ -	\$ (447)

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	Irish Buffalo Creek Greenway	NCRC Project Development Financing Bonds Series 2008	Stadium Drive Bridge Repairs	FEMA Pre-Disaster Mitigation Grant	Mt. Olivet Road- NC3 Intersection Improvements	FY '10 and FY '11 Recovery Act Byrne Grant	Tropical Storm Pay Damage	Dale Earnhardt Blvd Sidewalk	Historic Preservation	Rogers Lake Road - RR Crossing Improvement	City Office/ Public Safety Building	Total
<b>Revenues:</b>												
Restricted intergovernmental Investment earnings	\$ -	\$ -	(1,232)	\$ -	(37,141)	\$ 14,560	\$ 42,768	\$ 18,836	\$ -	\$ -	\$ -	\$ 404,258
Total revenues	-	-	(1,233)	-	(37,141)	14,560	42,768	18,836	-	-	-	404,262
<b>Expenditures:</b>												
<b>Current:</b>												
Departmental supplies	-	-	-	-	-	14,560	-	-	-	-	-	189,370
Contracted services	-	-	-	-	-	-	-	-	-	-	33,793	36,067
Capital outlay	899	-	-	-	-	-	-	23,545	-	201,996	-	745,497
Debt service:												
Total expenditures	899	-	-	-	-	14,560	-	23,545	-	201,996	33,793	970,934
Revenues over (under) expenditures	(899)	-	(1,232)	-	(37,141)	-	42,768	(4,709)	-	(201,996)	(33,793)	(566,672)
<b>Other Financing Sources (Uses):</b>												
Transfers in	-	-	-	-	31,136	-	-	-	-	-	50,000	114,636
Transfers (out)	-	(309)	-	-	-	-	-	-	-	-	-	(81,769)
Total other financing sources (uses)	-	(309)	-	-	31,136	-	-	-	-	-	50,000	32,867
Net change in fund balances	(899)	(309)	(1,232)	-	(6,005)	-	42,768	(4,709)	-	(201,996)	16,207	(533,805)
<b>Fund Balances:</b>												
Beginning of year - July 1	32,014	309	22,285	83	6,005	327	102	-	54,026	-	-	754,254
End of year - June 30	\$ 31,115	\$ -	\$ 21,053	\$ 83	\$ -	\$ 327	\$ 42,870	\$ (4,709)	\$ 54,026	\$ (201,996)	\$ 16,207	\$ 220,449

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - VILLAGE PARK PROJECT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Grants	\$ 750,000	\$ 1,049,999	\$ -	\$ 1,049,999
Investment earnings	39,100	45,221	-	45,221
Miscellaneous revenues	53,000	53,000	-	53,000
Total revenues	<u>842,100</u>	<u>1,148,220</u>	<u>-</u>	<u>1,148,220</u>
<b>Expenditures:</b>				
Departmental supplies	31,362	31,361	-	31,361
Public works capital outlay	2,474,265	2,473,885	-	2,473,885
Total expenditures	<u>2,505,627</u>	<u>2,505,246</u>	<u>-</u>	<u>2,505,246</u>
Revenues over (under) expenditures	<u>(1,663,527)</u>	<u>(1,357,026)</u>	<u>-</u>	<u>(1,357,026)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	1,034,000	784,000	-	784,000
Transfers out	(784,100)	(784,000)	(458)	(784,458)
Transfers in	1,413,627	1,357,484	-	1,357,484
Total other financing sources (uses)	<u>1,663,527</u>	<u>1,357,484</u>	<u>(458)</u>	<u>1,357,026</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 458</u>	<u>\$ (458)</u>	<u>\$ -</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - STREET AND STORMWATER IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 94,426	\$ -	\$ 94,426
Total revenues	<u>-</u>	<u>94,426</u>	<u>-</u>	<u>94,426</u>
<b>Expenditures:</b>				
<b>Capital Outlay:</b>				
Community development	<u>9,370,397</u>	<u>6,762,223</u>	<u>-</u>	<u>6,762,223</u>
Total expenditures	<u>9,370,397</u>	<u>6,762,223</u>	<u>-</u>	<u>6,762,223</u>
Revenues over (under) expenditures	<u>(9,370,397)</u>	<u>(6,667,797)</u>	<u>-</u>	<u>(6,667,797)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	9,441,397	6,600,000	-	6,600,000
Transfers out	(71,000)	(71,000)	(203)	(71,203)
Transfers in	<u>-</u>	<u>139,000</u>	<u>-</u>	<u>139,000</u>
Total other financing sources (uses)	<u>9,370,397</u>	<u>6,668,000</u>	<u>(203)</u>	<u>6,667,797</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 203</u>	<u>\$ (203)</u>	<u>\$ -</u>



## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - OAKWOOD AVENUE PEDESTRIAN IMPROVEMENTS**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 164,832	\$ 126,737	\$ -	\$ 126,737
Investment earnings	-	2,493	-	2,493
Contributions	7,500	7,500	-	7,500
Total revenues	<u>172,332</u>	<u>136,730</u>	<u>-</u>	<u>136,730</u>
<b>Expenditures:</b>				
Capital outlay:				
Community development	<u>206,040</u>	<u>187,180</u>	<u>-</u>	<u>187,180</u>
Total expenditures	<u>206,040</u>	<u>187,180</u>	<u>-</u>	<u>187,180</u>
Revenues over (under) expenditures	<u>(33,708)</u>	<u>(50,450)</u>	<u>-</u>	<u>(50,450)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	33,708	51,054	-	51,054
Transfers (out)	-	-	(604)	(604)
Total other financing sources (uses)	<u>33,708</u>	<u>51,054</u>	<u>(604)</u>	<u>50,450</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 604</u>	<u>\$ (604)</u>	<u>\$ -</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - CEMETERY/VILLAGE PARK PARKING LOT**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Contributions from citizens	\$ 30,000	\$ 30,794	\$ -	\$ 30,794
Investment earnings	6,925	6,140	4	6,144
Miscellaneous revenues	-	1,512	-	1,512
Total revenues	<u>36,925</u>	<u>38,446</u>	<u>4</u>	<u>38,450</u>
<b>Expenditures:</b>				
Departmental supplies	-	-	8,424	8,424
Community development	<u>523,072</u>	<u>478,998</u>	<u>34,358</u>	<u>513,356</u>
Total expenditures	<u>523,072</u>	<u>478,998</u>	<u>42,782</u>	<u>521,780</u>
Revenues over (under) expenditures	<u>(486,147)</u>	<u>(440,552)</u>	<u>(42,778)</u>	<u>(483,330)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>486,147</u>	<u>442,300</u>	<u>33,500</u>	<u>475,800</u>
Total other financing sources (uses)	<u>486,147</u>	<u>442,300</u>	<u>33,500</u>	<u>475,800</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,748</u>	<u>\$ (9,278)</u>	<u>\$ (7,530)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - CAPITAL EQUIPMENT 2008

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Investment earnings	\$ 4,600	\$ 26,493	\$ -	\$ 26,493
Total revenues	<u>4,600</u>	<u>26,493</u>	<u>-</u>	<u>26,493</u>
<b>Expenditures:</b>				
Departmental supplies	325,236	325,235	-	325,235
Community development	<u>1,139,289</u>	<u>1,136,914</u>	<u>-</u>	<u>1,136,914</u>
Total expenditures	<u>1,464,525</u>	<u>1,462,149</u>	<u>-</u>	<u>1,462,149</u>
Revenues over (under) expenditures	<u>(1,459,925)</u>	<u>(1,435,656)</u>	<u>-</u>	<u>(1,435,656)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	1,464,525	1,441,023	-	1,441,023
Transfers in	-	1,588	-	1,588
Transfers out	<u>(4,600)</u>	<u>-</u>	<u>(6,955)</u>	<u>(6,955)</u>
Total other financing sources (uses)	<u>1,459,925</u>	<u>1,442,611</u>	<u>(6,955)</u>	<u>1,435,656</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,955</u>	<u>\$ (6,955)</u>	<u>\$ -</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - CAPITAL EQUIPMENT 2009

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Investment earnings	\$ 1,300	\$ 1,262	\$ -	\$ 1,262
Total revenues	<u>1,300</u>	<u>1,262</u>	<u>-</u>	<u>1,262</u>
<b>Expenditures:</b>				
Departmental supplies	-	226,024	-	226,024
Community development	<u>2,056,600</u>	<u>1,826,201</u>	<u>-</u>	<u>1,826,201</u>
Total expenditures	<u>2,056,600</u>	<u>2,052,225</u>	<u>-</u>	<u>2,052,225</u>
Revenues over (under) expenditures	<u>(2,055,300)</u>	<u>(2,050,963)</u>	<u>-</u>	<u>(2,050,963)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	2,056,600	2,056,600	-	2,056,600
Transfer out	<u>(1,300)</u>	<u>-</u>	<u>(5,637)</u>	<u>(5,637)</u>
Total other financing sources (uses)	<u>2,055,300</u>	<u>2,056,600</u>	<u>(5,637)</u>	<u>2,050,963</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,637</u>	<u>\$ (5,637)</u>	<u>\$ -</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - 2011 CAPITAL EQUIPMENT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 216	\$ -	\$ 216
Total revenues	<u>-</u>	<u>216</u>	<u>-</u>	<u>216</u>
<b>Expenditures:</b>				
Community development	347,000	106,029	239,493	345,522
Total expenditures	<u>347,000</u>	<u>106,029</u>	<u>239,493</u>	<u>345,522</u>
Revenues over (under) expenditures	<u>(347,000)</u>	<u>(105,813)</u>	<u>(239,493)</u>	<u>(345,306)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	2,437,060	971,182	-	971,182
Transfers out	(2,090,060)	(588,460)	(33,500)	(621,960)
Total other financing sources (uses)	<u>347,000</u>	<u>382,722</u>	<u>(33,500)</u>	<u>349,222</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 276,909</u>	<u>\$ (272,993)</u>	<u>\$ 3,916</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - FIREFIGHTERS' ASSISTANCE

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Restricted intergovernmental	\$ 748,323	\$ 377,480	\$ 367,868	\$ 745,348
Interest	-	1,416	-	1,416
Total revenues	<u>748,323</u>	<u>378,896</u>	<u>367,868</u>	<u>746,764</u>
<b>Expenditures:</b>				
Capital outlay:				
Firefighter equipment	220,000	51,464	242,958	294,422
Departmental supplies	612,477	370,228	165,890	536,118
Total expenditures	<u>832,477</u>	<u>421,692</u>	<u>408,848</u>	<u>830,540</u>
Revenues under expenditures	<u>(84,154)</u>	<u>(42,796)</u>	<u>(40,980)</u>	<u>(83,776)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	84,154	84,154	-	84,154
Total other financing sources (uses)	<u>84,154</u>	<u>84,154</u>	<u>-</u>	<u>84,154</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>41,358</u>	\$ <u>(40,980)</u>	\$ <u>378</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - DAKOTA STREET BRIDGE IMPROVEMENTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ 542,508	\$ -	\$ 542,508
Miscellaneous revenue	-	7,392	-	7,392
Total revenues	-	549,900	-	549,900
<b>Expenditures:</b>				
Capital outlay:				
Community development	973,600	798,167	2,248	800,415
Total expenditures	973,600	798,167	2,248	800,415
Revenues over (under) expenditures	(973,600)	(248,267)	(2,248)	(250,515)
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	785,100	-	-	-
Transfers in	188,500	483,840	-	483,840
Total other financing sources (uses)	973,600	483,840	-	483,840
Net change in fund balance	\$ -	\$ 235,573	\$ (2,248)	\$ 233,325

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - VILLAGE PARK TRAIN FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Contributions	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>Expenditures:</b>				
Capital outlay:				
Departmental supplies	1,876	1,876	-	1,876
Contracted services	<u>48,124</u>	<u>12,844</u>	<u>2,274</u>	<u>15,118</u>
Total expenditures	<u>50,000</u>	<u>14,720</u>	<u>2,274</u>	<u>16,994</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 35,280</u>	<u>\$ (2,274)</u>	<u>\$ 33,006</u>



## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - THREE BRIDGE PROJECTS

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Proceeds from NCDOT	\$ 1,520,000	\$ 1,302,927	\$ (1,401)	\$ 1,301,526
Miscellaneous revenue	-	20,474	-	20,474
Total revenues	<u>1,520,000</u>	<u>1,323,401</u>	<u>(1,401)</u>	<u>1,322,000</u>
<b>Expenditures:</b>				
Capital outlay	<u>1,900,000</u>	<u>1,846,496</u>	<u>-</u>	<u>1,846,496</u>
Total expenditures	<u>1,900,000</u>	<u>1,846,496</u>	<u>-</u>	<u>1,846,496</u>
Revenues over (under) expenditures	<u>(380,000)</u>	<u>(523,095)</u>	<u>(1,401)</u>	<u>(524,496)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	380,000	380,000	-	380,000
Transfers out	(380,000)	(330,000)	-	(330,000)
Transfers in	<u>380,000</u>	<u>473,321</u>	<u>-</u>	<u>473,321</u>
Total other financing sources (uses)	<u>380,000</u>	<u>523,321</u>	<u>-</u>	<u>523,321</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 226</u>	<u>\$ (1,401)</u>	<u>\$ (1,175)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - PUBLIC SAFETY SOFTWARE AND RELATED EQUIPMENT**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Expenditures:</b>				
Capital outlay	\$ 990,000	\$ 955,897	\$ -	\$ 955,897
Total expenditures	<u>990,000</u>	<u>955,897</u>	<u>-</u>	<u>955,897</u>
Revenues over (under) expenditures	<u>(990,000)</u>	<u>(955,897)</u>	<u>-</u>	<u>(955,897)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	990,000	990,000	-	990,000
Transfers out	<u>-</u>	<u>-</u>	<u>(34,103)</u>	<u>(34,103)</u>
Total other financing sources (uses)	<u>990,000</u>	<u>990,000</u>	<u>(34,103)</u>	<u>955,897</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 34,103</u>	<u>\$ (34,103)</u>	<u>\$ -</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - JAMES STREET AREA PLAN

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Proceeds from grants	\$ 37,500	\$ 35,000	\$ -	\$ 35,000
Total revenues	<u>37,500</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
<b>Expenditures:</b>				
Contracted services	20,342	200	-	200
Departmental supplies	<u>54,658</u>	<u>54,615</u>	<u>496</u>	<u>55,111</u>
Total expenditures	<u>75,000</u>	<u>54,815</u>	<u>496</u>	<u>55,311</u>
Revenues over (under) expenditures	<u>(37,500)</u>	<u>(19,815)</u>	<u>(496)</u>	<u>(20,311)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>37,500</u>	<u>19,864</u>	<u>-</u>	<u>19,864</u>
Total other financing sources (uses)	<u>37,500</u>	<u>19,864</u>	<u>-</u>	<u>19,864</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ (496)</u>	<u>\$ (447)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - IRISH BUFFALO CREEK GREENWAY**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Proceeds from grants	\$ 129,024	\$ 96,014	\$ -	\$ 96,014
Total revenues	<u>129,024</u>	<u>96,014</u>	<u>-</u>	<u>96,014</u>
<b>Expenditures:</b>				
Capital outlay	144,524	64,000	899	64,899
Total expenditures	<u>144,524</u>	<u>64,000</u>	<u>899</u>	<u>64,899</u>
Revenues over (under) expenditures	<u>(15,500)</u>	<u>32,014</u>	<u>(899)</u>	<u>31,115</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	15,500	-	-	-
Total other financing sources (uses)	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 32,014</u>	<u>\$ (899)</u>	<u>\$ 31,115</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND

## NCRC PROJECT DEVELOPMENT FINANCING BONDS (SERIES 2008)

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Expenditures:</b>				
Capital outlay	\$ 70,107,851	\$ 270,211	\$ -	\$ 270,211
Debt service reserve	9,500,000	-	-	-
Capitalized interest	12,842,149	-	-	-
Issuance fees	2,550,000	-	-	-
Total expenditures	<u>95,000,000</u>	<u>270,211</u>	<u>-</u>	<u>270,211</u>
Revenues over (under) expenditures	<u>(95,000,000)</u>	<u>(270,211)</u>	<u>-</u>	<u>(270,211)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	95,000,000	-	-	-
Transfers in	-	270,520	-	270,520
Transfers out	<u>-</u>	<u>-</u>	<u>(309)</u>	<u>(309)</u>
Total other financing sources (uses)	<u>95,000,000</u>	<u>270,520</u>	<u>(309)</u>	<u>270,211</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 309</u>	<u>\$ (309)</u>	<u>\$ -</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - STADIUM DRIVE BRIDGE REPAIRS**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Proceeds from grants	\$ 377,500	\$ 241,418	\$ (1,232)	\$ 240,186
Miscellaneous revenue	-	3,334	-	3,334
Total revenues	<u>377,500</u>	<u>244,752</u>	<u>(1,232)</u>	<u>243,520</u>
<b>Expenditures:</b>				
Capital outlay	<u>377,500</u>	<u>320,891</u>	<u>-</u>	<u>320,891</u>
Total expenditures	<u>377,500</u>	<u>320,891</u>	<u>-</u>	<u>320,891</u>
Revenues over (under) expenditures	<u>-</u>	<u>(76,139)</u>	<u>(1,232)</u>	<u>(77,371)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(175,000)	(175,000)	-	(175,000)
Transfers in	<u>175,000</u>	<u>273,424</u>	<u>-</u>	<u>273,424</u>
Total other financing sources (uses)	<u>-</u>	<u>98,424</u>	<u>-</u>	<u>98,424</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 22,285</u>	<u>\$ (1,232)</u>	<u>\$ 21,053</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - FEMA PRE-DISASTER MITIGATION GRANT**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Proceeds from grants	\$ 400,000	\$ 213,746	\$ -	\$ 213,746
Total revenues	<u>400,000</u>	<u>213,746</u>	<u>-</u>	<u>213,746</u>
<b>Expenditures:</b>				
Capital outlay	529,834	249,577	-	249,577
Departmental supplies	3,500	3,446	-	3,446
Total expenditures	<u>533,334</u>	<u>253,023</u>	<u>-</u>	<u>253,023</u>
Revenues over (under) expenditures	<u>(133,334)</u>	<u>(39,277)</u>	<u>-</u>	<u>(39,277)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	133,334	39,360	-	39,360
Total other financing sources (uses)	<u>133,334</u>	<u>39,360</u>	<u>-</u>	<u>39,360</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ 83</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - MT. OLIVET ROAD-NC3 INTERSECTION IMPROVEMENTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project</u> <u>Authorization</u>	<u>Actual</u>		<u>Total to</u> <u>Date</u>
		<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	
<b>Revenues:</b>				
Proceeds from grants	\$ 256,000	\$ 256,000	\$ (37,141)	\$ 218,859
Miscellaneous revenue	-	6,005	-	6,005
Total revenues	<u>256,000</u>	<u>262,005</u>	<u>(37,141)</u>	<u>224,864</u>
<b>Expenditures:</b>				
Capital outlay	<u>464,000</u>	<u>303,160</u>	<u>-</u>	<u>303,160</u>
Total expenditures	<u>464,000</u>	<u>303,160</u>	<u>-</u>	<u>303,160</u>
Revenues over (under) expenditures	<u>(208,000)</u>	<u>(41,155)</u>	<u>(37,141)</u>	<u>(78,296)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	208,000	-	-	-
Transfers in	-	47,160	31,136	78,296
Total other financing sources (uses)	<u>208,000</u>	<u>47,160</u>	<u>31,136</u>	<u>78,296</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,005</u>	<u>\$ (6,005)</u>	<u>\$ -</u>



## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - FY '10 AND FY '11 RECOVERY ACT BYRNE GRANT**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Proceeds from grants	\$ 32,575	\$ 35,576	\$ 14,560	\$ 50,136
Total revenues	<u>32,575</u>	<u>35,576</u>	<u>14,560</u>	<u>50,136</u>
<b>Expenditures:</b>				
Departmental supplies	32,575	35,249	14,560	49,809
Total expenditures	<u>32,575</u>	<u>35,249</u>	<u>14,560</u>	<u>49,809</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ -</u>	<u>\$ 327</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - TROPICAL STORM FAY DAMAGE**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Proceeds from grants	\$ 60,000	\$ 45,991	\$ 42,768	\$ 88,759
Miscellaneous revenue	-	33	-	33
Total revenues	<u>60,000</u>	<u>46,024</u>	<u>42,768</u>	<u>88,792</u>
<b>Expenditures:</b>				
Capital outlay	<u>80,000</u>	<u>61,322</u>	<u>-</u>	<u>61,322</u>
Total expenditures	<u>80,000</u>	<u>61,322</u>	<u>-</u>	<u>61,322</u>
Revenues over (under) expenditures	<u>(20,000)</u>	<u>(15,298)</u>	<u>42,768</u>	<u>27,470</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>20,000</u>	<u>15,400</u>	<u>-</u>	<u>15,400</u>
Total other financing sources	<u>20,000</u>	<u>15,400</u>	<u>-</u>	<u>15,400</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 42,768</u>	<u>\$ 42,870</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - DALE EARNHARDT BLVD SIDEWALK**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Proceeds from grants	\$ 312,200	\$ -	\$ 18,836	\$ 18,836
Total revenues	<u>312,200</u>	<u>-</u>	<u>18,836</u>	<u>18,836</u>
<b>Expenditures:</b>				
Capital outlay	390,250	-	23,545	23,545
Total expenditures	<u>390,250</u>	<u>-</u>	<u>23,545</u>	<u>23,545</u>
Revenues over (under) expenditures	<u>(78,050)</u>	<u>-</u>	<u>(4,709)</u>	<u>(4,709)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	78,050	-	-	-
Total other financing sources (uses)	<u>78,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,709)</u>	<u>\$ (4,709)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - HISTORIC PRESERVATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Project</b>	<b>Actual</b>		<b>Total to</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Date</b>
		<b>Years</b>	<b>Year</b>	
<b>Expenditures:</b>				
Departmental supplies	\$ 62,514	\$ 62,514	\$ -	\$ 62,514
Total expenditures	<u>62,514</u>	<u>62,514</u>	<u>-</u>	<u>62,514</u>
Revenues over (under) expenditures	<u>(62,514)</u>	<u>(62,514)</u>	<u>-</u>	<u>(62,514)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	62,514	8,488	-	8,488
Total other financing sources (uses)	<u>62,514</u>	<u>8,488</u>	<u>-</u>	<u>8,488</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (54,026)</u>	<u>\$ -</u>	<u>\$ (54,026)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CAPITAL PROJECT FUND - ROGERS LAKE ROAD - RR CROSSING IMPROVEMENT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Expenditures:</b>				
Capital outlay	\$ 475,000	\$ -	\$ 201,996	201,996
Total expenditures	<u>475,000</u>	<u>-</u>	<u>201,996</u>	<u>201,996</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	475,000	-	-	-
Total other financing sources (uses)	<u>475,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(201,996)</u>	\$ <u>(201,996)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - CITY OFFICE/PUBLIC SAFETY BUILDING**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Expenditures:</b>				
Contracted services	\$ 50,000	\$ -	\$ 33,793	\$ 33,793
Total expenditures	<u>50,000</u>	<u>-</u>	<u>33,793</u>	<u>33,793</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,207</u>	<u>\$ 16,207</u>

# Enterprise Funds

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**The Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

The City of Kannapolis has three Enterprise Funds:

*Water and Sewer Fund*  
*Stormwater Fund*  
*Environmental Services Fund*

The City maintains twelve separate Water and Sewer Capital Project Funds for accounting purposes, listed as follows:

