

**CITY OF KANNAPOLIS
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

**CITY OF KANNAPOLIS
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

Prepared by:
Finance Department

Finance Director
Eric Davis

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

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 - List of Principal Officials
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October 21, 2019

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, 2019, is hereby submitted. The financial statements were prepared in conformity with generally accepted accounting principles 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 2019.

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, 2019 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 unmodified opinion that the City of Kannapolis's financial statements for the fiscal

year ended June 30, 2019, 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, and south-central portion of Rowan County, North Carolina. 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 49,761 and the assessed valuation for property tax purposes is \$4,337,823,300. 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, including 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 service, a bus transit system, street lighting, traffic engineering, recyclables collection, solid waste 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. 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 requests 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 a public hearing 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. Currently, Kannapolis' population of 49,761 makes it the 20th largest City in North Carolina. There are over 2,400 businesses that have a presence in Kannapolis.

A major initiative in the City over the last decade has been the development of the North Carolina Research Campus (the "NCRC"). Mr. David Murdock's vision is 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. Multiple 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 among 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 local citizens with the purpose of identifying biomarkers that allow researchers to customize disease treatment and prevention). The Plants for Human Health Building houses researchers and staff of 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. Rowan-Cabarrus Community College's original NC Research Campus building houses their biotechnology and nursing programs in a 62,000 square foot facility. Its 55,000 square foot Advanced Technology Center opened in 2019 and is home to the College's engineering and computer programs. NCRC's private and institutional partners include Atrium Health, Cabarrus Health Alliance, Sensory Spectrum, Standard Process, and NorthState. The North Carolina Food Innovation Lab will open in late 2019 as a pilot plant that assists companies with product research, development, and getting new products to market.

Growth and development in the City has been strong. Currently there are over 40 residential subdivisions in the City with plans to build approximately 7,500 new homes and apartments within the next decade. Amazon is now the City's largest private employer, with about 1,200 employees. Its \$85 million, one million square foot distribution facility opened in 2018. Shoe Show is the City's 2nd largest private employer, with about 750 employees. Stanley Black & Decker, Wayne Brothers, Stewart-Haas Racing, and Gordon Food Service are also significant private sector employers in Kannapolis. More employers are expected to come to Kannapolis to occupy significant new and existing industrial space, including a 360,000 square foot building in Afton Ridge, a 300,000 square foot building on Kannapolis Parkway, and a 150,000 square foot building on North Cannon Boulevard.

In September of 2015, the City of Kannapolis completed a real estate transaction with Mr. D.H. Murdock that saw the City acquire 46 acres of property in Downtown Kannapolis. The purchase includes eight blocks of buildings located on Oak Avenue, West Avenue, S. Main Street and West First Street, as well as property that housed the former Plant 4 Cannon Textile Mill. The existing buildings have a total of 653,395 square feet of available commercial and residential space.

The City has contracted with the non-profit Development Finance Initiative (DFI), at the UNC-CH School of Government to assist in the revitalization of downtown Kannapolis. DFI has assisted the City in adopting a long-range strategic plan for the Center City. Currently, the City has entered into a public-private partnership with LMG & Associates to redevelop and revitalize the first block in the downtown area. Called Project Vida, the mixed-use project will result in approximately 285 multi-family apartments constructed, 20,000 square feet of retail space, and a 485 space parking deck. This Demonstration project alone will infuse the downtown revitalization with \$60 million of capital investment.

The City is currently in the construction phase, of a new 5,000 seat, \$52 million Sports and Entertainment Venue (SEV). This facility will also host other types of civic events, as it is planned to be open 365 days a year. To support all this new development, the City has just completed a replacement and upgrade of all of its below ground infrastructure throughout the Downtown area. This highlight of this project is the creation of a new Street Scape, road design,

and a Linear park totaling another \$27 million in public investment.

Additional private development is anticipated to begin in downtown within the next year. Over 100 townhome units are to be built on a portion of the former Plant 4 site, in addition to an active adult multifamily project. The West Avenue block across from the Sports & Entertainment Venue will be renovated by a developer and leased to restaurants and other businesses. A hotel and office building is expected to be built on the block facing the Sports & Entertainment Venue.

The City anticipates that it will take a minimum of 10 years to redevelop a majority of the available buildings and land in the downtown area. It is widely believed that the success of the downtown revitalization efforts will be the most important economic development factor impacting the City of Kannapolis for many years to come.

While the City maintains a high level of focus on the downtown revitalization efforts, it is also working to improve the major corridors of the City. Cannon Boulevard is the City's busiest commercial corridor, but is in need of pedestrian and bicycle facilities, as well as improved access management. The City is starting a corridor plan for Cannon Boulevard to plan for future redevelopment. The City is also preparing to annex 318 acres along the new exit 65 interchange along I-85. A developer is planning townhomes, apartments, office and commercial development on this site. The City's contribution will be to extend water and sewer to serve this project.

More than 149,000 persons are employed in Cabarrus and Rowan Counties. The growing population of the City and Cabarrus and Rowan Counties provides a steady flow of workers into the job market. Unemployment rates are below 4% for both Counties. Job training is made possible by the vocational education programs in public schools and by three neighboring community colleges and technical schools. In Cabarrus County alone, the travel and tourism industry directly employs 4,650 people with a total payroll of approximately \$111 million. Cabarrus County ranks 12th in travel impact among North Carolina's 100 counties.

LONG TERM FINANCIAL PLANNING

In the spring of 2012, the Kannapolis City Council adopted a 10-year financial forecasting model. This model is updated annually, and it details all significant revenues and expenditures across all funds for the city. In order to determine future revenues and expenditures, the City has compiled twenty 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, 2018. 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



Government Finance Officers Association

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

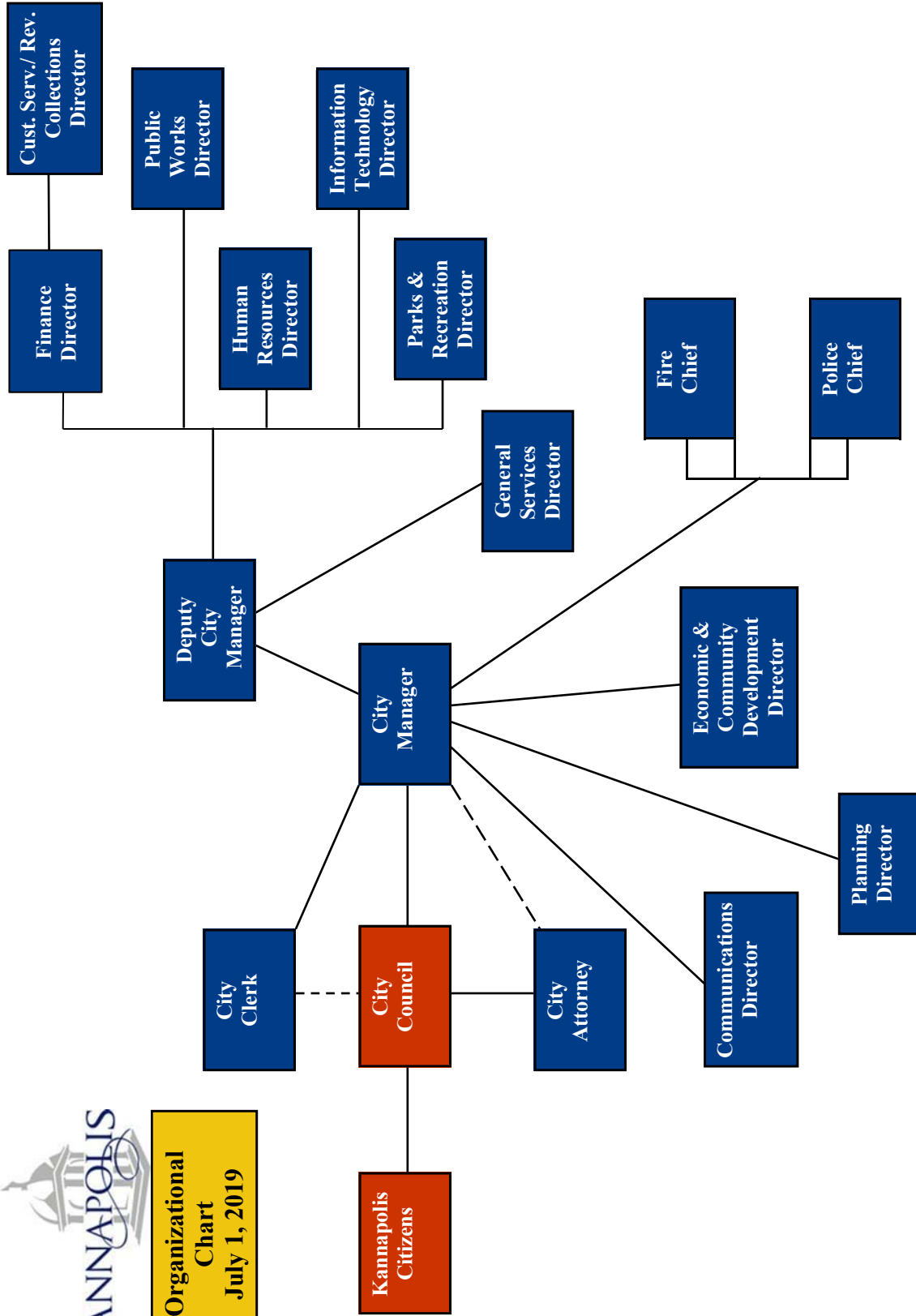
June 30, 2018

Christopher P. Morill

Executive Director/CEO



**Organizational Chart
July 1, 2019**



**CITY OF KANNAPOLIS
NORTH CAROLINA**

MAYOR AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

M. Darrell Hinnant – Mayor

Roger D. Haas – Mayor Pro-tem

Dianne Berry – Council Member

Ryan G. Dayvault – Council Member

Doug Wilson – Council Member

Van Rowell – Council Member

Tom Kincaid – Council Member

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 Resources Director

Walter M. Safrit, II
City Attorney

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Financial Section

- Independent Auditor's 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 Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kannapolis, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Kannapolis' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kannapolis, North Carolina, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kannapolis' basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019 on our consideration of the City of Kannapolis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kannapolis' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kannapolis' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
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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, 2019. 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 and deferred outflows of the City of Kannapolis exceeded its liabilities and deferred inflows at the close of the fiscal year by \$173,521,625 (*net position*).
- The government's total net position increased by \$10,735,531, due to an increase in both the governmental and business-type activities net position.
- As of the close of the current fiscal year, the City of Kannapolis' governmental funds reported combined ending fund balances of \$26,505,837, which is a decrease of \$4,172,323 in fund balance. Approximately 63% of this total amount, or \$16,951,935, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,031,434.
 - The City of Kannapolis' total debt increased \$38,659,193, or 25%, during the current fiscal year. The City issued \$52,000,000 in Limited Obligation Bonds for the Sports and Entertainment Venue which is scheduled to be completed in February 2020.
- The City maintained the following underlying bond ratings:

Water and Sewer Revenue Bonds

Moody's	A1
Standard & Poor's	A+

Limited Obligation Bonds

Moody's	Aa3
Standard & Poor's	A+

Issuer Credit Rating

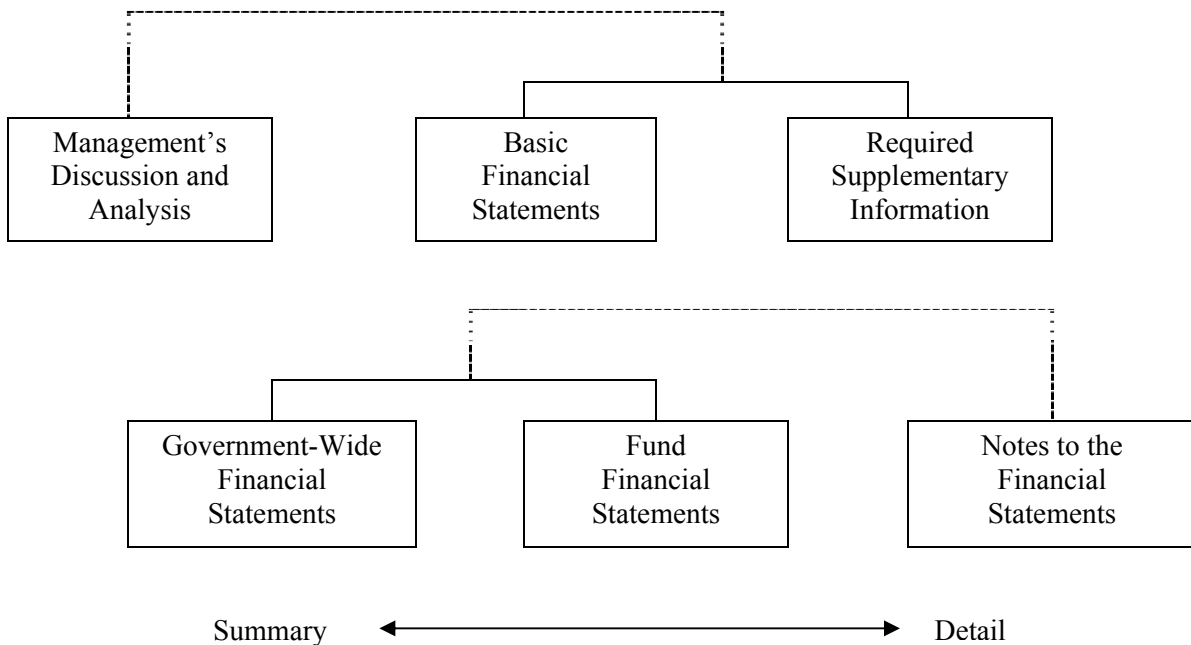
Standard & Poor's	AA-
Moody's	Aa2

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 (Exhibits 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 I) 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 three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary 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** – with combining statements that provide details on the City's nonmajor governmental funds and Internal Service Fund, both 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 position* and how it has changed.

The *Statement of Net Position* includes all of the City's assets and deferred outflows of resources, and the total liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, stormwater operations, environmental services operations and downtown.

The government-wide financial statements are on Exhibits A and B of this report, pages 26 through 29.

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 two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in 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 provides a focus on current financial resources. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine whether 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City maintains nine 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 Fire Station Improvements Capital Project Fund, which are considered to be major funds. Data from the other governmental funds is 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. The budget 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 30 through 34 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, environmental services operations, and downtown. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position 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, stormwater operations, environmental services operations, and downtown, which are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 35 through 37 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 38 through 92 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 93 through 97 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 98 through 118 of this report for the City's governmental funds and on pages 119 through 133 for the City's enterprise funds.

Interdependence with Other Entities. The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

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

By far, the largest portion of the City's net position (114.6%) reflects its net 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 position is made up of restricted and unrestricted net position, totaling \$15,207,639 and (\$40,472,130), respectively, and may be used to meet the government's ongoing obligations to citizens and creditors. The restricted net position may be used only to pay restricted current and future obligations as dictated by restrictive covenants pertaining to these assets.