*Capital Project V Fund*  
*Water and Sewer Equipment Fund*  
*Western Cabarrus Water Lines Fund*  
*Kannapolis Downtown Water System Improvements Fund*  
*Albemarle Water Line Fund*  
*EECBG WTP Pump Retrofit Fund*  
*Second Creek Pump Station Improvements Fund*  
*Tropical Storm Fay Damage Fund*  
*Lane Street Sewer Line Fund*  
*Kannapolis Lake Dam Improvements Fund*  
*Capital Equipment 2011 Fund*  
*WTP Rehabilitation Fund*

The City maintains three Stormwater Project Funds for accounting purposes, listed as follows:

*Stormwater Capital Equipment Project Fund*  
*Stormwater 2011 Equipment Financing and Series 2010 NCRC Bonds Fund*  
*8<sup>th</sup> Street Culvert Replacement Fund*

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CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Charges for services:			
Water and sewer charges	\$ 12,174,036	\$ 12,373,324	\$ 199,288
Water and sewer taps	505,000	419,868	(85,132)
Penalties	290,000	320,766	30,766
Other	439,323	513,003	73,680
Total operating revenues	<u>13,408,359</u>	<u>13,626,961</u>	<u>218,602</u>
<b>Non-Operating Revenues:</b>			
Interest on investments	4,000	35,561	31,561
Total non-operating revenues	<u>4,000</u>	<u>35,561</u>	<u>31,561</u>
Total revenues	<u>13,412,359</u>	<u>13,662,522</u>	<u>250,163</u>
<b>Expenditures:</b>			
<b>Administration:</b>			
Salaries and employee benefits	353,434	363,908	(10,474)
Operating expenditures	241,850	227,093	14,757
Repairs and maintenance	3,000	876	2,124
Total	<u>598,284</u>	<u>591,877</u>	<u>6,407</u>
<b>Distribution:</b>			
Salaries and employee benefits	1,213,264	1,116,942	96,322
Operating expenditures	673,981	585,490	88,491
Repairs and maintenance	103,350	218,000	(114,650)
Total	<u>1,990,595</u>	<u>1,920,432</u>	<u>70,163</u>
<b>Filter Plant:</b>			
Salaries and employee benefits	449,295	431,211	18,084
Operating expenditures	1,385,255	1,449,529	(64,274)
Repairs and maintenance	110,900	103,208	7,692
Total	<u>1,945,450</u>	<u>1,983,948</u>	<u>(38,498)</u>
<b>General Services</b>	<u>1,495,386</u>	<u>1,495,386</u>	<u>-</u>
<b>Sewage Treatment</b>	<u>2,673,749</u>	<u>2,666,682</u>	<u>7,067</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Debt Service:</b>			
Principal	2,539,900	2,360,529	179,371
Interest and fees	1,359,918	1,229,800	130,118
Total debt service	<u>3,899,818</u>	<u>3,590,329</u>	<u>309,489</u>
Total expenditures	<u>12,603,282</u>	<u>12,248,654</u>	<u>354,628</u>
Revenues over (under) expenditures	<u>809,077</u>	<u>1,413,868</u>	<u>604,791</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	16,836	16,836
Transfers out	(809,077)	(840,213)	(31,136)
Bond issued	16,300,300	16,300,300	-
Payment to refunded bond escrow agent	<u>(16,300,300)</u>	<u>(16,300,300)</u>	<u>-</u>
Total other financing sources (uses)	<u>(809,077)</u>	<u>(823,377)</u>	<u>(14,300)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	590,491	<u>\$ 590,491</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Depreciation and amortization		(2,774,409)	
Transfers in - capital projects		(16,836)	
Payment of debt principal		2,360,529	
Change in accrued interest		(218,293)	
Other post-employment benefits		(164,455)	
Interest from capital projects		(11)	
Capital contribution		1,137,813	
Change in prepaids		<u>180</u>	
Change in net assets		<u>\$ 915,009</u>	

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT V FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Concord contribution	\$ 170,000	\$ 152,833	\$ -	\$ 152,833
Interest income	-	11,206	1	11,207
Total revenues	<u>170,000</u>	<u>164,039</u>	<u>1</u>	<u>164,040</u>
<b>Expenditures:</b>				
Construction - water	9,241,775	4,306,781	-	4,306,781
Total expenditures	<u>9,241,775</u>	<u>4,306,781</u>	<u>-</u>	<u>4,306,781</u>
Revenues over (under) expenditures	<u>(9,071,775)</u>	<u>(4,142,742)</u>	<u>1</u>	<u>(4,142,741)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	1,924,547	2,100,827	-	2,100,827
Debt issued	7,147,228	874,464	-	874,464
Total other financing sources (uses)	<u>9,071,775</u>	<u>2,975,291</u>	<u>-</u>	<u>2,975,291</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,167,451)</u>	<u>\$ 1</u>	<u>\$ (1,167,450)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER EQUIPMENT CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Interest income	\$ -	\$ 8,428	\$ (12)	\$ 8,416
Miscellaneous revenue	-	411	-	411
Total revenues	-	8,839	(12)	8,827
<b>Expenditures:</b>				
Departmental supplies	43,842	39,418	-	39,418
Equipment purchases	1,027,309	921,402	-	921,402
Total expenditures	1,071,151	960,820	-	960,820
Revenues over (under) expenditures	(1,071,151)	(951,981)	(12)	(951,993)
<b>Other Financing Sources (Uses):</b>				
Debt issued	1,071,151	1,011,592	-	1,011,592
Transfer out	-	-	(16,836)	(16,836)
Total other financing sources (uses)	1,071,151	1,011,592	(16,836)	994,756
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 59,611	\$ (16,848)	\$ 42,763

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - WESTERN CABARRUS WATER LINES  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Expenditures:</b>				
Capital outlay	\$ 1,042,000	\$ 249,130	\$ -	\$ 249,130
Total expenditures	<u>1,042,000</u>	<u>249,130</u>	<u>-</u>	<u>249,130</u>
Revenues over (under) expenditures	<u>(1,042,000)</u>	<u>(249,130)</u>	<u>-</u>	<u>(249,130)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	1,042,000	-	-	-
Transfers in	<u>-</u>	<u>249,131</u>	<u>-</u>	<u>249,131</u>
Total other financing sources (uses)	<u>1,042,000</u>	<u>249,131</u>	<u>-</u>	<u>249,131</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT  
 KANNAPOLIS DOWNTOWN WATER SYSTEM IMPROVEMENTS  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Grant proceeds	\$ 675,900	\$ 675,900	\$ -	\$ 675,900
Miscellaneous revenue	-	64,514	-	64,514
Interest income	-	1,280	-	1,280
Total revenues	<u>675,900</u>	<u>741,694</u>	<u>-</u>	<u>741,694</u>
<b>Expenditures:</b>				
Capital outlay	<u>3,200,000</u>	<u>2,566,124</u>	<u>-</u>	<u>2,566,124</u>
Total expenditures	<u>3,200,000</u>	<u>2,566,124</u>	<u>-</u>	<u>2,566,124</u>
Revenues over (under) expenditures	<u>(2,524,100)</u>	<u>(1,824,430)</u>	<u>-</u>	<u>(1,824,430)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	250,000	377,560	-	377,560
Debt issued	<u>2,274,100</u>	<u>1,731,860</u>	<u>-</u>	<u>1,731,860</u>
Total other financing sources (uses)	<u>2,524,100</u>	<u>2,109,420</u>	<u>-</u>	<u>2,109,420</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 284,990</u>	<u>\$ -</u>	<u>\$ 284,990</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - ALBEMARLE WATER LINE  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
Capital outlay	\$ 539,560	\$ 204,848	\$ 218,516	\$ 423,364
Total expenditures	<u>539,560</u>	<u>204,848</u>	<u>218,516</u>	<u>423,364</u>
Revenues over (under) expenditures	<u>(539,560)</u>	<u>(204,848)</u>	<u>(218,516)</u>	<u>(423,364)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	539,560	204,910	-	204,910
Total other financing sources (uses)	<u>539,560</u>	<u>204,910</u>	<u>-</u>	<u>204,910</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ (218,516)</u>	<u>\$ (218,454)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - EECBG WTP PUMP RETROFIT  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Grant proceeds	\$ 203,000	\$ 158,000	\$ 45,000	\$ 203,000
Total revenues	<u>203,000</u>	<u>158,000</u>	<u>45,000</u>	<u>203,000</u>
<b>Expenditures:</b>				
Capital outlay	<u>335,000</u>	<u>189,339</u>	<u>134,143</u>	<u>323,482</u>
Total expenditures	<u>335,000</u>	<u>189,339</u>	<u>134,143</u>	<u>323,482</u>
Revenues over (under) expenditures	<u>(132,000)</u>	<u>(31,339)</u>	<u>(89,143)</u>	<u>(120,482)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>132,000</u>	<u>31,339</u>	<u>-</u>	<u>31,339</u>
Total other financing sources (uses)	<u>132,000</u>	<u>31,339</u>	<u>-</u>	<u>31,339</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,143)</u>	<u>\$ (89,143)</u>



## CITY OF KANNAPOLIS, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECT  
 SECOND CREEK PUMP STATION IMPROVEMENTS  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Miscellaneous revenue	\$ -	\$ 8,489	\$ -	\$ 8,489
Total revenues	<u>-</u>	<u>8,489</u>	<u>-</u>	<u>8,489</u>
<b>Expenditures:</b>				
Capital outlay	<u>300,000</u>	<u>269,799</u>	<u>11,500</u>	<u>281,299</u>
Total expenditures	<u>300,000</u>	<u>269,799</u>	<u>11,500</u>	<u>281,299</u>
Revenues over (under) expenditures	<u>(300,000)</u>	<u>(261,310)</u>	<u>(11,500)</u>	<u>(272,810)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	7,321	-	7,321
Debt issued	<u>300,000</u>	<u>264,103</u>	<u>-</u>	<u>264,103</u>
Total other financing sources (uses)	<u>300,000</u>	<u>271,424</u>	<u>-</u>	<u>271,424</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 10,114</u>	<u>\$ (11,500)</u>	<u>\$ (1,386)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - TROPICAL STORM FAY DAMAGE  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grant proceeds	\$ 348,750	\$ 320,403	\$ 167,584	\$ 487,987
Miscellaneous revenue	-	2,694	-	2,694
Total revenues	<u>348,750</u>	<u>323,097</u>	<u>167,584</u>	<u>490,681</u>
<b>Expenditures:</b>				
Capital outlay	465,000	423,309	1,556	424,865
Total expenditures	<u>465,000</u>	<u>423,309</u>	<u>1,556</u>	<u>424,865</u>
Revenues over (under) expenditures	<u>(116,250)</u>	<u>(100,212)</u>	<u>166,028</u>	<u>65,816</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	116,250	147,540	-	147,540
Total other financing sources (uses)	<u>116,250</u>	<u>147,540</u>	<u>-</u>	<u>147,540</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 47,328</u>	<u>\$ 166,028</u>	<u>\$ 213,356</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - LANE STREET SEWER LINE  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Expenditures:</b>				
Capital outlay	\$ 500,000	\$ 2,699	\$ -	\$ 2,699
Total expenditures	<u>500,000</u>	<u>2,699</u>	<u>-</u>	<u>2,699</u>
Revenues over (under) expenditures	<u>(500,000)</u>	<u>(2,699)</u>	<u>-</u>	<u>(2,699)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>500,000</u>	<u>2,700</u>	<u>-</u>	<u>2,700</u>
Total other financing sources (uses)	<u>500,000</u>	<u>2,700</u>	<u>-</u>	<u>2,700</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - KANNAPOLIS LAKE DAM IMPROVEMENTS  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>Revenues:</b>				
Miscellaneous revenue	\$ -	\$ 1,959	\$ -	\$ 1,959
Total revenues	-	1,959	-	1,959
<b>Expenditures:</b>				
Capital outlay	959,366	534,807	167,188	701,995
Total expenditures	959,366	534,807	167,188	701,995
Revenues over (under) expenditures	(959,366)	(532,848)	(167,188)	(700,036)
<b>Other Financing Sources (Uses):</b>				
Transfers in	800,000	534,941	-	534,941
Debt issued	159,366	-	-	-
Total other financing sources (uses)	959,366	534,941	-	534,941
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,093	\$ (167,188)	\$ (165,095)

## CITY OF KANNAPOLIS, NORTH CAROLINA

## WATER AND SEWER CAPITAL PROJECT - CAPITAL EQUIPMENT 2011

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	\$ (1,147,840)	\$ (932,641)	\$ -	\$ (932,641)
Debt issued	<u>1,147,840</u>	<u>1,147,916</u>	<u>-</u>	<u>1,147,916</u>
Total other financing sources (uses)	<u>-</u>	<u>215,275</u>	<u>-</u>	<u>215,275</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 215,275</u>	<u>\$ -</u>	<u>\$ 215,275</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**WATER AND SEWER CAPITAL PROJECT - WTP REHABILITATION PROJECT**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>Expenditures:</b>				
Capital outlay	\$ 101,000	\$ -	\$ 97,500	\$ 97,500
Total expenditures	<u>101,000</u>	<u>-</u>	<u>97,500</u>	<u>97,500</u>
<b>Other Financing Sources (Uses):</b>				
Debt issued	<u>101,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>101,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (97,500)</u>	<u>\$ (97,500)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**STORMWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Sales and services	\$ 1,400,000	\$ 1,503,285	\$ 103,285
Investment earnings	100	63	(37)
Miscellaneous revenue	-	546	546
Total revenues	<u>1,400,100</u>	<u>1,503,894</u>	<u>103,794</u>
<b>Expenditures:</b>			
Salaries and employee benefits	536,168	532,027	4,141
Operating expenditures	499,357	448,629	50,728
General services	113,853	113,853	-
Total	<u>1,149,378</u>	<u>1,094,509</u>	<u>54,869</u>
<b>Debt Service:</b>			
Principal	667,209	667,209	-
Interest	92,590	168,058	(75,468)
Total	<u>759,799</u>	<u>835,267</u>	<u>(75,468)</u>
Total expenditures	<u>1,909,177</u>	<u>1,929,776</u>	<u>(20,599)</u>
Revenues over (under) expenditures	<u>(509,077)</u>	<u>(425,882)</u>	<u>83,195</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	509,077	509,077	-
Total other financing sources (uses)	<u>509,077</u>	<u>509,077</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>83,195</u>	<u>\$ 83,195</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Reconciling items:			
Depreciation and amortization		(86,921)	
Debt transferred between funds, net		(3,427,833)	
Capital contribution		4,075,377	
Change in interest accrued		(37,747)	
Other post-employment benefits		(49,092)	
Payment of debt principal		667,209	
Total		<u>1,140,993</u>	
Change in net assets		<u>\$ 1,224,188</u>	

## CITY OF KANNAPOLIS, NORTH CAROLINA

**STORMWATER CAPITAL PROJECT - CAPITAL EQUIPMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Interest income	\$ -	\$ 1,796	\$ -	\$ 1,796
Total revenues	<u>-</u>	<u>1,796</u>	<u>-</u>	<u>1,796</u>
<b>Expenditures:</b>				
Equipment purchases	727,626	635,608	-	635,608
Total expenditures	<u>727,626</u>	<u>635,608</u>	<u>-</u>	<u>635,608</u>
Revenues over (under) expenditures	<u>(727,626)</u>	<u>(633,812)</u>	<u>-</u>	<u>(633,812)</u>
<b>Other Financing Sources (Uses):</b>				
Debt issued	727,626	727,626	-	727,626
Total other financing sources (uses)	<u>727,626</u>	<u>727,626</u>	<u>-</u>	<u>727,626</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 93,814</u>	<u>\$ -</u>	<u>\$ 93,814</u>



## CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER CAPITAL PROJECT - 2011 EQUIPMENT FINANCING  
AND SERIES 2010 NCRC BONDS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Expenditures:</b>				
Engineering/consultants	\$ 85,000	\$ 19,969	\$ 9,790	\$ 29,759
Capital outlay	<u>749,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>834,000</u>	<u>19,969</u>	<u>9,790</u>	<u>29,759</u>
<b>Other Financing Sources (Uses):</b>				
Debt issued	-	263,426	-	263,426
Bonds issued	815,171	815,500	-	815,500
Premium on bonds issued	<u>18,829</u>	<u>18,829</u>	<u>-</u>	<u>18,829</u>
Total other financing sources (uses)	<u>834,000</u>	<u>1,097,755</u>	<u>-</u>	<u>1,097,755</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,077,786</u>	<u>\$ (9,790)</u>	<u>\$ 1,067,996</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## STORMWATER CAPITAL PROJECT - 8TH STREET CULVERT REPLACEMENT

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
Engineering/consultants	\$ 175,000	\$ -	\$ 130,272	\$ 130,272
Capital outlay	<u>975,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,150,000</u>	<u>-</u>	<u>130,272</u>	<u>130,272</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	<u>1,150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (130,272)</u>	<u>\$ (130,272)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**ENVIRONMENTAL SERVICES FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Sales and services	\$ 652,800	\$ 630,730	\$ (22,070)
Investment earnings	-	550	550
Miscellaneous revenue	40,935	67,500	108,435
Total revenues	<u>693,735</u>	<u>698,780</u>	<u>86,915</u>
<b>Expenditures:</b>			
Operating expenditures	64,000	18,656	45,344
Contracted services	361,080	391,142	(30,062)
Capital outlay	46,947	-	46,947
Total	<u>472,027</u>	<u>409,798</u>	<u>62,229</u>
<b>Debt Service:</b>			
Principal	158,809	158,809	-
Interest	43,294	17,119	26,175
Total	<u>202,103</u>	<u>175,928</u>	<u>26,175</u>
Total expenditures	<u>674,130</u>	<u>585,726</u>	<u>88,404</u>
Revenues over (under) expenditures	<u>19,605</u>	<u>113,054</u>	<u>93,449</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	<u>(19,605)</u>	-	19,605
Total other financing sources (uses)	<u>(19,605)</u>	-	19,605
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>113,054</u>	<u>\$ 113,054</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Reconciling item:			
Payment of debt principal		158,809	
Total		<u>158,809</u>	
Change in net assets		<u>\$ 271,863</u>	

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## **Additional Financial Data**

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This section contains additional information on property taxes and interfund and component unit transfers.

### **Schedule of Ad Valorem Taxes Receivable**

### **Analysis of Current Tax Levy**

### **Analysis of Current Tax Levy - Secondary Market Disclosure**

### **Schedule of Principal Taxpayers**

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## CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011 - 2012	\$ -	\$ 18,741,859	\$ 18,053,024	\$ 688,835
2010 - 2011	754,453	-	496,458	257,995
2009 - 2010	258,986	-	119,198	139,788
2008 - 2009	96,672	-	26,045	70,627
2007 - 2008	49,504	-	21,880	27,624
2006 - 2007	18,838	-	(708)	19,546
2005 - 2006	20,945	-	(1,996)	22,941
2004 - 2005	21,966	-	1,497	20,469
2003 - 2004	19,239	-	(1,172)	20,411
2002 - 2003	17,744	-	354	17,390
2001 - 2002	18,749	-	18,749	-
Total	<u>\$ 1,277,096</u>	<u>\$ 18,741,859</u>	<u>\$ 18,733,329</u>	1,285,626
Less: Allowance for uncollectible accounts				<u>353,362</u>
Ad valorem taxes receivable - net				<u>\$ 932,264</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 18,600,124
Reconciling items:				
Penalties and interest				(130,271)
Taxes written off - State statute				18,749
Miscellaneous adjustment				<u>244,727</u>
Total collections and credits				<u>\$ 18,733,329</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2012

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 3,718,013,061	\$ 0.4900	\$ 18,218,264	\$ 17,368,614	\$ 849,650
Property taxed at prior year's rate	76,208,334	0.4900	443,348	-	443,348
Total	<u>3,794,221,395</u>		<u>18,661,612</u>	<u>17,368,614</u>	<u>1,292,998</u>
<b>Discoveries:</b>					
Current year taxes	3,918,980	0.4900	19,203	12,309	6,894
Prior year taxes	491,162	0.4900	68,646	64,576	4,070
Penalties	-		27,559	27,559	-
Total	<u>4,410,142</u>		<u>115,408</u>	<u>104,444</u>	<u>10,964</u>
<b>Abatements:</b>					
Property taxed at current year's rate	(5,324,694)	0.4900	(26,091)	(15,168)	(10,923)
Property taxed at prior year's rate	<u>(1,477,982)</u>	0.4900	<u>(9,070)</u>	<u>-</u>	<u>(9,070)</u>
Total	<u>(6,802,676)</u>		<u>(35,161)</u>	<u>(15,168)</u>	<u>(19,993)</u>
Total property valuation	<u>\$ 3,791,828,861</u>		18,741,859	17,457,890	1,283,969
Less uncollected taxes at June 30, 2012			<u>688,835</u>	<u>497,539</u>	<u>191,296</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 18,053,024</u>	<u>\$ 16,960,351</u>	<u>\$ 1,092,673</u>
<b>Percent Current Year Collected</b>			<u>96.32%</u>	<u>97.15%</u>	<u>85.10%</u>



**CITY OF KANNAPOLIS, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
SECONDARY MARKET DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Assessed Valuation:**

Assessment Ratio (1)	<u>100.00%</u>
Real Property	\$ 3,535,916,122
Personal Property	191,820,297
Public Service Companies (2)	<u>64,092,442</u>
Total assessed valuation	<u>\$ 3,791,828,861</u>
Tax Rate per \$100	0.4900
Levy (includes discoveries, releases, penalties, and abatements)	<u>\$ 18,741,859</u>

(1) Percentage of appraised value has been established by statute.

(2) Valuation of railroads, telephone companies, and other utilities determined by the N.C. Property Tax Commission.

## CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF PRINCIPAL TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Business</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Castle & Cooke LLC	Real Estate	\$ 290,340,743	7.66%
Atlantic American Properties, Inc./ Club at Irish Creek, LLC	Real Estate	57,983,561	1.53%
Trinity of Cabarrus LTD/Shoe Show	Shoe Distribution	55,805,377	1.47%
Afton Ridge Joint Venture LLC/ CK Afton Ridge Shopping Center	Real Estate	47,140,050	1.24%
BNP Paribus Leasing Corp.	Warehousing	40,645,220	1.07%
Duke Energy Corporation	Utility	32,545,298	0.86%
Integra Springs LLC	Real Estate	29,006,730	0.76%
Kellswater	Real Estate	26,629,548	0.70%
The Grand in Kannapolis LLC	Real Estate	21,075,510	0.56%
Target Corporation	Retail	<u>16,009,847</u>	<u>0.42%</u>
Total		<u>\$ 617,181,884</u>	<u>16.27%</u>

Note: Castle & Cooke LLC, Atlantic American Properties, Inc., and Club at Irish Creek, LLC are owned or controlled by David H. Murdock.

# Statistical Section

The information presented in this section is provided for additional analysis purposes only and has not been subjected to audit verification as presented.