City of Kannapolis' Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets	\$ 31,109,090	\$ 37,017,415	\$ 60,783,410	\$ 41,991,364	\$ 91,892,500	\$ 79,008,779
Capital assets	<u>180,923,537</u>	<u>175,464,211</u>	<u>169,342,905</u>	<u>133,916,491</u>	<u>350,266,442</u>	<u>309,380,702</u>
Total assets	<u>212,032,627</u>	<u>212,481,626</u>	<u>230,126,315</u>	<u>175,907,855</u>	<u>442,158,942</u>	<u>388,389,481</u>
Deferred Outflows of Resources						
	<u>5,656,925</u>	<u>4,141,523</u>	<u>1,332,538</u>	<u>866,432</u>	<u>6,989,463</u>	<u>5,007,955</u>
Liabilities:						
Long-term liabilities outstanding	106,196,427	111,805,209	135,132,051	88,305,876	241,328,478	200,111,085
Other liabilities	<u>12,854,856</u>	<u>12,985,911</u>	<u>12,776,783</u>	<u>11,238,490</u>	<u>25,631,639</u>	<u>24,224,401</u>
Total liabilities	<u>119,051,283</u>	<u>124,791,120</u>	<u>147,908,834</u>	<u>99,544,366</u>	<u>266,960,117</u>	<u>224,335,486</u>
Deferred Inflows of Resources						
	<u>6,986,441</u>	<u>5,121,148</u>	<u>1,680,222</u>	<u>1,172,708</u>	<u>8,666,663</u>	<u>6,293,856</u>
Net Position:						
Net investment in capital assets	117,861,535	116,404,978	80,924,581	101,927,545	198,786,116	218,332,523
Restricted	15,207,639	9,291,292	-	-	15,207,639	9,291,292
Unrestricted	<u>(41,417,346)</u>	<u>(38,985,389)</u>	<u>945,216</u>	<u>(25,870,332)</u>	<u>(40,472,130)</u>	<u>(64,855,721)</u>
Total net position	<u>\$ 91,651,828</u>	<u>\$ 86,710,881</u>	<u>\$ 81,869,797</u>	<u>\$ 76,057,213</u>	<u>\$ 173,521,625</u>	<u>\$ 162,768,094</u>

The City's total net position increased by \$10,753,531, while unrestricted net position increased this fiscal year by \$24,383,591. Several particular aspects of the City's financial operations influenced the total net position:

- Long-term liabilities increased \$41,346,693 due to the issuance of \$52,000,000 limited obligation bonds for the new Sports and Entertainment Venue. The Venue is scheduled to be complete for the beginning of the 2020 season.
- Non-current assets increased by \$35,426,414 in the business-type activities due the Sports and Entertainment Venue and Downtown Infrastructure and Streetscape Construction in Progress.

City of Kannapolis' Changes in Net Position

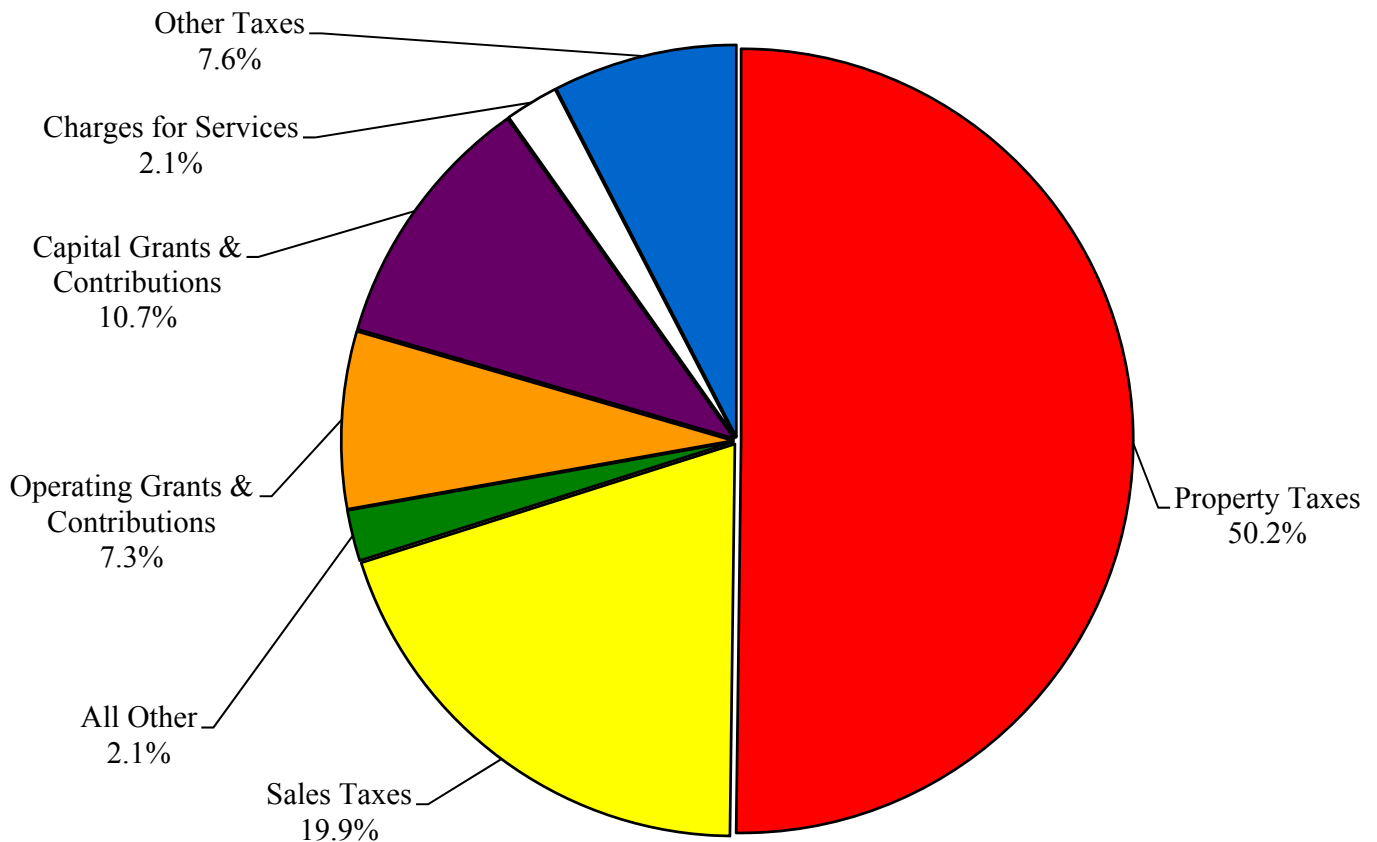
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,158,451	\$ 983,092	\$ 24,142,334	\$ 23,347,533	\$ 25,300,785	\$ 24,330,625
Operating grants and contributions	3,794,246	1,084,439	51,526	100,000	3,845,772	1,184,439
Capital grants and contributions	5,580,806	3,227,513	2,256,376	1,653,470	7,837,182	4,880,983
General revenues:						
Property taxes	26,138,514	25,379,013	-	-	26,138,514	25,379,013
Other taxes	14,288,894	12,970,553	-	-	14,288,894	12,970,553
Other revenues	1,097,088	554,774	1,266,205	309,679	2,363,293	864,453
Total revenues	52,057,999	44,199,384	27,716,441	25,410,682	79,774,440	69,610,066
Expenses:						
General government	9,492,355	10,748,242	-	-	9,492,355	10,748,242
Public safety	18,625,509	18,040,320	-	-	18,625,509	18,040,320
Public works	5,462,165	6,749,177	-	-	5,462,165	6,749,177
Community development	2,108,237	1,684,630	-	-	2,108,237	1,684,630
Parks and recreation	3,271,389	2,782,424	-	-	3,271,389	2,782,424
Water and sewer	-	-	16,639,627	14,891,106	16,639,627	14,891,106
Stormwater	-	-	2,287,702	2,112,661	2,287,702	2,112,661
Environmental services	-	-	3,822,256	3,813,820	3,822,256	3,813,820
Downtown	-	-	4,207,172	1,639,030	4,207,172	1,639,030
Other	3,104,497	3,328,118	-	-	3,104,497	3,328,118
Total expenses	42,064,152	43,332,911	26,956,757	22,456,617	69,020,909	65,789,528
Change in net position before transfers	9,993,847	866,473	759,684	2,954,065	10,753,531	3,820,538
Transfers	(5,052,900)	(2,201,200)	5,052,900	2,201,200	-	-
Change in net position	4,940,947	(1,334,727)	5,812,584	5,155,265	10,753,531	3,820,538
Net Position:						
Beginning of year - July 1	86,710,881	112,988,060	76,057,213	76,749,873	162,768,094	189,737,933
Restatement	-	(24,942,452)	-	(5,847,925)	-	(30,790,377)
Beginning of year - July 1, as restated	86,710,881	88,045,608	76,057,213	70,901,948	162,768,094	158,947,556
End of year - June 30	\$ 91,651,828	\$ 86,710,881	\$ 81,869,797	\$ 76,057,213	\$ 173,521,625	\$ 162,768,094

Governmental Activities. Net position increased in the City’s governmental activities this fiscal year by \$4,940,947. Key elements of this increase are as follows:

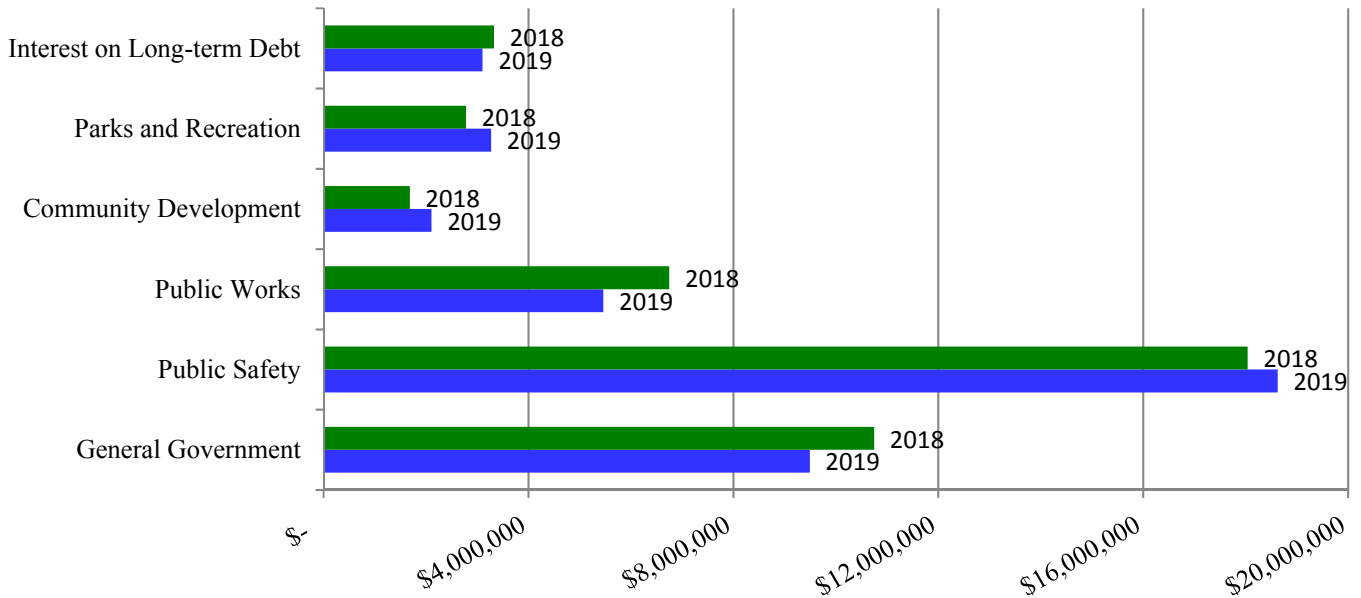
- The City is delaying capital purchases in the General Fund to invest in the downtown infrastructure and the Sports and Entertainment Venue.
- The City paid \$2,474,007 in an economic development grant to Amazon. The City received the funds from the state to passthrough to Amazon.
- Investment earnings increased \$540,070 or 154.87% from last year. The City was invested wisely and reaped the benefits of the market of increasing interest rates.

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 \$26,138,514, while sales taxes total \$10,357,635. The third largest source of revenue is other taxes. The City received grants from the United States Department of Housing and Urban Development, the United States Department of Transportation, the United States Department of Health and Human Services, NC Department of Transportation, NC Housing Finance Agency and the NC Department of Commerce. The City also received property donations totaling \$942,770. This donated property came from developers donating \$196,420 in sidewalks and \$746,350 in streets.

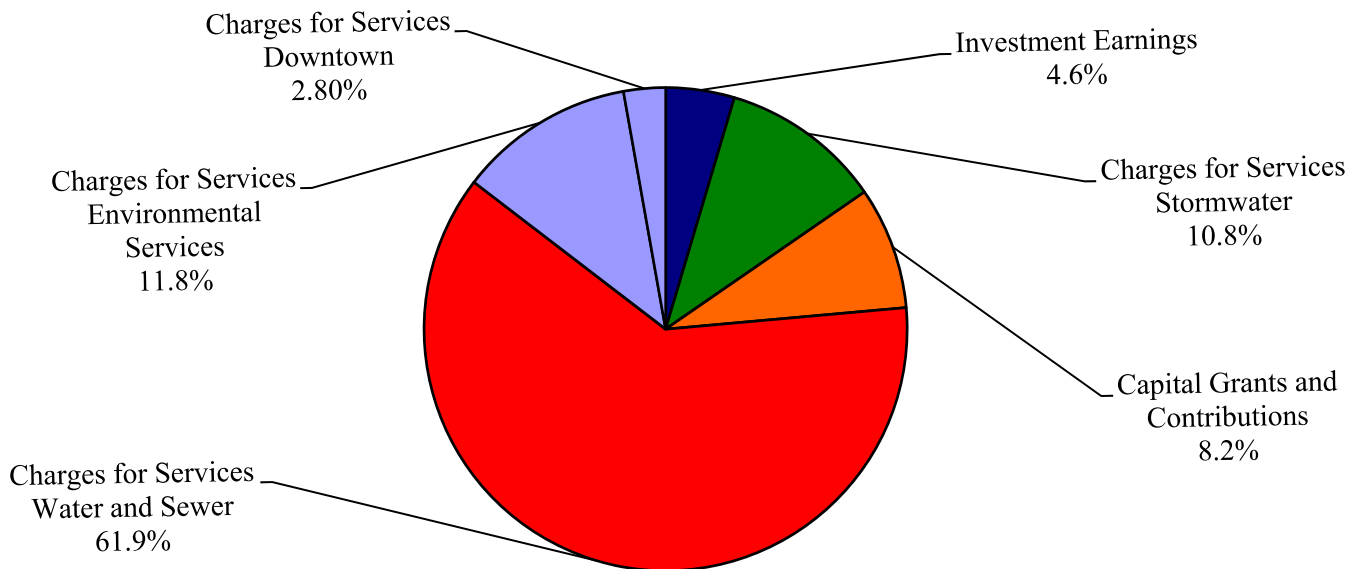
Government Activities Expenses



Business-Type Activities. Business-type activities increased the City of Kannapolis' net position by \$5,812,584. Key elements of this increase are as follows:

- The General Fund transferred \$4,599,200 to the Downtown fund to cover debt service cost.
- The Environmental Service Fund had rate increases in fiscal year 2019.
- Capital contributions were \$2,256,376 in the current fiscal year. The City received the capital from developers donating water and sewer lines and for downtown capital expenses.

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 unassigned in the General Fund was a \$10,031,434, while total fund balance reached \$22,423,915. The City currently has an available fund balance of 41% of General Fund expenditures and transfers out, while total fund balance represents 50% of the same amount. The City Council adopted a fund balance policy stipulating an acceptable range between 25% and 33% of General Fund expenditures to available fund balance in case of unforeseen needs or opportunities, as well as meeting the cash flow needs of the City. Since fund balance is over 33%, the City has developed a spending plan utilizing more cash payments for capital projects or other capital assets.

At June 30, 2019, the governmental funds of the City of Kannapolis reported a combined fund balance of \$26,505,837 with a net decrease in fund balance of \$4,172,323. The City had \$397,174 of expenditures over revenues. The City transferred out \$5,105,900 to capital project funds, Transit Tax Fund, Environmental Services Fund and the Downtown 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, expenditures and other financing sources (uses) by \$3,005,590, or 6.79%. The budget was increase by \$2,474,007 to recognize pass-through grant funds for road improvements at the Amazon center. The corresponding expenditure line item also increased \$2,474,007 to pay Amazon for the road improvements.

The total variance from the final budget numbers to the actual results for revenues that the City received was \$2,162,237, or 4.67%, more than the budgeted amount. Property tax revenue and sales tax revenue were over budget by \$364,917 and \$722,632, respectively. Total revenue increased by 11.15% from fiscal year 2018.

The total variance from the final budget numbers to the actual results for expenditures totaled \$2,396,962, or 5.69%, of the final budget. This is comparable to variance last year of 5.95%.

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 position of the business-type funds at June 30, 2019 was \$945,216, compared to (\$25,870,332) at June 30, 2018. See the detailed explanation of this decrease under key elements of the change in the net position 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, 2019 totaled \$350,266,442 (net of accumulated depreciation). This is an increase from June 30, 2018 of \$40,885,740. These assets include land, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset transactions during the year included the following:

- \$729,070 for Oak Avenue Sidewalk Project
- \$4,571,827 for Fire Stations Two and Three
- \$1,102,439 for Irish Buffalo Creek Sewer
- \$18,348,467 for the Sports and Entertainment Venue
- \$1,306,437 for renovation of College Station
- \$1,039,831 for the Davidson Road Water and Sudbury Rowan Sewer Main
- \$9,212,328 for Downtown Water and Sewer Infrastructure Projects
- \$4,613,916 for Downtown Stormwater Infrastructure

City of Kannapolis' Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 14,713,164	\$ 15,004,028	\$ 6,309,936	\$ 6,509,936	\$ 21,023,100	\$ 21,513,964
Construction in progress	13,134,544	3,240,320	65,061,781	41,621,309	78,196,325	44,861,629
Rowan County water rights	-	-	2,411,100	2,411,100	2,411,100	2,411,100
Buildings and systems	66,069,032	66,069,032	27,610,300	27,810,300	93,679,332	93,879,332
Improvements other than buildings	7,890,735	7,859,542	7,394,743	97,082	15,285,478	7,956,624
Machinery and equipment	19,106,317	19,476,687	7,031,592	6,497,454	26,137,909	25,974,141
Infrastructure	156,811,712	155,868,942	108,878,596	101,021,411	265,690,308	256,890,353
Total	277,725,504	267,518,551	224,698,048	185,968,592	502,423,552	453,487,143
Less accumulated depreciation and amortization	96,801,967	92,054,340	55,355,143	52,052,101	152,157,110	144,106,441
Capital assets, net	<u>\$ 180,923,537</u>	<u>\$ 175,464,211</u>	<u>\$ 169,342,905</u>	<u>\$ 133,916,491</u>	<u>\$ 350,266,442</u>	<u>\$ 309,380,702</u>

For additional information on the City's capital assets, see pages 53 through 57 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Kannapolis had total debt outstanding of \$193,739,617. Of this amount, \$46,683,000 represents bonds secured solely by water and sewer revenues. (i.e. revenue bonds). The City also had \$16,310,586 in outstanding installment obligations and \$130,746,031 in outstanding limited obligation bonds. The City maintained its credit ratings this year. Through an intergovernmental agreement, Cabarrus County makes contributions for approximately 35% for the limited obligation bonds annually.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Direct placement notes payable	\$ 8,922,794	\$ 10,283,070	\$ 7,387,792	\$ 8,811,302	\$ 16,310,586	\$ 19,094,372
Revenue bonds	-	-	46,683,000	49,112,298	46,683,000	49,112,298
Special obligation bonds	-	-	8,798,000	9,532,000	8,798,000	9,532,000
Limited obligation bonds	55,793,031	59,754,254	66,155,000	14,900,000	121,948,031	74,654,254
Total	<u>\$ 64,715,825</u>	<u>\$ 70,037,324</u>	<u>\$ 129,023,792</u>	<u>\$ 82,355,600</u>	<u>\$ 193,739,617</u>	<u>\$ 152,392,924</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2019, the legal debt limit for the City totaled approximately \$183,994,000. 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 2(B) on pages 74 through 87 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Cabarrus County in June 2019 was 3.3%, which is a decrease from a rate of 3.7% in June 2018. A portion of the City (18%) is located in Rowan County. The unemployment rate in Rowan County increased to 4.4% in June 2019, compared to 4.0% in June 2018.
- Population in the City has increased from 44,891 in 2010 to 49,761 in 2019.

All these factors were considered in preparing the City of Kannapolis' budget for fiscal year 2020. City council did not increase the tax rate as it remains at \$.63/\$100 of valuation for fiscal year 2020. No Capital Projects were approved in the General Fund for fiscal year 2020, a decrease from four capital projects with a total cost of \$5,148,000 and a budget impact of \$185,900 for the 2019 fiscal budget. Two new positions were included in the Fiscal Year budget increasing the citywide employment figure to 357 Full-Time Employees. The General Fund budget for fiscal year 2020 increased \$3,711,000, or 8.01% from fiscal year 2019 budget. The increased revenue is largely from two sources, sales tax and property taxes.

The fiscal year 2020 Water and Sewer Budget increased \$913,800, or 4.97% from fiscal year 2019 budget. A total rate increase for water and sewer of \$1.30 is found in fiscal year 2020 budget. In fiscal year 2019, the Water & Sewer Budget increased 4.76%, or \$834,800 from the previous year's budget. The Water & Sewer Fund includes four capital projects from fiscal year 2019, Sludge Lagoon Dewatering, Mooresville Road Water Main, Bulk Storage Replacement, and the Lane Street Water Line Relocation. These projects will be funded through the sale of revenue bonds.

The Stormwater Fund budget for fiscal year 2019 totaled \$3,050,000 which represents a 0.89% increase, or \$21,000, increase from the 2019 budget. The Stormwater fee was not increased for fiscal year 2020, as prescribed in the City's ten-year financial plan. This is the fifth year the Stormwater Fund has been self-sufficient. The 2020 fiscal year budget includes no capital purchases. This fund includes cost appropriations related to a federally mandated educational program and annual maintenance of the City's storm drainage system.

The fiscal year 2020 budget for the Environmental Fund increased 7.97%, or \$306,500 over previous year's budget. No rate increase was made in fiscal year 2020, as prescribed in the City's ten-year financial plan. Fiscal year 2020 is the third year for the City to complete yard waste with city staff, as opposed to the service being completed through a contract with a private company.

Fiscal Year 2020 is the fifth year for the Downtown Fund and now includes funding for College Station, a city funded development with Rowan Cabarrus Community College as its anchor. The fund increased 24.96%, or \$1,383,000 over previous year's budget. The increase is due to the start of several smaller revitalization projects. Fiscal year 2020 will have the second debt service payments for the Sports & Entertainment Venue. The debt service payment is funded primarily through a transfer from the General Fund, but future budgets will include lease payment for the stadium, Cabarrus County contributions, and other revenue streams.

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, 401 Laureate Way, Kannapolis, North Carolina 28081.

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Basic Financial Statements

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 14,588,969	\$ 14,734,204	\$ 29,323,173
Taxes receivable	427,519	-	427,519
Accounts receivable, net	1,301,344	4,608,714	5,910,058
Due from other governments	3,411,265	423,997	3,835,262
Cash and cash equivalents, restricted	11,289,520	41,011,268	52,300,788
Prepaid items	90,473	5,227	95,700
Total current assets	<u>31,109,090</u>	<u>60,783,410</u>	<u>91,892,500</u>
Non-current assets:			
Intangible asset, net of amortization	-	1,591,326	1,591,326
Non-depreciable assets	27,847,708	71,371,717	99,219,425
Other capital assets, net of depreciation	153,075,829	96,379,862	249,455,691
Total non-current assets	<u>180,923,537</u>	<u>169,342,905</u>	<u>350,266,442</u>
Total assets	<u>212,032,627</u>	<u>230,126,315</u>	<u>442,158,942</u>
Deferred Outflows of Resources:			
OPEB deferrals	853,744	205,867	1,059,611
Pension deferrals	4,803,181	1,126,671	5,929,852
Total deferred outflows of resources	<u>5,656,925</u>	<u>1,332,538</u>	<u>6,989,463</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,442,735	3,634,119	5,076,854
Accrued expenses	2,469,359	982,238	3,451,597
Accrued interest	893,252	553,546	1,446,798
Current compensated absences	938,240	163,111	1,101,351
Current maturities of long-term debt	7,111,270	5,514,124	12,625,394
Liabilities to be paid from restricted assets	-	1,929,645	1,929,645
Total current liabilities	<u>12,854,856</u>	<u>12,776,783</u>	<u>25,631,639</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Non-current liabilities:			
Net pension liability - LGERS	5,764,791	1,352,235	7,117,026
Total pension liability - SSA	5,468,114	1,282,645	6,750,759
Total OPEB liability	37,046,221	8,933,132	45,979,353
Non-current compensated absences	312,746	54,371	367,117
Long-term debt	57,604,555	123,509,668	181,114,223
Total non-current liabilities	106,196,427	135,132,051	241,328,478
Total liabilities	119,051,283	147,908,834	266,960,117
Deferred Inflows of Resources:			
Prepaid taxes	3,872	-	3,872
OPEB deferrals	6,446,717	1,554,527	8,001,244
Pension deferrals	535,852	125,695	661,547
Total deferred inflows of resources	6,986,441	1,680,222	8,666,663
Net Position:			
Net investment in capital assets	117,861,535	80,924,581	198,786,116
Restricted - stabilization for state statute	4,911,064	-	4,911,064
Restricted - streets	1,193,266	-	1,193,266
Restricted - community development	9,066,603	-	9,066,603
Restricted - public safety	36,706	-	36,706
Unrestricted	(41,417,346)	945,216	(40,472,130)
Total net position	\$ 91,651,828	\$ 81,869,797	\$ 173,521,625

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, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 9,492,355	\$ 203,655	\$ 3,652,832	\$ 1,522,960
Public safety	18,625,509	229,772	56,042	-
Public works	5,462,165	116,091	-	1,879,922
Community development	2,108,237	183,543	85,372	2,131,926
Parks and recreation	3,271,389	425,390	-	45,998
Interest on long-term debt	3,104,497	-	-	-
Total governmental activities	<u>42,064,152</u>	<u>1,158,451</u>	<u>3,794,246</u>	<u>5,580,806</u>
Business-Type Activities:				
Water and sewer	16,639,627	17,112,636	-	1,152,708
Stormwater	2,287,702	2,991,457	-	-
Environmental services	3,822,256	3,273,525	-	-
Downtown	4,207,172	764,716	51,526	1,103,668
Total business-type activities	<u>26,956,757</u>	<u>24,142,334</u>	<u>51,526</u>	<u>2,256,376</u>
Total primary government	<u>\$ 69,020,909</u>	<u>\$ 25,300,785</u>	<u>\$ 3,845,772</u>	<u>\$ 7,837,182</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, 2019

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs			
Primary Government:			
Governmental Activities:			
General government	\$ (4,112,908)	\$ -	\$ (4,112,908)
Public safety	(18,339,695)	-	(18,339,695)
Public works	(3,466,152)	-	(3,466,152)
Community development	292,604	-	292,604
Parks and recreation	(2,800,001)	-	(2,800,001)
Interest on long-term debt	(3,104,497)	-	(3,104,497)
Total governmental activities	(31,530,649)	-	(31,530,649)
Business-Type Activities:			
Water and sewer	-	1,625,717	1,625,717
Stormwater	-	703,755	703,755
Environmental services	-	(548,731)	(548,731)
Downtown	-	(2,287,262)	(2,287,262)
Total business-type activities	-	(506,521)	(506,521)
Total primary government	(31,530,649)	(506,521)	(32,037,170)
General Revenues:			
Taxes:			
Ad valorem taxes	26,138,514	-	26,138,514
Sales tax	10,357,635	-	10,357,635
Other taxes and licenses	1,165,317	-	1,165,317
Franchise tax	2,765,942	-	2,765,942
Unrestricted intergovernmental revenues	208,291	-	208,291
Investment earnings	888,797	1,266,205	2,155,002
Total general revenues, not including transfers	41,524,496	1,266,205	42,790,701
Transfers	(5,052,900)	5,052,900	-
Total general revenues and transfers	36,471,596	6,319,105	42,790,701
Change in net position	4,940,947	5,812,584	10,753,531
Net Position:			
Beginning of year - July 1	86,710,881	76,057,213	162,768,094
End of year - June 30	\$ 91,651,828	\$ 81,869,797	\$ 173,521,625