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

Net Assets by Component	Table 1
Changes in Net Assets	Table 2
Fund Balances of Government Funds	Table 3
Changes in Fund Balances of Governmental Funds	Table 4

**Revenue Capacity** - These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

Assessed Value of Taxable Property	Table 5
Direct and Overlapping Property Tax Rates	Table 6
Principal Property Taxpayers	Table 7
Property Tax Levies and Collections	Table 8

**Debt Capacity** - These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Ratios of General Bonded Debt Outstanding	Table 9
Ratios of Outstanding Debt by Type	Table 10
Direct and Overlapping Governmental Activities Debt	Table 11
Legal Debt Margin Information	Table 12
Pledged-Revenue Coverage	Table 13

**Demographic and Economic Information** - These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Demographic and Economic Statistics	Table 14
Principal Employers	Table 15
Property Values and Construction	Table 19

**Operating Information** - These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Full-Time Equivalent City Government	
Employees by Function/Program	Table 16
Operating Indicators by Functional Area	Table 17
Capital Asset Statistics by Function/Program	Table 18

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**City of Kannapolis, North Carolina**

**Table 1**

**Net Assets by Component  
Last Ten Fiscal Years**  
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 15,153,617	\$ 101,110,231	\$ 98,692,643	\$ 108,313,563	\$ 111,062,894	\$ 112,058,185	\$ 111,834,384	\$ 112,112,277	\$ 103,738,770	\$ 104,874,655
Restricted	-	1,930,059.00	3,395,249.00	93,118.00	100,543.00	638,142.00	358,166.00	650,469.00	3,555,327.00	3,643,925.00
Unrestricted	10,693,274.00	6,356,718.00	4,977,415.00	6,576,175.00	8,240,901.00	8,821,101.00	7,108,071.00	6,241,605.00	1,424,101.00	(1,135,200.00)
<b>Total governmental activities net assets</b>	<b>\$ 25,846,891</b>	<b>\$ 109,397,008</b>	<b>\$ 107,065,307</b>	<b>\$ 114,982,856</b>	<b>\$ 119,404,338</b>	<b>\$ 121,517,428</b>	<b>\$ 119,300,621</b>	<b>\$ 119,004,351</b>	<b>\$ 108,718,198</b>	<b>\$ 107,383,380</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 18,353,086	\$ 24,880,056	\$ 34,330,849	\$ 35,047,616	\$ 39,611,405	\$ 44,953,431	\$ 46,667,875	\$ 47,301,613	\$ 54,487,983	\$ 57,455,553
Restricted	-	1,034,916.00	3,400,083.00	-	-	-	-	737,788.00	3,791,001.00	-
Unrestricted	10,877,757.00	4,488,452.00	(3,118,592.00)	2,495,854.00	6,104,217.00	7,486,575.00	6,751,417.00	8,151,159.00	3,017,759.00	6,252,250.00
<b>Total business-type activities net assets</b>	<b>\$ 29,230,843</b>	<b>\$ 30,403,424</b>	<b>\$ 34,612,340</b>	<b>\$ 37,543,470</b>	<b>\$ 45,715,622</b>	<b>\$ 52,440,006</b>	<b>\$ 53,419,292</b>	<b>\$ 56,190,560</b>	<b>\$ 61,296,743</b>	<b>\$ 63,707,803</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 33,506,703	\$ 125,990,287	\$ 133,023,492	\$ 143,361,179	\$ 150,674,299	\$ 157,011,616	\$ 158,502,259	\$ 159,413,890	\$ 158,226,753	\$ 162,330,208
Restricted	-	2,964,975.00	6,795,332.00	93,118.00	100,543.00	638,142.00	358,166.00	1,388,257.00	7,346,328.00	3,643,925.00
Unrestricted	21,571,031.00	10,845,170.00	1,858,823.00	9,072,029.00	14,345,118.00	16,307,676.00	13,859,488.00	14,392,764.00	4,441,860.00	5,117,050.00
<b>Total primary government net assets</b>	<b>\$ 55,077,734</b>	<b>\$ 139,800,432</b>	<b>\$ 141,677,647</b>	<b>\$ 152,526,326</b>	<b>\$ 165,119,960</b>	<b>\$ 173,957,434</b>	<b>\$ 172,719,913</b>	<b>\$ 175,194,911</b>	<b>\$ 170,014,941</b>	<b>\$ 171,091,183</b>

**14** Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**City of Kannapolis, North Carolina**

**Table 2**  
**Page 1 of 2**

**Changes in Net Assets,  
Last Ten Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,647,757	\$ 2,818,043	\$ 2,721,513	\$ 5,954,847	\$ 4,064,967	\$ 5,480,666	\$ 5,217,220	\$ 6,573,229	\$ 2,876,218	\$ 8,102,674
Public safety	8,244,401	8,762,387	9,156,765	9,732,439	9,771,065	8,056,798	10,106,618	11,274,955	13,398,151	12,522,436
Public works	5,902,217	4,928,663	6,891,114	7,394,058	4,232,321	2,917,652	8,604,227	6,942,707	8,711,143	7,667,867
Community development	1,056,669	1,853,929	1,489,664	2,258,889	5,008,918	8,978,434	8,452,958	4,359,156	14,578,247	1,532,947
Parks and recreation	490,456	544,014	933,862	1,207,935	1,277,845	1,326,417	1,267,508	1,545,225	1,940,932	1,930,657
Interest on long term debt	513,815	106,714	177,399	232,533	326,864	491,511	607,269	550,869	1,868,114	2,275,952
Total governmental activities	18,855,315	19,013,750	21,370,317	26,780,701	24,681,980	27,251,478	34,255,800	31,246,141	43,372,805	34,032,533
Business-type activities:										
Water and sewer	8,273,151	9,083,893	9,809,290	10,193,680	11,132,396	11,915,757	11,711,770	11,260,842	11,184,796	13,045,102
Stormwater	-	-	-	-	96,893	1,010,785	1,484,523	1,404,707	1,269,793	1,436,327
Environmental services	-	-	-	-	-	-	-	-	-	426,917
Total business-type activities	8,273,151	9,083,893	9,809,290	10,193,680	11,229,289	12,926,542	13,196,293	12,665,549	12,454,589	14,908,346
Total primary government expenses	\$ 27,128,466	\$ 28,097,643	\$ 31,179,607	\$ 36,974,381	\$ 35,911,269	\$ 40,178,020	\$ 47,452,093	\$ 43,911,690	\$ 55,827,394	\$ 48,940,879
<b>Program Revenues</b>										
Governmental activities	\$ 118,570	\$ 158,916	\$ 1,157,017	\$ 241,131	\$ 523,213	\$ 1,669,101	\$ 1,157,321	\$ 1,183,885	\$ 2,309,961	\$ 2,422,458
Charges for services:	63,927	116,998	34,286	105,899	85,309	138,729	123,708	152,380	134,752	135,147
General government	237,036	27,003	124,033	194,307	93,598	189,121	56,042	7,569	97,957	43,584
Public safety	69,356	-	173,504	1,273,755	831,686	113,921	183,853	110,048	59,346	33,073
Community development	31,589	39,115	44,766	79,498	138,140	258,770	248,658	260,368	257,559	275,314
Parks and recreation	-	273,361	237,285	9,141	90,059	242,694	95,044	32,536	204,102	26,779
General government	61,893	2,000	-	1,000	11,700	135,590	87,969	27,946	601,866	29,086
Public safety	1,716,079	209,361	1,000	1,282,688	1,266,278	23,000	-	-	-	-
Public works	571,748	29,522	593,095	-	-	1,249,502	200,224	-	-	-
Community development	13,118	56,981	72,137	25,643	15,574	-	8,054	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions:	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-
Public safety	93,463	1,132,497	1,281,932	-	-	257,658	1,206,109	589,733	366,447	2,993
Public works	-	-	-	-	2,474,778	1,556,557	1,935,141	1,508,354	1,480,739	1,730,748
Community development	595,914	594,888	-	13,073,927	572,627	1,054,425	1,004,227	344,587	958,208	444,896
Parks and recreation	-	-	699,299	-	408,430	425,507	777,258	31,990	-	-
Total governmental activities program revenues	3,572,693	2,640,642	4,418,354	16,286,989	6,511,392	7,516,175	7,101,608	4,377,825	6,646,832	5,526,506

**City of Kannapolis, North Carolina**

**Table 2**  
**Page 2 of 2**

**Changes in Net Assets,  
Last Ten Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for Services:										
Water and sewer	8,120,609	9,362,726	10,200,069	11,154,949	13,462,950	14,002,930	12,050,123	12,146,279	13,134,631	13,626,961
Stormwater	-	-	-	-	217,957	1,440,842	1,388,588	1,397,991	1,472,388	1,503,831
Environmental services	-	-	-	-	-	-	-	-	35,076	630,730
Capital grants and contributions:										
Water and sewer	15,500	700,275	1,286,425	1,379,748	5,451,482	4,013,945	609,075	2,084,060	2,775,165	1,137,813
Environmental services	-	-	-	-	-	-	-	-	-	67,500
Total business-type activities program revenues	8,136,109	10,063,001	11,486,494	12,534,697	19,132,389	19,457,717	14,047,786	15,628,330	17,417,260	16,966,835
Total primary government program revenues	\$ 11,708,802	\$ 12,703,643	\$ 15,904,848	\$ 28,821,686	\$ 25,643,781	\$ 26,973,892	\$ 21,149,394	\$ 20,006,155	\$ 24,064,092	\$ 22,493,341
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (15,282,442)	\$ (16,373,108)	\$ (16,951,963)	\$ (10,493,712)	\$ (18,170,588)	\$ (19,735,303)	\$ (27,154,192)	\$ (26,868,316)	\$ (36,725,973)	\$ (28,506,027)
Business-type activities	(137,042)	979,108	1,677,204	2,341,017	7,903,100	6,531,175	851,493	2,962,781	4,962,671	2,058,489
Total primary government net (expense)/revenue	\$ (15,419,484)	\$ (15,394,000)	\$ (15,274,759)	\$ (8,152,695)	\$ (10,267,488)	\$ (13,204,128)	\$ (26,302,699)	\$ (23,905,535)	\$ (31,763,302)	\$ (26,447,538)
<b>General Revenues and Other Changes in Net Assets</b>										
Government Activities:										
Taxes:										
Ad valorem taxes	\$ 10,635,890	\$ 10,471,995	\$ 10,562,494	\$ 11,240,436	\$ 12,011,550	\$ 13,212,892	\$ 17,165,625	\$ 18,252,517	\$ 18,379,641	\$ 18,585,812
Sales tax	3,634,491	4,706,518	4,901,069	4,953,702	5,221,276	5,412,376	4,979,383	5,308,859	5,218,704	5,697,969
Other taxes and licenses	853,648	1,555,292	448,044	451,735	529,719	711,356	700,271	797,123	752,034	786,376
Franchise tax	1,324,348	1,564,014	1,311,127	1,311,127	1,311,127	1,575,791	1,724,124	1,778,600	1,829,991	1,825,228
Unrestricted intergovernmental revenues	177,200	-	332,467	456,009	542,918	501,719	209,215	69,088	227,683	514,623
Investment earnings	913,170	149,613	233,945	379,763	398,886	366,012	75,662	34,757	31,767	77,609
Gain on sale of capital assets	-	-	-	-	2,567,553	-	-	-	-	-
Miscellaneous	-	-	38,586	-	-	-	-	-	-	-
Transfers	-	-	(2,263,696)	(381,511)	9,041	68,246	83,106	331,102	-	(316,408)
Total general revenues and transfers	17,538,747	18,447,432	15,564,036	18,411,261	22,592,070	21,848,392	24,937,386	26,572,046	26,439,820	27,171,209
Business-type activities:										
Investment earnings	406,862	193,473	268,016	218,602	278,093	261,455	210,899	139,589	143,512	36,163
Transfers	(73,842)	-	2,263,696	371,511	(9,041)	(68,246)	(83,106)	(331,102)	-	316,408
Total business-type activities	\$ 333,020	\$ 193,473	\$ 2,531,712	\$ 590,113	\$ 269,052	\$ 193,209	\$ 127,793	\$ (191,513)	\$ 143,512	\$ 352,571
<b>Change in Net Assets</b>										
Governmental activities	\$ 2,256,305	\$ 2,074,324	\$ (1,387,927)	\$ 7,917,549	\$ 4,421,482	\$ 2,113,089	\$ (2,216,806)	\$ (296,270)	\$ (10,286,153)	\$ (1,334,818)
Business-type activities	195,978	1,172,581	4,208,916	2,931,130	8,172,152	6,724,384	979,286	2,771,268	5,106,183	2,411,060
Total primary government	\$ 2,452,283	\$ 3,246,905	\$ 2,820,989	\$ 10,848,679	\$ 12,593,634	\$ 8,837,473	\$ (1,237,520)	\$ 2,474,998	\$ (5,179,970)	\$ 1,076,242