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

CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Fund		Nonmajor	Total
	General Fund	Fire Station Improvements	Other Governmental Funds	
				Governmental Funds
Assets:				
Cash and cash equivalents	\$ 13,360,537	\$ -	\$ 1,228,432	\$ 14,588,969
Taxes receivable	427,519	-	-	427,519
Accounts receivable	1,127,331	-	-	1,127,331
Long-term receivable	-	-	174,013	174,013
Due from other governments	2,491,524	94,370	825,371	3,411,265
Due from other funds	458,223	-	-	458,223
Cash and cash equivalents - restricted	8,144,147	1,653,823	1,491,550	11,289,520
Prepaid items	90,473	-	-	90,473
Total assets	<u>\$ 26,099,754</u>	<u>\$ 1,748,193</u>	<u>\$ 3,719,366</u>	<u>\$ 31,567,313</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 515,321	\$ 391,787	\$ 535,627	\$ 1,442,735
Accrued liabilities	2,469,359	-	-	2,469,359
Due to other funds	-	-	458,223	458,223
Total liabilities	<u>2,984,680</u>	<u>391,787</u>	<u>993,850</u>	<u>4,370,317</u>
Deferred Inflows of Resources:				
Prepaid taxes	3,872	-	-	3,872
Property taxes receivable	427,519	-	-	427,519
Other unavailable revenue	<u>259,768</u>	<u>-</u>	<u>-</u>	<u>259,768</u>
Total deferred inflows of resources	<u>691,159</u>	<u>-</u>	<u>-</u>	<u>691,159</u>
Fund Balances:				
Non-spendable:				
Prepaid items	90,473	-	-	90,473
Restricted:				
Stabilization for state statute	3,817,310	94,370	999,384	4,911,064
Restricted for community development	6,914,175	-	2,152,428	9,066,603
Restricted for streets	1,193,266	-	-	1,193,266
Restricted for public safety	36,706	1,653,823	-	1,690,529
Committed	340,551	-	268,557	609,108
Unassigned	<u>10,031,434</u>	<u>(391,787)</u>	<u>(694,853)</u>	<u>8,944,794</u>
Total fund balances	<u>22,423,915</u>	<u>1,356,406</u>	<u>2,725,516</u>	<u>26,505,837</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,099,754</u>	<u>\$ 1,748,193</u>	<u>\$ 3,719,366</u>	

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

CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance - governmental funds	\$ 26,505,837
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	180,923,537
Net pension liability	(5,764,791)
Total pension liability	(5,468,114)
Total OPEB liability	(37,046,221)
Deferred outflows - pension	4,803,181
Deferred outflows - OPEB	853,744
Deferred inflows - pension	(535,852)
Deferred inflows - OPEB	(6,446,717)
Deferred inflows of resources 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 position in the Statement of Net Position.	687,287
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	(64,715,825)
Accrued interest	(893,252)
Compensated absences	<u>(1,250,986)</u>
Net position of governmental activities	<u>\$ 91,651,828</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, 2019

	Major Fund		Nonmajor	Total
	General Fund	Fire Station Improvements	Other Governmental Funds	
Revenues:				
Ad valorem taxes	\$ 26,133,411	\$ -	\$ -	\$ 26,133,411
Other taxes and licenses	10,754,189	-	679,888	11,434,077
Unrestricted intergovernmental	3,063,108	-	-	3,063,108
Restricted intergovernmental	5,349,675	-	1,483,429	6,833,104
Sales and services	1,168,983	-	-	1,168,983
Investment earnings	756,108	132,650	39	888,797
Miscellaneous	1,264,197	-	-	1,264,197
Total revenues	<u>48,489,671</u>	<u>132,650</u>	<u>2,163,356</u>	<u>50,785,677</u>
Expenditures:				
Current:				
General government	8,467,614	-	-	8,467,614
Public safety	16,012,378	-	-	16,012,378
Public works	3,518,263	-	-	3,518,263
Community development	736,232	-	1,372,005	2,108,237
Capital outlay	-	9,195,165	795,143	9,990,308
Parks and recreation	2,598,425	-	-	2,598,425
Debt service:				
Principal retirement	5,150,276	-	50,000	5,200,276
Interest and fees	3,277,740	-	9,610	3,287,350
Total expenditures	<u>39,760,928</u>	<u>9,195,165</u>	<u>2,226,758</u>	<u>51,182,851</u>
Revenues over (under) expenditures	<u>8,728,743</u>	<u>(9,062,515)</u>	<u>(63,402)</u>	<u>(397,174)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	53,000	53,000
Transfers (out)	(5,105,900)	-	-	(5,105,900)
Total other financing sources (uses)	<u>(5,105,900)</u>	<u>-</u>	<u>53,000</u>	<u>(5,052,900)</u>
Special item - sale of land	-	-	1,277,751	1,277,751
Net change in fund balances	3,622,843	(9,062,515)	1,267,349	(4,172,323)
Fund Balances:				
Beginning of year - July 1	<u>18,801,072</u>	<u>10,418,921</u>	<u>1,458,167</u>	<u>30,678,160</u>
End of year - June 30	<u>\$ 22,423,915</u>	<u>\$ 1,356,406</u>	<u>\$ 2,725,516</u>	<u>\$ 26,505,837</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, 2019**

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)	\$ (4,172,323)
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.	10,894,442
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(5,135,199)
Pension expense - LGERS	(278,124)
Pension expense - SSA	(170,683)
OPEB plan expense	(1,332,083)
The sale of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold.	(299,917)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(5,429)
Expenses related to accrued interest, and compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	118,764
Governmental funds report the effect of bond premiums when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	121,223
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.	<u>5,200,276</u>
Total change in net position of governmental activities (Exhibit B)	<u>\$ 4,940,947</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 25,768,494	\$ 25,768,494	\$ 26,133,411	\$ 364,917
Other taxes and licenses	10,020,000	10,020,000	10,754,189	734,189
Unrestricted intergovernmental	3,040,750	3,040,750	3,063,108	22,358
Restricted intergovernmental	2,818,358	5,292,365	5,349,675	57,310
Sales and services	951,230	951,230	1,168,983	217,753
Investment earnings	250,000	250,000	756,108	506,108
Miscellaneous	746,000	1,004,595	1,264,197	259,602
Total revenues	<u>43,594,832</u>	<u>46,327,434</u>	<u>48,489,671</u>	<u>2,162,237</u>
Expenditures:				
Current:				
General government	6,269,173	9,387,234	8,467,614	919,620
Public safety	16,433,472	16,386,173	16,012,378	373,795
Public works	4,258,805	4,248,575	3,518,263	730,312
Community development	1,120,192	1,050,809	736,232	314,577
Parks and recreation	2,536,001	2,657,082	2,598,425	58,657
Debt service:				
Principal retirement	4,707,776	5,150,277	5,150,276	1
Interest and fees	3,931,881	3,277,740	3,277,740	-
Total expenditures	<u>39,257,300</u>	<u>42,157,890</u>	<u>39,760,928</u>	<u>2,396,962</u>
Revenues over (under) expenditures	<u>4,337,532</u>	<u>4,169,544</u>	<u>8,728,743</u>	<u>4,559,199</u>
Other Financing Sources (Uses):				
Transfers (out)	(5,000,900)	(5,105,900)	(5,105,900)	-
Appropriated fund balance	<u>663,368</u>	<u>936,356</u>	<u>-</u>	<u>(936,356)</u>
Total other financing sources (uses)	<u>(4,337,532)</u>	<u>(4,169,544)</u>	<u>(5,105,900)</u>	<u>(936,356)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,622,843	<u>\$ 3,622,843</u>
Fund Balance:				
Beginning of year - July 1			<u>18,801,072</u>	
End of year - June 30			<u>\$ 22,423,915</u>	

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities					Total Business-Type Activities
	Major Enterprise Funds					
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund		
Assets:						
Current assets:						
Cash and investments	\$ 7,052,326	\$ 1,858,371	\$ 734,585	\$ 5,088,922	\$ 14,734,204	
Accounts receivable, net	3,340,085	524,907	690,909	52,813	4,608,714	
Due from other governments	181,678	57,459	9,965	174,895	423,997	
Cash and investments, restricted	2,516,494	3,000,139	-	35,494,635	41,011,268	
Prepaid assets	-	-	5,227	-	5,227	
Total current assets	13,090,583	5,440,876	1,440,686	40,811,265	60,783,410	
Non-current assets:						
Intangible asset, net of amortization	1,591,326	-	-	-	1,591,326	
Capital assets:						
Non-depreciable assets	36,605,134	5,168,414	-	29,598,169	71,371,717	
Other capital assets net of depreciation	78,837,196	4,990,710	692,038	11,859,918	96,379,862	
Total capital assets	115,442,330	10,159,124	692,038	41,458,087	167,751,579	
Total non-current assets	117,033,656	10,159,124	692,038	41,458,087	169,342,905	
Total assets	130,124,239	15,600,000	2,132,724	82,269,352	230,126,315	
Deferred Outflows of Resources:						
OPEB deferrals	142,291	48,439	15,137	-	205,867	
Pension deferrals	770,881	296,493	59,297	-	1,126,671	
Total deferred outflows of resources	913,172	344,932	74,434	-	1,332,538	
Liabilities:						
Current liabilities:						
Accounts payable	696,209	63,663	85,213	2,789,034	3,634,119	
Accrued expenses	123,970	28,890	10,901	818,477	982,238	
Accrued interest	483,991	65,881	3,674	-	553,546	
Current portion of compensated absences	131,992	23,196	7,923	-	163,111	
Current maturities of long-term debt	2,990,766	926,876	212,257	1,384,225	5,514,124	
Liabilities to be paid from restricted assets	832,009	1,097,636	-	-	1,929,645	
Total current liabilities	5,258,937	2,206,142	319,968	4,991,736	12,776,783	
Non-current liabilities:						
Net pension liability - LGERS	925,213	355,852	71,170	-	1,352,235	
Total pension liability - SSA	877,599	337,538	67,508	-	1,282,645	
Total OPEB liability	6,174,371	2,101,913	656,848	-	8,933,132	
Compensated absences	43,997	7,733	2,641	-	54,371	
Long-term debt	45,280,956	7,485,603	557,898	70,185,211	123,509,668	
Total non-current liabilities	53,302,136	10,288,639	1,356,065	70,185,211	135,132,051	
Total liabilities	58,561,073	12,494,781	1,676,033	75,176,947	147,908,834	
Deferred Inflows of Resources:						
OPEB deferrals	1,074,453	365,771	114,303	-	1,554,527	
Pension deferrals	86,002	33,077	6,616	-	125,695	
Total deferred inflows of resources	1,160,455	398,848	120,919	-	1,680,222	
Net Position:						
Net investment in capital assets	70,872,628	4,746,784	(78,117)	5,383,286	80,924,581	
Unrestricted	443,255	(1,695,481)	488,323	1,709,119	945,216	
Total net position	\$ 71,315,883	\$ 3,051,303	\$ 410,206	\$ 7,092,405	\$ 81,869,797	

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities				
	Major Enterprise Funds				Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
Operating Revenues:					
Charges for services	\$ 15,461,482	\$ 2,991,457	\$ 3,152,622	\$ 764,716	\$ 22,370,277
Water and sewer taps	1,160,389	-	-	-	1,160,389
Other operating revenues	490,765	-	120,903	51,526	663,194
Total operating revenues	<u>17,112,636</u>	<u>2,991,457</u>	<u>3,273,525</u>	<u>816,242</u>	<u>24,193,860</u>
Operating Expenses:					
Administration	1,027,632	-	-	-	1,027,632
Distribution	2,785,158	-	-	-	2,785,158
Filter plant	2,929,408	-	-	-	2,929,408
General services	1,765,800	-	-	1,337,040	3,102,840
Contracted services	-	-	-	638,330	638,330
Sewage treatment	3,512,330	-	-	-	3,512,330
Stormwater	-	1,770,138	-	-	1,770,138
Environmental services	-	-	3,572,049	-	3,572,049
Depreciation and amortization	2,758,552	222,255	225,445	109,124	3,315,376
Total operating expenses	<u>14,778,880</u>	<u>1,992,393</u>	<u>3,797,494</u>	<u>2,084,494</u>	<u>22,653,261</u>
Operating income (loss)	<u>2,333,756</u>	<u>999,064</u>	<u>(523,969)</u>	<u>(1,268,252)</u>	<u>1,540,599</u>
Non-Operating Revenues (Expenses):					
Gain (Loss) on disposal of assets	-	-	-	52,308	52,308
Interest earned on investments	424,303	72,120	-	769,782	1,266,205
Interest and fees on long-term debt	(1,860,747)	(295,309)	(24,762)	(2,174,986)	(4,355,804)
Total non-operating revenues (expenses)	<u>(1,436,444)</u>	<u>(223,189)</u>	<u>(24,762)</u>	<u>(1,352,896)</u>	<u>(3,037,291)</u>
Income (loss) before capital contributions and transfers	<u>897,312</u>	<u>775,875</u>	<u>(548,731)</u>	<u>(2,621,148)</u>	<u>(1,496,692)</u>
Capital Contributions	<u>1,152,708</u>	<u>-</u>	<u>-</u>	<u>1,103,668</u>	<u>2,256,376</u>
Transfers:					
Transfers (out)	(2,388,142)	-	-	-	(2,388,142)
Transfers in	2,128,142	-	713,700	4,599,200	7,441,042
Total transfers	<u>(260,000)</u>	<u>-</u>	<u>713,700</u>	<u>4,599,200</u>	<u>5,052,900</u>
Change in net position	1,790,020	775,875	164,969	3,081,720	5,812,584
Net Position:					
Beginning of year - July 1	<u>69,525,863</u>	<u>2,275,428</u>	<u>245,237</u>	<u>4,010,685</u>	<u>76,057,213</u>
End of year - June 30	<u>\$ 71,315,883</u>	<u>\$ 3,051,303</u>	<u>\$ 410,206</u>	<u>\$ 7,092,405</u>	<u>\$ 81,869,797</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, 2019

	Business-Type Activities				Total Business-Type Activities
	Major Enterprise Funds				
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
Cash Flows from Operating Activities:					
Cash received from customers	\$ 17,086,657	\$ 2,931,836	\$ 3,208,086	\$ 746,529	\$ 23,973,108
Cash paid for goods and services	(10,558,606)	189,578	(3,459,262)	(77,429)	(13,905,719)
Cash paid to employees	(2,997,791)	(743,166)	(230,201)	-	(3,971,158)
Net cash provided (used) by operating activities	3,530,260	2,378,248	(481,377)	669,100	6,096,231
Cash Flows from Non-Capital Financing Activities:					
Transfers (to) other funds	(2,388,142)	-	-	-	(2,388,142)
Transfers from other funds	2,128,142	-	713,700	4,599,200	7,441,042
Net cash provided (used) by non-capital financing activities	(260,000)	-	713,700	4,599,200	5,052,900
Cash Flows from Capital and Related Financing Activities:					
Proceeds from disposal of assets	-	-	-	439,974	439,974
Proceeds from issuance of long-term debt	-	-	-	52,000,000	52,000,000
Acquisition of capital assets and capital projects	(12,776,749)	(4,948,724)	-	(19,147,607)	(36,873,080)
Principal paid on long-term debt	(2,800,665)	(940,627)	(206,290)	(1,384,226)	(5,331,808)
Interest and fees paid on long-term debt	(2,009,749)	(345,689)	(25,746)	(1,711,975)	(4,093,159)
Net cash provided (used) by capital and related financing activities	(17,587,163)	(6,235,040)	(232,036)	30,196,166	6,141,927
Cash Flows from Investing Activities:					
Interest on investments	424,303	72,120	-	769,782	1,266,205
Net increase (decrease) in cash and cash equivalents	(13,892,600)	(3,784,672)	287	36,234,248	18,557,263
Cash and Cash Equivalents:					
Beginning of year - July 1	23,461,420	8,643,182	734,298	4,349,309	37,188,209
End of year - June 30	\$ 9,568,820	\$ 4,858,510	\$ 734,585	\$ 40,583,557	\$ 55,745,472
Reconciliation of Operating Income (Loss) to Provided (Used) By Operating Activities:					
Operating income (loss)	\$ 2,333,756	\$ 999,064	\$ (523,969)	\$ (1,268,252)	\$ 1,540,599
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	2,758,552	222,255	225,445	109,124	3,315,376
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(42,504)	(59,621)	(65,439)	(69,713)	(237,277)
(Increase) decrease in prepaids	-	-	(690)	3,184	2,494
Increase (decrease) in total pension liability	(16,847)	(6,480)	(1,296)	-	(24,623)
Increase (decrease) in net pension liability	328,746	126,441	25,288	-	480,475
Increase (decrease) in deferred inflows of resources for pensions	41,888	16,111	3,223	-	61,222
(Increase) decrease in deferred outflows of resources for pensions	(319,028)	(122,703)	(24,540)	-	(466,271)
Increase (decrease) in deferred inflows for OPEB	308,467	105,010	32,815	-	446,292
(Increase) decrease in deferred outflows for OPEB	114	39	12	-	165
Increase (decrease) in accounts payable and accrued liabilities	(1,792,843)	1,127,602	(143,017)	1,894,757	1,086,499
Increase (decrease) in other post-employment benefits	(86,566)	(29,470)	(9,209)	-	(125,245)
Increase (decrease) in customer deposits	16,525	-	-	-	16,525
Net cash provided (used) by operating activities	\$ 3,530,260	\$ 2,378,248	\$ (481,377)	\$ 669,100	\$ 6,096,231
Summary of Non-Cash Activities:					
Capital asset contributions	\$ 1,152,708	\$ -	\$ -	\$ 1,103,668	\$ 2,256,376

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 that 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 Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities except for the interfund services provided and used which are not eliminated in the process of consolidation. 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. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 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.

Fire Station Improvements. This fund is used to account for funds used for the construction of Fire Stations Two and Three.

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 the transit system for the City.

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

Oak Avenue Sidewalk. This fund is used to account for sidewalk improvements on Oak Avenue.

Little Texas Road Sidewalk. This fund is used to account for sidewalk improvements on Little Texas Road.

Bethpage Sidewalks. This fund is used to account for sidewalk improvements on Bethpage Road.

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 four separate water and sewer capital project funds for accounting purposes: Revenue Bonds 2014 Fund, Mooresville Road Water Main Fund, Davidson Road Water and Sudbury Road Sewer Main, Downtown Water and Sewer Infrastructure and Revenue Bonds 2020 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 a separate stormwater capital project fund for accounting purposes: Downtown Stormwater Fund. For financial reporting purposes, this fund has been consolidated into the Stormwater Fund.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Downtown Kannapolis Fund. This fund is used to account for the City's Downtown operations. The City maintains four separate downtown capital project funds for accounting purposes: Demonstration Project Parking Deck, Sports and Entertainment Venue, Downtown Streetscape Project, and College Station. For financial reporting purposes, these funds have been consolidated into the Downtown Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

D. Budgetary Data

The City's budgets are adopted as required by 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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, Deferred Outflows/Inflows of Resources, and Fund 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 are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) government money market fund, is measured at fair value. 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.

In accordance with the state law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents

The City pools money 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Restricted Assets

The unexpended debt proceeds of the General Fund, other governmental funds and enterprise funds for debt issued by the City, are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. The required debt service reserve in the General Fund and Other Governmental Funds is classified as restricted assets because the cash is placed with an escrow agent in which the purpose can only be used to repay debt at maturity. The federal asset forfeiture funds of the General Fund are restricted assets for equitable sharing with participating law enforcement agencies. 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 they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

General Fund:

Required debt service reserve	\$ 6,914,175
Federal asset forfeiture funds	36,706
Powell Bill	<u>1,193,266</u>
Total	<u>8,144,147</u>

Other Governmental Funds:

Unspent debt proceeds restricted for capital outlay	1,653,823
HUD Section 108 - required debt service reserve	<u>1,491,550</u>
Total	<u>3,145,373</u>

Enterprise Funds:

Revenue Bonds 2018	2,110,694
Stormwater Downtown	3,000,139
Downtown ST Streetscape	1,300,253
Downtown College Station	<u>34,194,382</u>
Unspent debt proceeds	40,605,468
Customer deposits	<u>405,800</u>
Total	<u>41,011,268</u>

Total restricted cash \$ 52,300,788

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by state law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the 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.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are reported at acquisition value.

All other purchased or constructed capital assets are reported at cost or estimated historical cost. The City has elected not to capitalize monuments and works of art that are held for public exhibition. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Deferred Outflows/Inflows of Resources

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

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 the proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt 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.

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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 intact.

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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Restricted for Community Development – portion of fund balance restricted by revenue source for community development activities. \$6,914,175 is restricted in the General Fund for a required debt service reserve related to NCRC project. \$1,491,550 in the CDBG Fund is restricted for HUD Section 108 Loan payment. \$660,878 in the Transit Tax Fund is restricted by the revenue source for the development of a transit system for the City.

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. \$36,706 is restricted in the General Fund for the balance of Federal Asset Forfeiture funds. \$1,653,823 is restricted in the Fire Station Improvements Fund for unspent debt proceeds.

Restricted fund balance at June 30, 2019 is as follows:

Purpose	General Fund	Fire Station Improvements	Other Governmental Funds
Restricted, All Other:			
Streets	\$ 1,193,266	\$ -	\$ -
Public safety	36,706	1,653,823	-
Community development	<u>6,914,175</u>	<u>-</u>	<u>2,152,428</u>
Total	<u><u>\$ 8,144,147</u></u>	<u><u>\$ 1,653,823</u></u>	<u><u>\$ 2,152,428</u></u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$1,653,823 as of June 30, 2019.

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Committed for Capital Projects – portion of fund balance committed by the City Council to be used for capital project expenditures related to the Oak Avenue Sidewalk and the Little Texas Road Sidewalk projects.

Committed for City Employee Separation – portion of fund balance committed by the City Council that will be used for the Law Enforcement Officers', Firefighters', and General Employees' Special Separation Allowance obligations.

Committed fund balance at June 30, 2019 is as follows:

<u>Purpose</u>	General	Other
	Fund	Governmental Funds
Capital projects	\$ -	\$ 268,557
City employee separation	340,551	-
Total	<u>\$ 340,551</u>	<u>\$ 268,557</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. Only the General Fund may report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in the governmental funds other than General Fund, if expenditures occurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City has adopted a minimum fund balance policy which states that available fund balances at the close of each fiscal year should be within a range of at least 25% and no more than 33% (13 to 17 weeks) of the Total Annual Operating Budget of the City. The City Council may, from time-to-time, appropriate fund balances that will reduce available fund balances below the 25% policy for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the City of Kannapolis. In such circumstances, the Council will adopt a plan to restore the available fund balances to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the City, then the Council will establish a different but appropriate time period.

In the event that available fund balances are in excess of 33%, then the City will develop a spending plan utilizing more cash payments for capital projects, or other capital assets.

Fund Balance Available for Appropriation

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	\$ 22,423,915
Less:	
Prepaid items	(90,473)
Stabilization by state statute	<u>(3,817,310)</u>
Fund balance available for appropriation	<u>\$ 18,516,132</u>

Defined Benefit Cost Sharing Plan

For purposes of measuring the net pension liability, Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Kannapolis' employer contributions are recognized when due and the City of Kannapolis has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. 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 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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the City's deposits had a carrying amount of \$8,265,459 and a bank balance of \$8,284,426. Of the bank balance, \$200,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the City's petty cash fund totaled \$7,070.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Investments

At June 30, 2019, the City had the following investments and maturities:

<u>Investments by Type</u>	<u>Measurement Method</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>6-12 months</u>	<u>1-3 years</u>	<u>5+ Years</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 10,654,945	\$ 10,654,945	\$ -	\$ -	\$ -
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	20,715,224	20,715,224	-	-	-
Government Agencies	Fair Value - Level 2	7,593,955	-	-	7,593,955	-
Commercial Paper	Fair Value - Level 1	30,806,466	30,806,466	-	-	-
Repurchase Agreements	Cost	3,580,842	3,580,842	-	-	-
Total		<u>\$ 73,351,432</u>	<u>\$ 65,757,477</u>	<u>\$ -</u>	<u>\$ 7,593,955</u>	<u>\$ -</u>

All investments are measured using the market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. 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. The portfolio will be structured so that securities mature concurrently with cash needs, with securities with an active secondary market, and with deposits and investments in highly liquid money market and mutual fund accounts.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). To best mitigate against credit risk, the City requires a diversification of investments. The City has no formal policy on credit risk. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments, as permitted under North Carolina General Statutes 159-30 as amended. The City's investments in U.S. government obligations are rated A1P1 by Moody's Investors Service.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5 percent of the City's investments are in commercial paper. This investment is 42% of the City's total investments.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Receivables

Receivables at the government-wide level at June 30, 2019 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 1,127,331	\$ 938,648	\$ 2,491,524	\$ 4,557,503
Governmental	<u>174,013</u>	<u>-</u>	<u>919,741</u>	<u>1,093,754</u>
Total receivables	1,301,344	938,648	3,411,265	5,651,257
Allowance for doubtful accounts	<u>-</u>	<u>(511,129)</u>	<u>-</u>	<u>(511,129)</u>
Total	<u>\$ 1,301,344</u>	<u>\$ 427,519</u>	<u>\$ 3,411,265</u>	<u>\$ 5,140,128</u>
Business-Type Activities:				
Water and sewer	\$ 4,491,215	\$ -	\$ 181,678	\$ 4,672,893
Stormwater	593,324	-	57,459	650,783
Environmental services	708,013	-	9,965	717,978
Downtown	77,913	-	174,895	252,808
Allowance for doubtful accounts	<u>(1,261,751)</u>	<u>-</u>	<u>-</u>	<u>(1,261,751)</u>
Total	<u>\$ 4,608,714</u>	<u>\$ -</u>	<u>\$ 423,997</u>	<u>\$ 5,032,711</u>

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

Local option sales tax	\$ 1,742,017
Property taxes	330,840
Other	<u>1,762,405</u>
Total	<u>\$ 3,835,262</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2019:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2019</u>
Non-Depreciable Capital Assets:				
Land	\$ 15,004,028	\$ -	\$ (290,864)	\$ 14,713,164
Construction in progress	3,240,320	9,894,224	-	13,134,544
Total non-depreciable capital assets	<u>18,244,348</u>	<u>9,894,224</u>	<u>(290,864)</u>	<u>27,847,708</u>
Depreciable Capital Assets:				
Buildings and improvements	66,069,032	-	-	66,069,032
Other improvements	7,859,542	31,193	-	7,890,735
Machinery and equipment	19,476,687	26,255	(396,625)	19,106,317
Infrastructure	155,868,942	942,770	-	156,811,712
Total depreciable capital assets	<u>249,274,203</u>	<u>1,000,218</u>	<u>(396,625)</u>	<u>249,877,796</u>
Less Accumulated Depreciation:				
Building and improvements	6,119,688	734,650	-	6,854,338
Other improvements	1,671,581	205,741	-	1,877,322
Machinery and equipment	14,117,596	1,714,287	(387,572)	15,444,311
Infrastructure	70,145,475	2,480,521	-	72,625,996
Total accumulated depreciation	<u>92,054,340</u>	<u>5,135,199</u>	<u>(387,572)</u>	<u>96,801,967</u>
Total depreciable capital assets, net	<u>157,219,863</u>	<u>\$ (4,134,981)</u>	<u>\$ (299,917)</u>	<u>153,075,829</u>
Total capital assets, net	<u>\$ 175,464,211</u>			<u>\$ 180,923,537</u>

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

General government	\$ 560,772
Public safety	1,364,624
Public works	2,661,502
Parks and recreation	548,301
Total depreciation expense	<u>\$ 5,135,199</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2019.

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 839,066	\$ -	\$ -	\$ 839,066
Construction in progress	<u>29,862,960</u>	<u>11,862,907</u>	<u>(5,959,799)</u>	<u>35,766,068</u>
Total non-depreciable capital assets	<u>30,702,026</u>	<u>11,862,907</u>	<u>(5,959,799)</u>	<u>36,605,134</u>
Depreciable Capital Assets:				
Buildings	22,895,344	-	-	22,895,344
Distribution systems	93,555,484	1,597,423	5,959,799	101,112,706
Machinery and equipment	<u>3,570,285</u>	<u>469,127</u>	-	<u>4,039,412</u>
Total depreciable capital assets	<u>120,021,113</u>	<u>2,066,550</u>	<u>5,959,799</u>	<u>128,047,462</u>
Less Accumulated Depreciation:				
Buildings	9,510,042	369,318	-	9,879,360
Distribution systems	34,882,217	1,855,208	-	36,737,425
Machinery and equipment	<u>2,107,677</u>	<u>485,804</u>	-	<u>2,593,481</u>
Total accumulated depreciation	<u>46,499,936</u>	<u>\$ 2,710,330</u>	<u>\$ -</u>	<u>49,210,266</u>
Total depreciable capital assets, net	<u>73,521,177</u>			<u>78,837,196</u>
Total Water and Sewer Fund capital assets, net	<u>104,223,203</u>			<u>115,442,330</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2019</u>
Stormwater Fund:				
Non-Depreciable Capital Assets:				
Construction in progress	554,498	\$ 4,613,916	\$ -	5,168,414
Total non-depreciable capital assets	<u>554,498</u>	<u>4,613,916</u>	<u>-</u>	<u>5,168,414</u>
Depreciable Capital Assets:				
Machinery and equipment	1,751,403	34,845	-	1,786,248
Infrastructure	<u>7,465,927</u>	<u>299,963</u>	<u>-</u>	<u>7,765,890</u>
Total depreciable capital assets	<u>9,217,330</u>	<u>334,808</u>	<u>-</u>	<u>9,552,138</u>
Less Accumulated Depreciation:				
Machinery and equipment	1,513,037	103,748	-	1,616,785
Infrastructure	<u>2,826,136</u>	<u>118,507</u>	<u>-</u>	<u>2,944,643</u>
Total accumulated depreciation	<u>4,339,173</u>	<u>\$ 222,255</u>	<u>\$ -</u>	<u>4,561,428</u>
Total depreciable capital assets, net	<u>4,878,157</u>			<u>4,990,710</u>
Total Stormwater Fund capital assets, net	<u>5,432,655</u>			<u>10,159,124</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Downtown Kannapolis Fund:				
Non-Depreciable Capital Assets:				
Land	5,670,870	\$ -	\$ (200,000)	5,470,870
Construction in progress	<u>11,203,851</u>	<u>20,221,109</u>	<u>(7,297,661)</u>	<u>24,127,299</u>
Total non-depreciable capital assets	<u>16,874,721</u>	<u>20,221,109</u>	<u>(7,497,661)</u>	<u>29,598,169</u>
Depreciable Capital Assets:				
Buildings	4,914,956	-	(200,000)	4,714,956
Improvements	97,082	-	7,297,661	7,394,743
Machinery and equipment	<u>48,539</u>	<u>30,166</u>	-	<u>78,705</u>
Total depreciable capital assets	<u>5,060,577</u>	<u>30,166</u>	<u>7,097,661</u>	<u>12,188,404</u>
Less Accumulated Depreciation:				
Buildings	222,739	94,299	(12,334)	304,704
Improvements	1,213	4,854	-	6,067
Machinery and equipment	<u>7,744</u>	<u>9,971</u>	-	<u>17,715</u>
Total accumulated depreciation	<u>231,696</u>	<u>\$ 109,124</u>	<u>\$ (12,334)</u>	<u>328,486</u>
Total depreciable capital assets, net	<u>4,828,881</u>			<u>11,859,918</u>
Total Downtown Kannapolis Fund capital assets, net	<u>21,703,602</u>			<u>41,458,087</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Environmental Services Fund:				
Depreciable Capital Assets:				
Machinery and equipment	1,127,227	\$ -	\$ -	1,127,227
Total depreciable capital assets	<u>1,127,227</u>	<u>-</u>	<u>-</u>	<u>1,127,227</u>
Less Accumulated Depreciation:				
Machinery and equipment	209,744	225,445	-	435,189
Total accumulated depreciation	<u>209,744</u>	<u>\$ 225,445</u>	<u>\$ -</u>	<u>435,189</u>
Total depreciable capital assets, net	<u>917,483</u>			<u>692,038</u>
Total Environmental Services Fund capital assets, net	<u>917,483</u>			<u>692,038</u>
Total business-type capital assets, net	<u>\$ 132,276,943</u>			<u>\$ 167,751,579</u>