City of Kannapolis, North Carolina

Table 3

**Fund Balances, Governmental Funds  
Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 3,206,113	\$ 2,997,510	\$ 3,134,675	\$ 3,159,675	\$ 2,075,394	\$ 3,099,152	\$ 1,905,420	-	\$ -	\$ -
Unreserved	4,880,672	4,026,218	3,489,963	1,788,495	4,192,992	3,352,881	3,730,455	-	-	-
Nonspendable	-	-	-	-	-	-	-	403,183	452,932	35,067
Restricted	-	-	-	-	-	-	-	2,100,043	2,990,315	2,517,474
Unassigned	-	-	-	-	-	-	-	3,873,774	2,677,156	4,135,479
Total General Fund	\$ 8,086,785	\$ 7,023,728	\$ 6,624,638	\$ 4,948,170	\$ 6,268,386	\$ 6,452,033	\$ 5,635,875	\$ 6,377,000	\$ 6,120,403	\$ 6,688,020
NGRC Project Development										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,430,987	\$ 11,335,714
Total NGRC Financing 2010 Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,430,987	\$ 11,335,714
All Other Governmental Funds										
Reserved	\$ 33,313	\$ 1,073,495	\$ 2,394,557	-	\$ 216,155	\$ 73,482	\$ 274,937	-	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	-	-	172,240	1,333,197	1,625,006	1,495,551	1,597,424	-	-	-
Capital project funds	1,884,313	-	1,367,776	49,025	1,365,570	3,986,075	1,054,355	-	-	-
Restricted	-	-	-	-	-	-	-	1,999,856	1,035,896	1,124,288
Committed	-	-	-	-	-	-	-	-	1,249,743	308,387
Assigned	-	-	-	-	-	-	-	-	(395,851)	(224,284)
Total all other governmental funds	\$ 1,917,626	\$ 1,073,495	\$ 3,934,573	\$ 1,382,222	\$ 3,206,731	\$ 5,555,108	\$ 2,926,716	\$ 1,999,856	\$ 1,889,788	\$ 1,208,391



**City of Kannapolis, North Carolina**

**Table 4**

**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad valorem taxes	\$ 10,587,837	\$ 9,853,321	\$ 10,782,950	\$ 11,282,250	\$ 12,121,715	\$ 13,273,196	\$ 17,588,594	\$ 17,906,657	\$ 18,235,726	\$ 18,600,124
Other taxes and licenses	3,908,006	5,081,834	5,349,113	5,405,437	5,750,995	6,123,732	5,679,654	6,105,982	5,970,738	6,484,345
Unrestricted intergovernmental revenues	1,832,328	1,564,014	1,643,594	1,767,136	1,854,045	2,077,510	1,933,339	1,847,688	2,057,674	2,339,851
Restricted intergovernmental revenues	2,803,235	3,197,581	2,871,185	3,166,584	2,438,872	3,874,031	3,676,626	2,322,628	3,635,063	2,128,837
Sales and services	-	341,925	524,153	1,660,604	1,418,643	1,162,557	1,305,558	1,194,667	912,170	2,100,728
Investment earnings	177,199	149,613	233,945	379,763	398,886	366,012	75,662	34,757	31,767	77,609
Miscellaneous	1,687,305	281,005	2,105,602	233,986	1,047,575	2,479,587	739,061	1,254,416	2,038,568	808,848
Total Revenues	20,995,910	20,469,293	23,510,542	23,895,760	25,030,731	29,356,625	30,998,494	30,666,795	32,881,706	32,540,342
Expenditures										
General Government	1,754,012	2,466,443	2,794,217	3,665,596	4,144,710	4,490,782	4,933,918	6,579,122	7,399,483	7,140,935
Public Safety	7,457,506	8,106,603	8,623,360	9,057,574	9,636,715	10,022,616	11,608,058	10,948,871	11,987,497	11,676,365
Public Works	5,622,438	4,922,642	4,947,190	5,955,483	5,704,829	6,111,576	6,202,776	5,337,280	6,488,853	5,830,901
Community development	735,871	494,990	569,396	640,020	616,870	711,182	777,870	731,061	731,434	1,678,721
Parks and recreation	437,098	837,886	881,198	1,112,928	1,235,216	1,326,417	1,502,279	1,339,737	1,443,490	4,473,578
General Services	111,995	-	-	-	-	-	-	-	-	-
Nondepartmental	495,850	-	-	-	-	-	-	-	-	-
Capital Outlay	2,080,749	3,642,212	3,358,101	7,891,451	7,397,042	10,364,347	7,913,029	3,808,041	13,947,035	10,293,679
Debt Service:										
Principal	2,372,591	2,066,514	1,646,932	1,745,094	2,737,719	2,346,409	3,048,879	3,205,950	2,456,470	2,405,841
Interest and fees	481,995	106,714	177,399	232,533	378,078	391,236	625,942	573,570	1,838,172	1,735,261
Debt service reserve	-	-	-	-	-	-	-	-	-	381
Payments to bondholders	-	-	-	-	-	-	-	-	-	1,330,020
Capitalized interest	-	-	-	-	-	-	-	-	-	139,824
Total Expenditures	21,550,105	22,644,004	22,997,793	30,300,679	31,851,179	35,764,565	36,612,751	32,523,632	47,762,659	46,080,531
Excess of revenues over (under) expenditures	(554,195)	(2,174,711)	512,749	(6,404,919)	(6,820,448)	(6,407,940)	(5,614,257)	(1,856,837)	(14,880,953)	(13,540,189)
Other Financing Sources (Uses)										
Transfers in	330,082	707,460	898,870	1,548,473	1,520,509	1,401,824	664,051	2,071,283	1,080,307	703,865
Transfers out	(330,082)	(707,460)	(3,162,566)	(1,929,984)	(1,511,469)	(1,333,578)	(580,944)	(1,740,181)	(1,080,307)	(372,729)
Proceeds of installment financing	222,920	185,555	4,162,936	2,557,612	5,469,180	8,871,717	2,086,600	1,340,000	971,182	3,000,000
Premium on long-term debt	-	-	-	-	-	-	-	-	789,593	-
Proceeds of Limited Obligation Bonds	-	-	-	-	-	-	-	-	34,184,500	-
Total other financing sources (uses)	222,920	185,555	1,899,240	2,176,101	5,478,220	8,939,963	2,169,707	1,671,102	35,945,275	3,331,136
Net change in fund balances	\$ (331,275)	\$ (1,989,156)	\$ 2,411,989	\$ (4,228,818)	\$ (1,342,228)	\$ 2,552,023	\$ (3,444,550)	\$ (185,735)	\$ 21,064,322	\$ (10,209,053)
Debt service as a percentage of noncapital expenditures	14.66%	11.44%	9.29%	8.83%	12.74%	10.78%	12.27%	12.68%	10.29%	11.57%

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**Table 5**

**Assessed Value and Actual Value of Taxable Property  
Last Ten Years**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies (2)</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate (3)</b>
2003	1,505,165,730	483,153,975	39,442,389	2,027,762,094	0.530
2004	1,553,231,034	374,455,166	41,417,632	1,969,103,832	0.530
2005 (1)	1,841,972,356	283,165,906	46,964,110	2,172,102,372	0.497
2006	1,905,159,875	317,140,627	47,761,872	2,270,062,374	0.497
2007	2,025,621,228	320,862,906	54,259,528	2,400,743,662	0.497
2008 (1)	2,235,917,274	354,951,354	55,510,648	2,646,379,276	0.497
2009 (1)	3,244,822,362	246,649,354	57,180,279	3,548,651,995	0.490
2010	3,462,272,048	189,031,359	55,691,820	3,706,995,227	0.490
2011	3,486,066,202	195,285,505	56,141,913	3,737,493,620	0.490
2012 (1)	3,535,916,122	191,820,297	64,092,442	3,791,828,861	0.490

(1) Increases in FY 2005 and FY 2009 include Cabarrus County revaluation. Increase in FY 2008 and FY 2012 includes Rowan County revaluation.

(2) Public service companies valuations are provided to the City by the North Carolina Department of Revenue. These amounts included both real and personal property.

(3) Per \$100 of value.

**City of Kannapolis, North Carolina**

**Table 6**

**Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

	2003	2004 (1)	2005 (2)	2006	2007	2008 (3)	2009 (4)	2010	2011	2012
<b>City of Kannapolis:</b>										
General Fund	0.530	0.530	0.497	0.497	0.497	0.497	0.490	0.490	0.490	0.490
<b>County Rates:</b>										
Cabarrus	0.560	0.560	0.530	0.630	0.629	0.630	0.630	0.630	0.630	0.630
Rowan	0.635	0.630	0.630	0.630	0.630	0.595	0.595	0.595	0.595	0.623

- Note: (1) Real property was revalued by Rowan County on January 1, 2003.  
 (2) Real property was revalued by Cabarrus County on January 1, 2004.  
 (3) Real property was revalued by Rowan County on January 1, 2007.  
 (4) Real property was revalued by Cabarrus County on January 1, 2008.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**Table 7**

**Principal Property Taxpayers  
Current Year and Ten Years Ago**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2012</u>			<u>Fiscal Year 2002</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Castle & Cooke LLC	Real Estate	\$ 290,340,743	1	7.66%	-	-	-
Atlantic American Properties, Inc./ Club at Irish Creek	Real Estate	57,983,561	2	1.53%	29,128,628	2	1.46%
Trinity of Cabarrus LTD /Shoe Show Afton Ridge Joint Venture LLC/	Shoe Distribution	55,805,377	3	1.47%	9,820,968	8	0.50%
CK Afton Ridge Shopping Center	Real Estate	47,140,050	4	1.24%	-	-	-
BNP Paribus Leasing Corp.	Warehousing	40,645,220	5	1.07%	-	-	-
Duke Energy Corporation	Utility	32,545,298	6	0.86%	14,544,975	4	0.73%
Integra Springs LLC	Real Estate	29,006,730	7	0.76%	-	-	-
Kellswater	Real Estate	26,629,548	8	0.70%	-	-	-
The Grand in Kannapolis LLC	Real Estate	21,075,510	9	0.56%	-	-	-
Target Corporation	Retail	16,009,847	10	0.42%	-	-	-
Fieldcrest/Cannon, Inc	Textiles	-	-	-	154,147,861	1	7.77%
The Stanley Works	Manufacturing	-	-	-	28,221,619	3	1.42%
Concord Telephone Company	Utility	-	-	-	13,794,288	5	0.70%
CIT Group Equipment Financing	Equipment Leasing	-	-	-	12,243,205	6	0.62%
David H. Murdock	Real Estate	-	-	-	10,096,857	7	0.51%
Cloverleaf Shopping Center Assoc.	Real Estate	-	-	-	8,651,480	9	0.43%
Safeco Credit Company, Inc.	Equipment Leasing	-	-	-	7,975,119	10	0.41%
<b>Totals</b>		<b>\$ 617,181,884</b>		<b>16.27%</b>	<b>288,625,000</b>		<b>14.55%</b>

Note: Atlantic American Properties, Inc/Club at Irish Creek and Castle & Cooke LLC are owned or controlled by David H. Murdock

Source: Cabarrus County and Rowan County Tax Departments

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**Table 8**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Discoveries	Abatements	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Discoveries				Abatements	Total Adjusted Levy		Amount	Percentage of Original Levy
2003	\$ 10,250,028	\$ 664,694	\$ (197,263)	\$ 10,717,459	\$ 10,376,818	96.82%	\$ 323,251	\$ 10,700,069	99.84%	
2004	10,463,820	183,408	(103,329)	10,543,899	9,560,632	90.67%	962,856	10,523,488	99.81%	
2005	10,813,945	147,482	(137,539)	10,823,888	10,400,581	96.09%	402,838	10,803,419	99.81%	
2006	11,325,147	57,037	(99,974)	11,282,210	10,911,354	96.71%	347,915	11,259,269	99.80%	
2007	11,808,304	274,344	(150,952)	11,931,696	11,630,033	97.47%	282,117	11,912,150	99.84%	
2008	13,145,903	138,268	(131,666)	13,152,505	12,849,354	97.70%	275,527	13,124,881	99.79%	
2009	17,313,980	329,399	(25,459)	17,617,920	17,177,163	97.50%	370,130	17,547,293	99.60%	
2010	18,211,307	171,026	(192,864)	18,189,469	17,471,125	96.05%	578,556	18,049,681	99.23%	
2011	18,385,221	80,004	(72,720)	18,392,505	17,638,052	95.90%	496,458	18,134,510	98.60%	
2012	18,661,612	115,408	(35,161)	18,741,859	18,053,024	96.32%	-	18,053,024	96.32%	

Source: City of Kannapolis Finance Department

**Ratios of General Bonded Debt Outstanding,  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property(2)</b>	<b>Per Capita(1)</b>
2003	\$ 973,171	0.05%	25
2004	675,222	0.03%	18
2005	381,936	0.02%	10
2006	88,499	0.00%	2
2007	-	0.00%	-
2008	-	0.00%	-
2009	-	0.00%	-
2010	-	0.00%	-
2011	-	0.00%	-
2012	-	0.00%	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the Financial Statements.