Proprietary Intangible Assets

The intangible assets of the Water and Sewer Fund at June 30, 2019 were as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Intangible Assets:				
Rowan County water rights	\$ 2,411,100	\$ -	\$ -	\$ 2,411,100
Less accumulated amortization	(771,552)	(48,222)	-	(819,774)
Intangible assets, net	<u>\$ 1,639,548</u>	<u>\$ (48,222)</u>	<u>\$ -</u>	<u>\$ 1,591,326</u>

Construction Commitments

The City has active construction projects as of June 30, 2019. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Total Contract</u>
Moneith	\$ 9,465,879	\$ 550,391	\$ 10,016,270
Performance Managed Construction, Inc	690,374	1,004,841.00	1,695,215
Herrin Industrial, Inc	1,115,258	1,118,371.00	2,233,629
Barton Marlow - Downtown	21,397,487	3,604,059	25,001,546
Barton Marlow - Stadium	16,307,053	23,805,644	40,112,697

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>IBNR</u>	<u>Total</u>
Governmental Activities:				
General	\$ 515,321	\$ 1,292,601	\$ 1,176,758	\$ 2,984,680
Other governmental	<u>927,414</u>	<u>-</u>	<u>-</u>	<u>927,414</u>
Total payables	<u>\$ 1,442,735</u>	<u>\$ 1,292,601</u>	<u>\$ 1,176,758</u>	<u>\$ 3,912,094</u>
Business-Type Activities:				
Water and sewer	\$ 696,209	\$ 123,970	\$ -	\$ 820,179
Stormwater	63,663	28,890	-	92,553
Environmental services	85,213	10,901	-	96,114
Downtown	<u>2,789,034</u>	<u>818,477</u>	<u>-</u>	<u>3,607,511</u>
Total payables	<u>\$ 3,634,119</u>	<u>\$ 982,238</u>	<u>\$ -</u>	<u>\$ 4,616,357</u>

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Kannapolis is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Kannapolis employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Kannapolis' contractually required contribution rate for the year ended June 30, 2019, was 8.25% of compensation for law enforcement officers and 7.55% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Kannapolis were \$1,434,929 for the year ended June 30, 2019.

Refunds of Contributions. City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

At June 30, 2019, the City reported a liability of \$7,117,026 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.3000%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,778,291. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,097,988	\$ 36,843
Changes of assumptions	1,888,584	-
Net difference between projected and actual earnings on pension plan investments	976,956	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	309,037
Employer contributions subsequent to the measurement date	<u>1,434,929</u>	<u>-</u>
Total	<u>\$ 5,398,457</u>	<u>\$ 345,880</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$1,434,929 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2020	\$ 1,763,361
2021	1,144,381
2022	178,151
2023	531,755
2024	-
Thereafter	-
Total	<u>\$ 3,617,648</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$ 17,095,713</u>	<u>\$ 7,117,026</u>	<u>\$ (1,221,321)</u>

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

Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified full-time employees. The SSA is required for law enforcement officers. In addition, the City has elected to extend the SSA to firefighters and general employees. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the employee 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. 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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	26
Active plan members	<u>354</u>
Total	<u><u>380</u></u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund and Enterprise Funds, which are maintained on a modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

Deaths after Retirement (Healthy) Law Enforcement Officers: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths before Retirement (Healthy) Firefighters: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths after Retirement (Healthy) General Employees: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 115% for males and 79% for females for ages under 78 and by 135% for males and 116% for females for age 78 and older.

Deaths before Retirement: RP-2014 Employees base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Deaths after Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths after Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$374,483 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$6,750,759. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$554,574.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments and administrative costs subsequent to measurement date	\$ 219,318	\$ -
Changes of assumptions and other inputs	267,799	312,595
Differences between expected and actual experience	44,278	3,072
Total	<u>\$ 531,395</u>	<u>\$ 315,667</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

\$218,238 paid as benefits came due and \$1,080 of administrative expense reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2020	\$ 11,731
2021	11,731
2022	15,862
2023	(39,988)
2024	(2,926)
Thereafter	<u>-</u>
Total	<u>\$ (3,590)</u>

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1%	Discount	1%
	Decrease	Rate	Increase
	(2.64%)	(3.64%)	(4.64%)
Total pension liability	<u>\$ 7,374,971</u>	<u>\$ 6,750,759</u>	<u>\$ 6,186,083</u>

**Schedule of Changes in Total Pension Liability
Special Separation Allowance**

Beginning balance	\$ 6,880,354
Service cost	329,181
Interest on the total pension liability	211,502
Difference between expected and actual experience	(3,831)
Changes of assumptions and other inputs	(291,964)
Benefit payments made	<u>(374,483)</u>
Net change in total pension liability	<u>(129,595)</u>
Ending balance of the total pension liability	<u>\$ 6,750,759</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuary for the five-year period ending December 31, 2014.

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

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

	LGERS	SSA	Total
Pension expense	\$ 1,778,291	\$ 554,574	\$ 2,332,865
Pension liability	7,117,026	6,750,759	13,867,785
Proportion of the net pension liability (asset)	0.30000%	N/A	

Deferred Outflows of Resources

Differences between expected and actual experience	1,097,988	44,278	1,142,266
Changes of assumptions	1,888,584	267,799	2,156,383
Net difference between projected and actual earnings on pension plan investments	976,956	-	976,956
Employer contributions (LGERS) and benefit payments and administration costs (SSA) subsequent to the measurement date	1,434,929	219,318	1,654,247
	\$ 5,398,457	\$ 531,395	\$ 5,929,852

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 36,843	\$ 3,072	\$ 39,915
Changes of assumptions	-	312,595	312,595
Changes in proportion and differences between employer contributions and proportionate share of contributions	309,037	-	309,037
	\$ 345,880	\$ 315,667	\$ 661,547

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 were \$405,030, which consisted of \$214,248 from the City and \$190,782 from the law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan for All Employees

Plan Description. The City contributes to the Supplemental Retirement Income Plan of North Carolina (401(k) Plan), a defined contribution pension plan sponsored by the State of North Carolina and governed by the Department of State Treasurer and a Board of Trustees. The Department and Board have contracted with Prudential Retirement to be the Plan Administrator. The Plan provides retirement benefits to eligible employees of the City. The Kannapolis City Council has the authority to establish and amend contribution requirements and other benefit provisions.

Funding Policy. The City contributes to the Plan each pay an amount equal to one percent of each eligible employee's salary if the employee contributes the same amount, and all amounts contributed are vested immediately. City employees may also make voluntary contributions in addition to the match to the Plan. The City contributed \$129,057 for the reporting year. No amounts were forfeited.

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, 2019

The City has complied with changes in the laws that 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, 2019, the City contributed \$9,750 to this account.

Other Post-Employment Benefits – Healthcare 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, seventy-three (73) 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. A separate report was not issued for the plan.

Membership of the Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	All Employees
Retirees and dependents receiving benefits	73
Active plan members	<u>338</u>
Total	<u><u>411</u></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. Benefits under the plan can be amended by City Council.

Total OPEB Liability

The City's total OPEB liability of \$45,979,353 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50%-7.75%, including wage inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare - 7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028 Medicare - 5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022 Dental - 4.00%

The City selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 46,624,001
Changes for the year:	
Service cost	2,352,520
Interest	1,637,169
Differences between expected and actual experience	50,872
Changes of assumptions or other inputs	(3,401,790)
Benefit payments	(1,283,419)
Net changes	(644,648)
Balance at June 30, 2019	\$ 45,979,353

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.56% to 3.89%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<u>1% Decrease (2.89%)</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
Total OPEB liability	<u>\$ 56,904,207</u>	<u>\$ 45,979,353</u>	<u>\$ 37,726,259</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 36,825,777</u>	<u>\$ 45,979,353</u>	<u>\$ 58,478,854</u>

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$2,923,721. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 215,476	\$ -
Changes of assumptions	-	8,001,244
Benefit payments and plan administrative expense made subsequent to the measurement date	844,135	-
Total	<u>\$ 1,059,611</u>	<u>\$ 8,001,244</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$844,135 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
June 30	Total
2020	\$ (1,074,292)
2021	(1,074,292)
2022	(1,074,292)
2023	(1,074,292)
2024	(1,074,292)
Thereafter	<u>(2,414,308)</u>
Total	<u>\$ (7,785,768)</u>

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 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 and be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Contributions to pension plan in current fiscal year	\$ 1,654,247
Differences between expected and actual experience	1,357,742
Changes of assumptions	2,156,383
Net difference between projected and actual earnings on pension plan investments	976,956
Benefit payments and administrative costs for OPEB	844,135
Total	\$ 6,989,463

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

	Deferred Inflows of Resources	
	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes	\$ 3,872	\$ 3,872
Taxes receivable, net	-	427,519
Cabarrus County contribution - fire station	-	259,768
Other Governmental Funds:		
Differences between expected and actual experience	39,915	-
Changes in assumptions	8,313,839	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	309,037	-
Total	\$ 8,666,663	\$ 691,159

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Long-Term Obligations

The City records long-term debt of the governmental funds at face value in the government-wide Statement of Net Position. Principal and interest payments are appropriated when due. Compensated absences, pension liabilities and OPEB typically have been liquidated in the General Fund.

Changes in Long-Term Debt – Governmental Funds

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
Direct placement notes payable	\$ 10,083,070	\$ -	\$ 1,310,276	\$ 8,772,794	\$ 1,355,047
Direct placement U.S. government obligations	200,000	-	50,000	150,000	50,000
Limited obligation bonds	57,845,000	-	3,840,000	54,005,000	5,585,000
Premium on debt issuance	1,909,254	-	121,223	1,788,031	121,223
Net pension liability (LGERS)	3,716,450	2,048,341	-	5,764,791	-
Compensated absences	1,186,897	1,889,158	1,825,069	1,250,986	938,240
Total OPEB liability	37,565,624	-	519,403	37,046,221	-
Total pension liability (SSA)	5,573,086	-	104,972	5,468,114	-
Total	<u>\$ 118,079,381</u>	<u>\$ 3,937,499</u>	<u>\$ 7,770,943</u>	<u>\$ 114,245,937</u>	<u>\$ 8,049,510</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Governmental Activities – Notes Payable

4.05% note, payable in annual installments of \$42,154, including interest beginning June 2011 through June 2025; secured by personal property.	\$ 295,076
2.08% note, payable in semi-annual installments of \$82,190, excluding interest beginning September, 2013 through March 2023; secured by a municipal building and a fire truck.	648,556
2.0% note, payable in semi-annual installments of \$26,133, excluding interest beginning October 2012 through June 2021; secured by park building.	104,533
1.98% note, payable in semi-annual installments ranging from \$109,245 to \$414,098, including interest beginning June, 2013 through June, 2023; secured by street improvements and a fire station	1,499,483
0% note, payable to County in annual installments of \$62,500, beginning April 2014 through April 2061, secured by the stadium.	2,687,500
1.24% note, payable in quarterly installments of \$39,794, including interest beginning July 5, 2015 through April 5, 2020; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications.	157,931
1.51% note, payable in quarterly installments of \$17,475, including interest beginning February 4, 2016 through October 4, 2021; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications.	170,151
3.42% note, payable in semi-annual installments ranging from \$49,064 to \$221,533, excluding interest beginning April 1, 2018 through April 1, 2037; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications.	<u>3,209,564</u>
Total	<u>\$ 8,772,794</u>

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

The City's outstanding note from direct placements related to governmental activities of \$295,076 and \$658,626 of business-type activities is secured by equipment purchased with loan proceeds. Upon the failure to pay or make timely payments, the outstanding principal is due immediately.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City's outstanding note from direct placements related to governmental activities of \$648,556 and \$511,444 of business-type activities is secured by a security interest in the fire truck and the mortgaged 2.689 acres of property. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the mortgaged property and equipment, including initiating foreclosure proceedings.

The City's outstanding note from direct placements related to governmental activities of \$104,533 is secured by a deed of trust on Village Park building. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

The City's outstanding note from direct placements related to governmental activities of \$1,499,483 and \$1,279,527 of business-type activities is secured by a deed of trust on the real property. Upon the failure to pay or make timely payments, the outstanding principal is due immediately. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

The City's outstanding note from direct placements related to governmental activities of \$2,687,500 is by a security interest in the stadium. Upon the failure to pay or make timely payments, the outstanding principal is due immediately.

The City's outstanding note from direct placements related to governmental activities of \$157,931 and \$44,830 of business-type activities is by a security interest in the fire truck, patch truck and spray patcher. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

The City's outstanding note from direct placements related to governmental activities of \$170,151 and \$194,106 of business-type activities is by equipment purchased with loan proceeds. Upon the failure to pay or make timely payments, the outstanding principal is due immediately.

The City's outstanding note from direct placements related to governmental activities of \$3,209,564 and \$3,266,436 of business-type activities is secured by a deed of trust on the 4.060 acres the public works facility located and 1.477 acres the village park carousel is located. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,355,047	\$ 167,221	\$ 1,522,268
2021	1,053,752	139,154	1,192,906
2022	860,432	115,878	976,310
2023	704,675	96,967	801,642
2024	325,691	81,941	407,632
2025-2029	1,409,873	277,745	1,687,618
2030-2034	956,780	132,206	1,088,986
2035-2039	636,568	26,441	663,009
2040-2044	312,500	-	312,500
2045-2049	312,500	-	312,500
2050-2054	312,500	-	312,500
2055-2059	312,500	-	312,500
2060-2061	219,976	-	219,976
Total	<u>\$ 8,772,794</u>	<u>\$ 1,037,553</u>	<u>\$ 9,810,347</u>

Governmental Activities - U.S. Government Obligations

A direct placement Section 108 loan of \$742,000 was executed on August 28, 2006 with the Department of Housing and Urban Development. A principal payment of \$50,000 was due August 2019. Principal payments were \$49,000 until August 2015 when they increased to \$50,000. Interest is due semi-annually at rates from 4.96% to 5.57%, on February 1 and August 1, respectively. This obligation is to be used in the construction of Gateway Business Park. The principal balance due at June 30, 2019 was \$150,000.

Annual debt service requirements to maturity for the City’s U.S. government obligations direct placements are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 50,000	\$ 6,903	\$ 56,903
2021	50,000	4,162	54,162
2022	50,000	1,393	51,393
Total	<u>\$ 150,000</u>	<u>\$ 12,458</u>	<u>\$ 162,458</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Limited Obligation Bonds

The City issued Series 2010A and 2010B Limited Obligation Bonds in December 2010. 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.

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 is 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 include Veteran's Park, street, sidewalk, 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 issued Series 2014 Limited Obligation Bonds in August 2014. The City used the funds to construct a three-story City Hall and Police Headquarters. The building is over 100,000 square feet.

The City issued Series 2018B Limited Obligation Bonds in April 2018. The City is using the funds for construction of Fire Stations Two and Three.

The City's limited obligation bonds payable at June 30, 2019 are comprised of the following individual issues:

- Series 2010A Limited Obligation Bonds, \$3,660,000
- Series 2010B Limited Obligation Bonds, \$19,310,000
- Series 2014 Limited Obligation Bonds, \$20,490,000
- Series 2018B Limited Obligation Bonds, \$10,545,000

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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.	\$ 22,970,000
\$25,220,000 Series 2014 Limited Obligation Bonds, issued in August 2014, due in annual installments ranging from \$620,000 to \$1,370,000 on April 1, through 2034. Interest is payable semi-annually at rates ranging from 3% to 5%, fluctuating throughout the life of the bonds.	20,490,000
\$11,100,000 Series 2018B Limited Obligation Bonds, issued in October 2018, due in annual installments of \$555,000 on April 1, 2018 through 2038. Interest is payable semi-annually at a rate of 3.97%	<u>10,545,000</u>
Total	<u><u>\$ 54,005,000</u></u>

Annual debt service requirements to maturity for the City's limited obligation bonds for governmental activities are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 5,585,000	\$ 2,883,461	\$ 8,468,461
2021	4,080,000	2,609,927	6,689,927
2022	4,180,000	2,362,510	6,542,510
2023	4,280,000	2,112,812	6,392,812
2024	4,390,000	1,850,721	6,240,721
2025-2029	19,670,000	5,038,175	24,708,175
2030-2034	9,600,000	1,577,873	11,177,873
2035-2039	<u>2,220,000</u>	<u>220,335</u>	<u>2,440,335</u>
Total	<u><u>\$ 54,005,000</u></u>	<u><u>\$ 18,655,813</u></u>	<u><u>\$ 72,660,813</u></u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

With the Series 2014 Limited Obligation Bonds, a premium of \$2,303,246 will be amortized over the life of the bonds as follows. In the current year, \$121,223 of amortization expense was recognized.

Year Ending June 30	Principal
2020	\$ 121,223
2021	121,223
2022	121,223
2023	121,223
2024	121,223
2025-2029	606,117
2030-2034	<u>575,799</u>
Total	<u>\$ 1,788,031</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Current Maturities</u>
Water and Sewer Fund:					
Revenue bonds	\$ 49,112,298	\$ -	\$ 2,429,298	\$ 46,683,000	\$ 2,619,000
Direct placement notes payable	1,960,089	-	371,367	1,588,722	371,766
Net pension liability (LGERS)	596,467	328,746	-	925,213	-
Total OPEB liability	6,260,937	-	86,566	6,174,371	-
Total pension liability (SSA)	894,446	-	16,847	877,599	-
Compensated absences	143,089	289,784	256,884	175,989	131,992
Total	<u>58,967,326</u>	<u>618,530</u>	<u>3,160,962</u>	<u>56,424,894</u>	<u>3,122,758</u>
Stormwater Fund:					
Direct placement notes payable	2,353,106	-	590,626	1,762,480	576,875
Limited obligation bonds	7,000,000	-	350,001	6,649,999	350,001
Net pension liability (LGERS)	229,411	126,441	-	355,852	-
Total OPEB liability	2,131,383	-	29,470	2,101,913	-
Total pension liability (SSA)	344,018	-	6,480	337,538	-
Compensated absences	30,086	74,116	73,273	30,929	23,196
Total	<u>12,088,004</u>	<u>200,557</u>	<u>1,049,850</u>	<u>11,238,711</u>	<u>950,072</u>
Environmental Services Fund:					
Direct placement notes payable	976,445	-	206,290	770,155	212,257
Net pension liability (LGERS)	45,882	25,288	-	71,170	-
Total pension liability (SSA)	68,804	-	1,296	67,508	-
Total OPEB liability	666,057	-	9,209	656,848	-
Compensated absences	5,539	21,013	15,988	10,564	7,923
Total	<u>1,762,727</u>	<u>46,301</u>	<u>232,783</u>	<u>1,576,245</u>	<u>220,180</u>
Downtown Kannapolis Fund:					
Direct placement notes payable	3,521,662	-	255,227	3,266,435	255,226
Limited obligation bonds	7,900,000	52,000,000	394,999	59,505,001	394,999
Special obligation bonds	9,532,000	-	734,000	8,798,000	734,000
Total	<u>20,953,662</u>	<u>52,000,000</u>	<u>1,384,226</u>	<u>71,569,436</u>	<u>1,384,225</u>
Business-Type Activities:					
Revenue bonds	49,112,298	-	2,429,298	46,683,000	2,619,000
Direct placement notes payable	8,811,302	-	1,423,510	7,387,792	1,416,124
Limited obligation bonds	14,900,000	52,000,000	745,000	66,155,000	745,000
Special obligation bonds	9,532,000	-	734,000	8,798,000	734,000
Net pension liability (LGERS)	871,760	480,475	-	1,352,235	-
Total OPEB liability	9,058,377	-	125,245	8,933,132	-
Total pension liability (SSA)	1,307,268	-	24,623	1,282,645	-
Compensated absences	178,714	384,913	346,145	217,482	163,111
Total	<u>\$ 93,771,719</u>	<u>\$ 52,865,388</u>	<u>\$ 5,827,821</u>	<u>\$ 140,809,286</u>	<u>\$ 5,677,235</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

At June 30, 2019, the City had no authorized, but unissued, debt and a legal debt margin of approximately \$183,994,000.

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, the Combined Enterprise System Revenue Bonds, Series 2001A and 2001B are considered defeased, and the respective liabilities for those bonds have been removed from the statement of net position. The advance refunding reduced the City's total debt service payments by \$3,042,227 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,488,000.

On October 3, 2013, the City issued \$18,245,000 in 2013 Revenue Bonds. The proceeds will be used to pay for four projects: Albemarle Water Line, Meter Exchange Project, Water Intake and Clear Well, and Irish Buffalo Creek Sewer Project.

On September 1, 2017, the City issued \$6,477,000 in 2017 Revenue Bonds. The proceeds will be used to pay for Davidson Road Water and Sudbury Road Sewer Main projects.

On January 25, 2018 the City issued \$17,400,000 in 2018 Revenue Bonds. The proceeds will be used to pay for Downtown Kannapolis water and sewer lines.

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:

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Business Type Activities – Revenue Bonds:

\$6,477,000 Enterprise System Revenue Bonds, Series 2017, due annually in amounts ranging from \$254,000 to \$445,000 through April 2037; interest rate of 3.17%	\$ 6,223,000
\$17,400,000 Enterprise System Revenue Bonds, Series 2018, due annually in amounts ranging from \$484,000 to \$1,175,000 April 1 , starting in 2019 until 2038; interest rate is 3.80%	16,916,000
\$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%	7,829,000
\$18,245,000 Enterprise System Revenue Bonds, Series 2013, due annually in amounts ranging from \$470,000 to \$1,030,000 through April 2038; interest ranging from 3.00% to 4.75%	<u>15,715,000</u>
Total	<u><u>\$ 46,683,000</u></u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,619,000	\$ 1,738,616	\$ 4,357,616
2021	2,716,800	1,645,178	4,361,978
2022	2,871,000	1,553,953	4,424,953
2023	2,961,600	1,460,856	4,422,456
2024	3,057,600	1,361,608	4,419,208
2025 - 2029	10,813,000	5,463,070	16,276,070
2030 - 2034	11,317,000	3,492,881	14,809,881
2035 - 2039	<u>10,327,000</u>	<u>1,063,476</u>	<u>11,390,476</u>
Total	<u><u>\$ 46,683,000</u></u>	<u><u>\$ 17,779,637</u></u>	<u><u>\$ 64,462,637</u></u>

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 2011, Series 2013, Series 2017 and Series 2018 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 2011, Series 2013, and Series 2017 and Series 2018 revenue bonds is to be considered in the calculation of the debt service parity coverage ratio.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The debt service parity coverage ratio calculation for the year ended June 30, 2019 is as follows:

2020 budgeted revenues	\$ 19,275,000
50% of surplus fund at June 30, 2019	441,618
2020 budgeted expenses *	<u>(9,313,782)</u>
Operating income	<u>\$ 10,402,836</u>
Debt service on parity indebtedness	\$ 5,229,139
Debt service on subordinate indebtedness	<u>420,292</u>
Total	<u>\$ 5,649,431</u>
Debt service parity coverage ratio	<u>184%</u>
2020 budgeted revenues	\$ 19,275,000
2020 budgeted expenses *	<u>(9,313,782)</u>
Operating income	<u>\$ 9,961,218</u>
Debt service on parity indebtedness	\$ 4,793,378
Debt service on subordinate indebtedness	<u>420,292</u>
Total	<u>\$ 5,213,670</u>
Debt service parity coverage ratio	<u>191%</u>

* 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 \$58,422,300 in water and sewer system revenue bonds issued in 2011, 2013, 2017 and 2018. 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 2038. Annual principal and interest payments on the bonds are expected to require about 21 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$46,683,000. Principal and interest paid for in the current year and total customer net revenues were \$4,364,599 and \$17,112,636, respectively. The taxing power of the City is not pledged for the payment of the principal or interest on the revenue bonds and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the bond order.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Business-Type Activities – Notes Payable:

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	\$ 229,900
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	235,536
2.48% note, payable in annual installments of \$15,172 beginning May 2013 through May 2032 with interest payable semi-annually, beginning November 2012 through May 2032; secured by water pump station. The note was issued by NCDENR.	197,232
1.98% note, payable in semi-annual installments ranging \$13,904 to \$\$286,104 including interest beginning June 2013 through June 2023; secured by street and stormwater improvements	1,279,527
2.08% note, payable in semi-annual installments ranging from \$64,595 to \$77,490, including interest beginning September 2013 through March 2023; secured by street and stormwater improvements	511,444
4.05% note, payable in annual installments of \$94,090, including interest beginning June 2011 through June 2025; secured by personal property	658,626
1.24% note, payable in quarterly installments of \$11,296, including interest beginning July 5, 2015 through April 5, 2020; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications	44,830
1.51% note, payable in quarterly installments of \$19,706, including interest beginning February 4, 2016 through October 4, 2021; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications	194,106
2.86% note, payable in quarterly installments of \$58,009, including interest beginning February 1, 2018 through November 1, 2022; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications	770,155
3.42% note, payable in semi-annual installments ranging from \$49,936 to \$225,467, excluding interest beginning April 1, 2018 through April 1, 2037; secured by improvements to Downtown Kannapolis and College Station	<u>3,266,436</u>
Total	<u>\$ 7,387,792</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City’s outstanding note from direct placements related to business-type activities of \$229,900 is secured by security interest in the construction of water improvements associated with the research campus. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the water improvement.

The City’s outstanding note from direct placements related to business-type activities of \$235,536 is secured by security interest in the construction of water improvements associated with Afton Run. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the water improvement.

The City’s outstanding note from direct placements related to business-type activities of \$197,232 with the North Carolina Water Pollution Control Revolving Fund. Upon the failure to pay or make timely payments, the State will withhold funds due to the City for principal and interest due.

The City’s outstanding note from direct placements related to business-type activities of \$770,155 is secured by a security interest in the trucks purchased with the loan. Upon default, the lender can enforce its security interest in the trucks, including repossession of the trucks.

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,416,124	\$ 214,791	\$ 1,630,915
2021	1,262,417	177,248	1,439,664
2022	1,139,015	142,652	1,281,667
2023	816,352	111,601	927,952
2024	334,224	92,224	426,448
2025 - 2029	1,322,280	298,629	1,620,910
2030 - 2034	703,950	136,811	840,762
2035 - 2037	393,430	26,911	420,341
Total	<u>\$ 7,387,792</u>	<u>\$ 1,200,866</u>	<u>\$ 8,588,658</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Business-Type Activities – Special Obligation Bonds

The City of Kannapolis also issued Special Obligation Bonds in 2016 for the acquisition of Downtown Kannapolis; comprising ten City Blocks and over 700,000 square feet of retail space. The City of Kannapolis pledged Sales Tax revenues to cover 100 percent of the full obligation of both principal and interest and are payable as collateral for the Special Obligation Bonds, however funds used for repayment will be any General Fund revenue. The Bonds have a stated rate of interest of 4.77 percent and are payable in equal installments of principal for fifteen years. The principal balance due at June 30, 2019 was \$8,798,000. In the event of a default, the City agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the City under this Agreement.

Annual debt service requirements to maturity for the City’s special obligations are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 734,000	\$ 402,159	\$ 1,136,159
2021	734,000	367,147	1,101,147
2022	733,000	332,159	1,065,159
2023	733,000	297,195	1,030,195
2024	733,000	262,231	995,231
2025-2029	3,665,000	786,692	4,451,692
2030-2031	1,466,000	69,928	1,535,928
Total	<u>\$ 8,798,000</u>	<u>\$ 2,517,511</u>	<u>\$ 11,315,511</u>

Business-Type Activities – Limited Obligation Bonds

The City issued \$14,900,000 in Series 2018 Limited Obligation Bonds in January 2018. \$7,000,000 is for Downtown Stormwater Capital Projects. The remaining \$7,900,000 is for Downtown Capital Projects. \$6,000,000 to renovate College Station and \$1,900,000 for Streetscape Downtown.