(1) See Table 14 for population data.

(2) See Table 5 for total assessed value of property.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**Table 10**

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	Installment Obligations	U.S. Gov. Guaranteed Notes	Limited Obligation Bonds	Installment Obligations	General Obligation Bonds	W/S Revenue Bonds	Limited Obligation Bonds				
2003	\$ 9,303,324	\$ 1,583,000	\$ -	\$ 5,288,787	\$ 973,171	\$ 38,694,000	\$ -	\$ 55,842,282	\$ 1,460	1.45%	
2004	7,502,376	1,503,000	-	4,632,272	675,222	36,971,685	-	51,284,555	1,326	1.31%	
2005	10,103,426	1,418,000	-	4,416,226	381,936	35,018,869	-	51,338,457	1,310	1.24%	
2006	11,005,946	1,328,000	-	3,843,185	88,499	32,980,142	-	49,245,772	1,227	1.11%	
2007	12,995,769	1,975,000	-	4,520,423	-	30,630,074	-	50,121,266	1,214	1.06%	
2008	19,670,078	1,826,000	-	6,360,457	-	28,333,220	-	56,189,755	1,313	1.11%	
2009	18,861,800	1,672,000	-	5,495,178	-	25,954,117	-	51,983,095	1,179	0.96%	
2010	17,154,850	1,513,000	-	6,261,384	-	23,477,283	-	48,406,517	1,078	0.91%	
2011	14,503,541	1,349,000	34,184,500	6,114,144	-	21,607,221	815,500	78,573,906	1,835	1.45%	
2012	11,357,867	1,180,000	34,425,000	8,718,447	-	17,620,006	-	73,301,320	1,695	N/A	

\* Information not yet available  
**155**

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
(1) See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2011 personal income not available to calculate fiscal year 2012.

**City of Kannapolis, North Carolina**

**Table 11**

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2012**

(dollars in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Cabarrus County General Obligation Debt	\$ 98,695	15.33%	\$ 16,198
Cabarrus County COPS	274,555	15.33%	45,118
Cabarrus County Capital Leases	3,531	15.33%	476
Rowan County General Obligation Debt	70,030	4.05%	2,638
Rowan County Installment Financings	27,706	4.05%	676
Subtotal, overlapping debt			65,106
<b>City direct debt</b>			<u>46,963</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 112,069</u></u>

Sources: Debt outstanding data and assessed value data used to estimate applicable percentages provided by each governmental unit.

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

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.



City of Kannapolis, North Carolina

Table 12

**Legal Debt Margin Information,  
Last Ten Fiscal Years**  
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value of Property	\$2,027,762,094	\$ 1,969,103,832	\$2,172,102,372	\$ 2,270,062,374	\$2,400,743,662	\$ 2,646,379,276	\$ 3,548,651,995	\$ 3,706,995,227	\$ 3,737,493,620	\$ 3,791,828,861
Debt Limit, 8% of Assessed Value (Statutory Limitation)	162,220,968	157,528,307	173,768,190	181,604,990	192,059,493	211,710,342	283,892,160	296,559,618	298,999,490	303,346,309
Debt applicable to debt limitations:										
General obligation bonds	973,171	675,222	381,936	88,499	-	-	-	-	-	-
Limited obligation bonds	-	-	-	-	-	-	-	-	35,000,000	34,425,000
Installment obligations	16,175,111	13,637,647	15,937,652	16,177,132	19,491,194	27,856,536	26,028,978	24,929,234	21,966,688	21,256,314
Less: Amount of bonded debt incurred for water purposes	(263,535)	(182,850)	(103,428)	(23,966)	-	-	-	-	-	-
Total net debt applicable to limitations	16,884,747	14,130,019	16,216,160	16,241,665	19,491,194	27,856,536	26,028,978	24,929,234	56,966,688	55,681,314
Legal debt margin	\$ 145,336,221	\$ 143,398,288	\$ 157,552,030	\$ 165,363,325	\$ 172,568,299	\$ 183,853,806	\$ 257,863,182	\$ 271,630,384	\$ 242,032,802	\$ 247,664,995
Total net debt applicable to the limit as a percentage of debt limit	10.41%	8.97%	9.33%	8.94%	10.15%	13.16%	9.17%	8.41%	19.05%	18.36%

Note: NC Statute GSI 59-55 limits the city's outstanding debt to 8% of the appraised value of property subject to taxation. The legal debt margin is the difference between the debt limit and the city's net debt outstanding applicable to the limit, and represents the city's legal borrowing authority.

**City of Kannapolis, North Carolina**

**Table 13**

**Pledged-Revenue Coverage,  
Last Ten Fiscal Years**

Fiscal Year	Water and Sewer Revenue Bonds							Coverage
	Utility Service Charges	Less:		Net Available Revenue	Debt Service		Total	
		Operating Expenses			Principal	Interest		
2003	\$ 9,559,223	\$ 5,534,479	\$ 4,024,744	\$ 1,345,000	\$ 1,576,471	\$ 2,921,471	1.38	
2004	10,024,790	5,826,703	4,198,087	1,722,315	1,714,762	3,437,077	1.22	
2005	10,834,153	6,411,553	4,422,600	1,952,815	1,660,612	3,613,427	1.22	
2006	11,763,087	6,457,356	5,305,731	2,038,727	1,597,450	3,636,177	1.46	
2007	14,245,776	7,205,590	7,040,186	2,350,068	1,526,771	3,876,839	1.95	
2008	14,807,217	8,180,463	6,626,754	2,296,854	1,424,410	3,721,264	1.78	
2009	12,812,510	7,878,465	4,934,045	2,379,103	1,335,221	3,714,324	1.33	
2010	12,842,521	7,495,923	5,346,598	2,476,833	1,240,468	3,717,301	1.44	
2011	13,835,755	7,500,447	6,335,308	1,870,064	1,129,038	2,999,102	2.11	
2012	13,662,511	9,097,365	4,565,146	1,547,514	932,191	2,479,705	1.84	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include depreciation, amortization, and capital outlay.

Utility service charges equal total operating revenues plus investment earning.

Principal and interest of revenue bonds only are shown here.

Coverage equals net revenues divided by total debt service requirements.

# City of Kannapolis, North Carolina

Table 14

## Demographic and Economic Statistics Last Ten Fiscal Years

Year	Population(1)		Personal Income (2) (thousands of dollars)		Per Capita Personal Income (2)		Public School Enrollment (3)	Unemployment Rate (4)	
	Cabarrus County	Rowan County	Cabarrus County	Rowan County	Cabarrus County	Rowan County		Cabarrus County	Rowan County
2003	38,248	\$ 4,116,291	\$ 3,312,212	\$ 29,733	\$ 24,910	4,500	6.4%	6.4%	
2004	38,679	4,194,646	3,358,830	29,842	25,326	4,608	7.6%	8.0%	
2005	39,187	4,453,542	3,501,321	30,500	26,123	4,673	4.7%	5.7%	
2006	40,141	4,803,337	3,689,822	32,111	27,376	4,837	4.1%	5.5%	
2007	41,273	5,157,773	3,929,245	33,161	29,001	5,017	4.8%	6.3%	
2008	42,806	5,551,258	4,029,907	34,099	29,407	5,177	5.7%	6.3%	
2009	44,104	5,946,765	4,278,802	35,280	30,620	5,117	11.7%	13.0%	
2010	44,891	5,869,800	4,286,389	34,083	30,444	5,203	10.3%	11.6%	
2011	42,828	6,057,692	4,124,902	34,030	29,750	5,239	10.4%	11.6%	
2012	43,242	*	*	*	*	5,290	9.3%	10.3%	

\* Information not yet available.

Notes:

(1) The 2002-2008 population numbers were compiled by the City of Kannapolis Planning Department primarily from state and federal government sources and City permitting activity. The source for the 2009-2011 population numbers is the State of N.C. Dept. of Transportation. The 2011 population of 42,828 was determined by the 2010 census.

The 2012 population was determined by estimates from the US Census Bureau

(2) Source: State of N.C. Office of State Budget and Management

(3) Kannapolis City Schools

(4) Source: N. C. Employment Security Commission

These are County figures -- separate figures for the City of Kannapolis are not available.

**Principal Employers  
Current Year and Ten Years Ago**

Employer	2012			2002		
	Employees	Rank	Percentage of Total Cabarrus & Rowan Counties Employment	Employees	Rank	Percentage of Total Cabarrus & Rowan Counties Employment
Kannapolis City Schools	750	1	0.47%	644	2	0.47%
Shoe Show	550	2	0.34%	270	6	0.20%
City of Kannapolis	381	3	0.24%	211	7	0.15%
Cabarrus County Schools	376	4	0.23%	316	3	0.23%
Wayne Brothers	367	5	0.23%	-	-	-
Stanley Works	219	6	0.14%	300	4	0.22%
Cabarrus Health Alliance	218	7	0.13%	-	-	-
Environmental services	208	8	0.11%	200	8	0.15%
Food Lion	185	9	0.14%	199	9	0.15%
Rowan Cabarrus Community College	150	10	0.09%	-	-	-
Kannapolis Health Care (Transitional)	150	10	0.09%	-	-	-
Fieldcrest Cannon, Inc.	-	-	-	4,009	(1) 1	2.92%
Wal-Mart	-	-	-	270	(1) 5	0.20%
Time Warner Cable	-	-	-	143	10	0.10%
<b>Total</b>	<b>3,554</b>		<b>2.20%</b>	<b>6,562</b>		<b>4.78%</b>

(1) No longer has a business location in the City

Sources: Cabarrus County Economic Development Corporation, telephone inquiries, N.C. ESC Industry data, and The Salisbury Post

**City of Kannapolis, North Carolina**

Table 16

**Full-time Equivalent City Government Employees by Function,  
Last Ten Fiscal Years**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	16	20	21	22	21	26	30	30	29	29
Public Safety	125	134	140	143	153	150	166	168	167	165
Public Works Admin & Engineering	6	7	7	7	7	8	6	6	6	6
Streets & Sign Shop	17	20	19	21	23	11	11	11	11	9
Stormwater	0	0	0	0 <sup>3</sup>	2	13	13	12	13	13
Refuse	8	9	10	0 <sup>1</sup>	0	0	0	0	0	0
Water Sewer Billing & Collections	10	10	11	11	11	12	6 <sup>4</sup>	5 <sup>4</sup>	6 <sup>4</sup>	6
Water Sewer Distribution	22	22	22	23	22	27	28	27	27	26
Water Treatment Plant	0	9 <sup>2</sup>	9	9	9	10	10	10	10	10
<b>Total</b>	<b>204</b>	<b>231</b>	<b>239</b>	<b>236</b>	<b>248</b>	<b>257</b>	<b>270</b>	<b>269</b>	<b>269</b>	<b>264</b>

Source: City Finance Department

Notes:

This schedule represents number of persons employed as of June 30th of each year. Vacant positions are not included in the above numbers.

Full time personnel work 2,080 hours per year (less vacation and sick leave) with the exception of Police and Fire which work 2184 and 2758 hours per year respectively.

<sup>1</sup> Data shows the elimination of Refuse Collection that was outsourced to a private contractor in 2006.

<sup>2</sup> Data shows that in 2004 the City hired Water Treatment Plant employees that were previously employed by Pillowtex.

<sup>3</sup> Data shows that in 2007 the City implemented a new division for Stormwater.

<sup>4</sup> Data shows that in 2009 the City moved the Meter Readers from WSBC to WSD.

City of Kannapolis, North Carolina

Table 17

Operating Indicators by Functional Area  
Last Ten Fiscal Years

Functional Area	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Collection Rate For City Taxes	96.82%	90.67%	96.09%	96.71%	97.47%	97.70%	97.50%	96.05%	95.90%	96.32%
Applications For Employment Processed	798	618	1,000	NA	600	792	1,924	1,521	1,851	1,408
Hiring Rate	3.38%	9.87%	4.90%	NA	8.67%	6.00%	5.30%	5.30%	3.67%	3.27%
Parks & Recreation										
Concerts Presented By The City	1	5	5	6	6	7	14	15	14	12
Shelter Reservations	325	258	395	397	486	456	788	973	1029	943
Police										
Homicide and Deaths Investigations	15	11	18	22	14	16	15	12	7	13
Assault Investigations	18	19	28	37	53	67	45	66	66	70
Fire										
Response to all in City incidents within six minutes	NA	NA	NA	NA	NA	NA	85%	90%	4849	4274
Average Response Time (minutes) For Fire Calls	4.90	4.40	4.60	NA	4.43	4.35	NA	NA	NA	NA
Number of Fire Inspections For Businesses	893	832	825	871	420	583	902	1,136	1,280	1,550
Stormwater										
Shoulder Work and Ditches Cleared (Miles)	NA	NA	NA	NA	NA	15	8.50	4.50	4.00	9.00
Drainage Structures (repaired & constructed)	NA	NA	NA	NA	331	65	65	28	31	133
Streets And Sign Shop										
Reconstruction Resurfacing (Miles)	0.00	3.25	0.00	3.75	0.25	4.50	4.89	0.00	0.36	2.83
Pavement Repairs (Including Potholes)	0.00	1,896	1,395	1,173	1,293	1,968	1,917	1,526	1,538	935
Street Name Signs Installed Or Repaired	456	268	389	414	444	438	359	154	126	202
Information Signs Installed Or Repaired	624	651	366	166	220	268	458	332	268	466
Water Sewer Distribution										
Water Services Installed	100	70	87	116	472	99	59	32	35	39
Sewer Services Installed	110	27	70	60	80	71	40	21	4	11
Water Treatment Plant										
Total Water Treated (Per Billion Gallons)	1.68	1.01	1.10	NA	1.35	1.355	1.37	1.27	1.21	1.23
Unit Cost Of Treatment (\$/1,000 Gal)	0.606	0.940	0.903	NA	1.075	1.758	1.753	1.67	1.61	1.67
Water Sewer Billing Collections										
Average Number Of Walk In Customers	4,961	5,030	5,030	5,523	6,505	5,328	6,519	6,543	6,662	6,900
Water and Sewer Collection Percentage	99.20%	99.35%	99.35%	99.47%	99.45%	99.08%	98.02%	97.00%	97.30%	98.80%

Source: City Departments

Notes: <sup>1</sup> Data is Calendar Year

<sup>2</sup> Data is Average Per Month

NA - Data Not Available

City of Kannapolis, North Carolina

Table 18

Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Parks And Recreation</b>										
Park Facilities	7	7	7	7	7	8	8	8	8	8
Acres	116	116	116	116	140	140	140	140	140	140
Picnic shelters	7	11	11	11	15	15	15	15	15	15
Softball fields	3	3	3	3	3	3	3	3	3	3
Playgrounds	5	5	5	5	5	5	5	5	6	6
Soccer Fields	1	1	1	1	1	1	1	1	1	1
<b>Fire Protection</b>										
Stations	4	4	4	4	4	4	5	5	5	5
Fire Trucks (Pumper)	10	9	9	9	9	9	10	10	10	10
Fire Trucks (Ladder)	1	1	1	1	1	1	1	2	2	2
<b>Police</b>										
Patrol Cars	55	55	55	55	64	60	60	66	69	65
Total Police Vehicles	89	89	89	89	90	93	105	106	107	102
<b>Streets</b>										
Miles of Streets	205	207	209	212	218	222	223.80	224.16	224.69	225.50
<b>Water</b>										
Miles of Water Mains	224	226	231	234	290	300	311	325.65	325.00	330.00
<b>Wastewater</b>										
Miles of Sanitary Sewers	215	220	220	300	300	300	315	315.08	325.00	318.00
Treatment Capacity	15	15	15	15	15	15	15	15	15	15

Sources: Various City Departments  
NA=Data Not Available  
¹ Data is by Million Gallons (MG)

**City of Kannapolis, North Carolina**

**Table 19**

**Property Values & Construction  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Commercial Construction		New Construction		Total Value Of New Construction	Total Additions And Alterations	Total Value Of New Construction And Additions
	Number of Units	Value	Residential Construction Number of Units	Value			
2012	35	\$ 13,910,550	164	\$ 14,756,882	\$ 28,667,432	\$ 5,278,660	\$ 33,946,092
2011	29	14,849,799	66	6,303,349	21,153,148	10,592,739	31,745,887
2010	31	22,466,098	368	27,553,968	50,020,066	5,052,198	55,072,264
2009	34	17,723,212	405	38,676,547	56,399,759	5,397,414	61,797,173
2008	60	72,772,109	356	42,792,510	115,564,619	8,622,715	124,187,334
2007	57	93,987,826	407	55,850,536	149,838,362	10,548,075	160,386,437
2006	55	96,246,658	419	47,580,619	143,827,277	7,554,074	151,381,351
2005	36	12,127,180	308	33,391,124	45,518,304	3,514,667	49,032,971
2004	35	25,563,699	302	29,730,071	55,293,770	5,318,950	60,612,720
2003	33	5,320,354	317	26,838,863	32,159,217	3,444,909	35,604,126

Source: Cabarrus County Inspections Department



# COMPLIANCE SECTION

## Compliance Section

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- Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance with *Governmental Auditing Standards*.
  - Report On Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act.
  - Report On Compliance With Requirements That Could Have a Direct and Material Effect on Each Major State Program and on Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act.
  - Schedule of Findings and Questioned Costs
  - Summary Schedule of Prior Audit Findings
  - Schedule of Expenditures of Federal and State Awards
- 
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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## **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 City Council  
City of Kannapolis, North Carolina

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 Kannapolis, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2012. 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 General of the United States.

### **Internal Control Over Financial Reporting**

Management of the City of Kannapolis is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance and other matters with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01.

The City of Kannapolis's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Kannapolis's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City Council, members of management, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 26, 2012

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditors' Report**

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

#### **Compliance**

We have audited the compliance of the City of Kannapolis, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kannapolis' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Kannapolis complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of the City of Kannapolis is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the City's internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City Council, members of management, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.

November 26, 2012

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## **Report On Compliance with Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditors' Report**

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

#### **Compliance**

We have audited the compliance of the City of Kannapolis, North Carolina, with the types of compliance requirements described in applicable sections of OMB Circular A-133 and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. The City's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Kannapolis, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Kannapolis complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of the City of Kannapolis is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City Council, members of management, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 26, 2012



**CITY OF KANNAPOLIS, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**1. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   No

Non-compliance material to financial statements noted?   X   Yes \_\_\_\_\_ No

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   No

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>CFDA#</u></b>
Community Development Block Grant – Entitlement Grant	14.218
Assistance to Firefighters	97.044
Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	_____ Yes <u>  X  </u> No



**CITY OF KANNAPOLIS, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**2. Financial Statements Findings**

**Finding 2012-01 Deficit Fund Equity**

**Criteria:** North Carolina General Statutes preclude units from having funds that operate in a deficit.

**Condition:** In the current year, there were violations of the General Statutes regarding deficit fund equity.

**Effect:** The City was in violation of North Carolina General Statutes.

**Cause:** The City adopted a balance budget however revenues were insufficient to cover the cost of operations.

**Context:** During our review of the drafted financial statements, we noted that the City had deficit fund equity in a fund.

**Recommendation:** The City should reevaluate the cost of providing services and adjust charges to insure that revenues cover all related cost.

**Contact Person:** Eric Davis, Finance Officer

**Views of Responsible Officials and Planned Corrective Actions:**

Management will analyze revenues and expenditures relating to the Capital Project Fund deficit in order to reduce the deficit on an annual incremental basis.

**3. Federal Award Findings and Questioned Costs**

None reported

**4. State Award Findings and Questioned Costs**

None reported

**CITY OF KANNAPOLIS, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Not applicable – no prior year findings

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Awards:</b>				
<b>U.S. Department of Justice:</b>				
<b>Direct Programs:</b>				
FY 2011 Recovery Act Justice Assistance Grant	16.579	2011-DJ-BX-0287	\$ 14,560	\$ -
<b>U.S. Department of Housing and Urban Development:</b>				
<b>Direct Program:</b>				
Community Development				
Block Grant - Entitlement Grant	14.218	B-10-MC-37-0017	394,143	-
Community Development				
Block Grant - Entitlement Grant	14.218	B-11-MC-37-0017	137,652	-
Passed Through City of Concord				
Home Program -program income	14.239	M-07-DC-370209	5,000	-
Home Program -program income	14.239	M-08-DC-370209	12,833	-
Home Program -program income	14.239	M-10-DC-370209	53,465	-
Home Program -program income	14.239	M-11-DC-370209	96,834	-
Total U.S. Department of Housing and Urban Development			699,927	-
<b>U.S. Department of Transportation:</b>				
Federal Highway Administration:				
Passed Through NC Department of Transportation:				
Bridge 234 over Charles Branch (Fairview)	20.205-1		10,778	-
Dale Earnhardt Boulevard Sidewalks	20.205-1		18,836	-
Bridge 44 over Three Mile Branch (Mt. Olivet)	20.205-1		193,793	-
Total U.S. Department of Transportation			223,407	-
<b>Federal Emergency Management Agency:</b>				
<b>Direct Program:</b>				
<b>U.S. Department of Energy</b>				
<b>Direct Program:</b>				
Energy Efficiency and Conservation Block Grant	81.128	EE0002933	45,000	-
<b>U.S. Department of Homeland Security:</b>				
<b>Direct Program:</b>				
Assistance to Firefighters Grant	97.044	EMW-2010-FO-00725	367,868	-
Total Assistance - Federal Awards			1,350,762	-
<b>State Awards:</b>				
<b>N.C. Department of Transportation:</b>				
Powell Bill			-	1,210,432
<b>N.C. Department of Crime Control and Public Safety:</b>				
Division of Emergency Management				
Tropical Storm Faye Damage		NC-2008-TSFay	-	210,351
Total Assistance - State Awards			-	1,420,783
Total Federal and State Awards			\$ 1,350,762	\$ 1,420,783

Notes to the Schedule of Federal and State Financial Assistance

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Kannapolis and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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