The City issued \$52,000,000 in Series 2018C Limited Obligation Bonds in November 2018. All funds will be used to construct the Sports and Entertainment Venue in Downtown Kannapolis.

The City’s limited obligation bonds payable at June 30, 2019 are comprised of the following individual issues:

- Series 2018B Limited Obligation Bonds, \$14,155,000
- Series 2018C Limited Obligation Bonds, \$52,000,000

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Business Type Activities – Limited Obligation Bonds:

3.62% note, payable in semi-annual installments of \$745,000, excluding interest beginning April 1, 2019 through 2038; secured by the stormwater improvements and improvements to Downtown Kannapolis	\$ 14,155,000
Payable in annual installments of \$2,600,000 excluding interest on October 1, 2020 through 2039; secured by the Sports and Entertainment Venue. Interest is payable semi-annually at rates ranging from 3.27% to 4.57%.	<u>52,000,000</u>
Total	<u><u>\$ 66,155,000</u></u>

Annual debt service requirements to maturity for the City's limited obligation bonds for business-type activities are as follows:

Year Ending	Principal	Interest	Total
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 745,000	\$ 2,652,471	\$ 3,397,471
2021	3,345,000	2,582,992	5,927,992
2022	3,345,000	2,468,923	5,813,923
2023	3,345,000	2,351,474	5,696,474
2024	3,345,000	2,231,425	5,576,425
2025 - 2029	16,725,000	9,266,430	25,991,430
2030 - 2034	16,724,998	5,881,315	22,606,313
2035 - 2039	15,980,002	2,342,540	18,322,542
2040	<u>2,600,000</u>	<u>59,410</u>	<u>2,659,410</u>
Total	<u><u>\$ 66,155,000</u></u>	<u><u>\$ 29,836,980</u></u>	<u><u>\$ 95,991,980</u></u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

3. Interfund Balances and Activity

Interfund transfers for the fiscal year ended June 30, 2019 consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 4,652,200	\$ -	
Nonmajor governmental funds:			
Transit Tax Fund	-	48,000	Operating expenditures
CDBG/Home Fund	-	5,000	Capital expenditures
Downtown Kannapolis Fund	-	4,599,200	Operating expenditures
General Fund	453,700	-	
Major enterprise funds:			
Environmental Services Fund	-	453,700	Operating expenditures
Water and Sewer Fund	1,947,436	-	
Revenue Bond 2014 Fund	-	1,687,436	Operating expenditures
Environmental Services Fund	-	260,000	Operating expenditures
Davidson Road Water Capital Project Fund	440,707	-	
Water Sewer Fund	-	440,707	Operating expenditures
Downtown Fund	175,549	-	
College Station	-	40,383	Operating expenditures
Demonstration Project Parking Deck Fund	-	135,166	Close out projects
Total	<u>\$ 7,669,592</u>	<u>\$ 7,669,592</u>	

4. Jointly Governed Organizations

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 \$3,475,502 from WSACC for the year ended June 30, 2019.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

5. 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.

6. 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.

The City's coverage is as follows:

Property	\$193,146,621 property, inland marine - equipment \$3,044,923; computer equipment/media, \$2,058,756; fine arts \$292,675; and portable equipment \$1,623,569
Impounded Auto	\$100,000 each accident
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
Automobile Liability	\$5,000,000; uni \$1,000,000
Workers' Compensation	Legal limits, \$500,000 retention
Employee Crime/Dishonesty	\$250,000 per occurrence
Employment 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
Liquor	\$1,000,000 per occurrence

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

In accordance with G.S. 159-29, the City's employees who have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Director and the Tax Collector are each individually bonded for \$50,000 and \$10,000, respectively. The remaining employees who have access to funds are bonded under a blanket bond for \$250,000.

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:

	<u>2019</u>	<u>2018</u>
Unpaid claims:		
Beginning of year - July 1	\$ 899,696	\$ 181,463
Incurred claims	3,351,386	3,545,638
Claim payments	<u>(3,876,544)</u>	<u>(2,827,405)</u>
End of year - June 30	<u>\$ 374,538</u>	<u>\$ 899,696</u>

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

	<u>2019</u>	<u>2018</u>
Unpaid claims:		
Beginning of year - July 1	\$ 1,177,610	\$ 789,292
Incurred claims	190,851	962,388
Claim payments	<u>(566,241)</u>	<u>(574,070)</u>
End of year - June 30	<u>\$ 802,220</u>	<u>\$ 1,177,610</u>

Claims typically have been liquidated in the General Fund.

7. Claims and Judgments

At June 30, 2019, 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

8. 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.

9. Net Investment in Capital Assets

The City's net investment in capital assets at June 30, 2019 is calculated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net capital assets	\$ 180,923,537	\$ 169,342,905
Total debt, gross	64,715,825	129,023,792
Less:		
Unexpended proceeds	<u>1,653,823</u>	<u>40,605,468</u>
Total capital debt	<u>63,062,002</u>	<u>88,418,324</u>
Net investment in capital assets	<u>\$ 117,861,535</u>	<u>\$ 80,924,581</u>

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Required Supplemental Financial Data

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

Special Separation Allowance – Schedule of Changes in Total Pension Liability and
Schedule of Total Pension Liability as a
Percentage of Covered Payroll

Other Post-Employment Benefits – Schedule of Changes in the Total OPEB
Liability and Related Ratios

Local Government Employees' Retirement System – Schedule of Proportionate Share of
Net Pension Liability (Asset) and
Schedule of City Contributions

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CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS**

	Special Separation Allowance		
	2019	2018	2017
Beginning balance	\$ 6,880,354	\$ 6,222,001	\$ 6,217,278
Service cost	329,181	281,075	285,670
Interest on the total pension liability	211,502	233,152	215,961
Difference between expected and actual experience in the measurement of the total pension liability	(3,831)	72,037	-
Changes in assumptions or other inputs	(291,964)	435,699	(161,019)
Benefit payments	(374,483)	(363,610)	(335,889)
Ending balance of the total pension liability	<u>\$ 6,750,759</u>	<u>\$ 6,880,354</u>	<u>\$ 6,222,001</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be displayed as it becomes available.

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS**

	Special Separation Allowance		
	2019	2018	2017
Total pension liability	\$ 6,750,759	\$ 6,880,354	\$ 6,222,001
Covered payroll	17,591,780	16,792,511	15,604,787
Total pension liability as a percentage of covered payroll	38.37%	40.97%	39.87%

Notes to Schedules:

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

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be displayed as it becomes available.

CITY OF KANNAPOLIS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TWO FISCAL YEARS

Other Post-Employment Benefits		
	2019	2018
Service cost	\$ 2,352,520	\$ 2,728,341
Interest	1,637,169	1,474,701
Differences between expected and actual experience	50,872	219,695
Changes of assumptions or other inputs	(3,401,790)	(6,426,198)
Benefit payments	<u>(1,283,419)</u>	<u>(726,438)</u>
Net change in total OPEB liability	(644,648)	(2,729,899)
Total OPEB liability - beginning	<u>46,624,001</u>	<u>49,353,900</u>
Total OPEB liability - ending	<u><u>\$ 45,979,353</u></u>	<u><u>\$ 46,624,001</u></u>
Covered payroll	\$ 15,757,086	\$ 13,974,196
Total OPEB liability as a percentage of covered payroll	291.80%	333.64%

Notes to the Required Schedules:

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

Fiscal Year	Rate
2019	3.89%
2018	3.56%

Note: The OPEB schedule in the required supplementary information is intended to show information for ten years. Additional information will be displayed as it becomes available.

CITY OF KANNAPOLIS, NORTH CAROLINA

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 LAST SIX FISCAL YEARS***

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.3000%	0.3003%	0.2851%	0.3032%	0.2992%	0.3131%
Proportion of the net pension liability (asset) (\$)	\$ 7,117,026	\$ 4,588,210	\$ 6,050,778	\$ 1,360,608	\$ (1,764,816)	\$ 3,774,057
Covered payroll	\$ 16,923,466	\$ 16,028,418	\$ 15,428,072	\$ 15,658,317	\$ 13,923,927	\$ 12,535,436
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.05%	28.63%	39.22%	8.69%	-12.67%	30.11%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Note: The pension schedules in the required supplementary information are intended to show information for ten years. Additional information will be displayed as it becomes available.

CITY OF KANNAPOLIS, NORTH CAROLINA

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 CITY OF KANNAPOLIS' CONTRIBUTIONS
 LAST SIX FISCAL YEARS

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,434,929	\$ 1,306,347	\$ 1,200,412	\$ 1,055,969	\$ 1,121,348	\$ 992,728
Contributions in relation to the contractually required contribution	<u>1,434,929</u>	<u>1,306,347</u>	<u>1,200,412</u>	<u>1,055,969</u>	<u>1,121,348</u>	<u>992,728</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,098,484	\$ 16,923,466	\$ 16,028,418	\$ 15,428,072	\$ 15,658,317	\$ 13,923,927
Contributions as a percentage of covered payroll	7.93%	7.72%	7.49%	6.84%	7.16%	7.13%

Note: The pension schedules in the required supplementary information are intended to show information for ten years.
 Additional information will be displayed as it becomes available.

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General Fund

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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year, net of refund	\$ 25,294,944	\$ 25,609,191	\$ 314,247
Prior year, net of refunds	473,550	524,220	50,670
Total	<u>25,768,494</u>	<u>26,133,411</u>	<u>364,917</u>
Other Taxes and Licenses:			
Vehicle licenses	380,000	369,723	(10,277)
Local option sales tax	9,635,000	10,357,635	722,635
Other taxes and licenses	5,000	26,831	21,831
Total	<u>10,020,000</u>	<u>10,754,189</u>	<u>734,189</u>
Unrestricted Intergovernmental:			
Franchise tax	2,716,250	2,765,942	49,692
Beer and wine	220,500	204,271	(16,229)
ABC profit distribution	100,000	88,875	(11,125)
Rowan County contribution	4,000	4,020	20
Total	<u>3,040,750</u>	<u>3,063,108</u>	<u>22,358</u>
Restricted Intergovernmental:			
"State Street-Aid" allocation	1,305,930	1,296,666	(9,264)
Controlled substance tax	-	47,072	47,072
Federal Asset Forfeiture Funds	-	8,970	8,970
NC Department of Commerce	80,000	80,000	-
NC Department of Transportation	2,394,007	2,394,007	-
TIF contribution Cabarrus County	1,512,428	1,522,960	10,532
Total	<u>5,292,365</u>	<u>5,349,675</u>	<u>57,310</u>
Sales and Services:			
Public safety fees	110,230	229,772	119,542
Rents	160,000	214,187	54,187
Other fees	681,000	725,024	44,024
Total	<u>951,230</u>	<u>1,168,983</u>	<u>217,753</u>
Investment Earnings	<u>250,000</u>	<u>756,108</u>	<u>506,108</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, 2019

	Final Budget	Actual	Variance Over/Under
Miscellaneous	1,004,595	1,264,197	259,602
Total revenues	46,327,434	48,489,671	2,162,237
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	87,047	83,797	3,250
Operating expenditures	120,236	120,346	(110)
Total	207,283	204,143	3,140
City Manager:			
Salaries and employee benefits	821,848	819,476	2,372
Operating expenditures	69,920	61,973	7,947
Total	891,768	881,449	10,319
Human Resources:			
Salaries and employee benefits	395,247	396,072	(825)
Operating expenditures	103,600	98,354	5,246
Total	498,847	494,426	4,421
Attorney:			
Salaries and employee benefits	280,703	278,790	1,913
Operating expenditures	151,335	139,617	11,718
Total	432,038	418,407	13,631
Finance:			
Salaries and employee benefits	652,070	657,820	(5,750)
Operating expenditures	266,500	255,685	10,815
Total	918,570	913,505	5,065
Information Technology:			
Contract services	465,560	465,560	-
Operating expenditures	811,974	794,675	17,299
Total	1,277,534	1,260,235	17,299

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, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
General Services:			
Salaries and employee benefits	505,803	511,024	(5,221)
Operating expenditures	971,260	924,033	47,227
Total	<u>1,477,063</u>	<u>1,435,057</u>	<u>42,006</u>
Economic Development:			
Operating expenditures	<u>3,062,871</u>	<u>3,062,107</u>	<u>764</u>
Communications:			
Operating expenditures	119,740	109,537	10,203
Capital outlay	20,260	10,330	9,930
Total	<u>140,000</u>	<u>119,867</u>	<u>20,133</u>
Non-Departmental:			
Operating expenditures	<u>481,260</u>	<u>(321,582)</u>	<u>802,842</u>
Total	<u>481,260</u>	<u>(321,582)</u>	<u>802,842</u>
Total general government	<u>9,387,234</u>	<u>8,467,614</u>	<u>919,620</u>
Public Safety:			
Police:			
Salaries and employee benefits	7,007,929	7,075,994	(68,065)
Operating expenditures	1,369,012	1,061,250	143,296
Capital outlay	130,595	15,925	114,670
Total	<u>8,507,536</u>	<u>8,153,169</u>	<u>189,901</u>
Fire:			
Salaries and employee benefits	6,754,987	6,773,650	(18,663)
Operating expenditures	1,123,650	1,085,559	38,091
Total	<u>7,878,637</u>	<u>7,859,209</u>	<u>19,428</u>
Total public safety	<u>16,386,173</u>	<u>16,012,378</u>	<u>373,795</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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Works:			
Engineering:			
Salaries and employee benefits	914,346	908,788	5,558
Operating expenditures	66,876	52,316	14,560
Contract services	<u>205,000</u>	<u>158,566</u>	<u>46,434</u>
Total	<u>1,186,222</u>	<u>1,119,670</u>	<u>66,552</u>
Streets and Highways:			
Salaries and employee benefits	781,459	760,046	21,413
Operating expenditures	1,074,200	1,033,860	40,340
Capital outlay	<u>31,194</u>	<u>31,194</u>	<u>-</u>
Total	<u>1,886,853</u>	<u>1,825,100</u>	<u>61,753</u>
Powell Bill:			
Operating expenditures	<u>1,175,500</u>	<u>573,493</u>	<u>602,007</u>
Total	<u>1,175,500</u>	<u>573,493</u>	<u>602,007</u>
Total public works	<u>4,248,575</u>	<u>3,518,263</u>	<u>730,312</u>
Community Development:			
Planning:			
Salaries and employee benefits	576,759	563,112	13,647
Operating expenditures	<u>474,050</u>	<u>173,120</u>	<u>300,930</u>
Total	<u>1,050,809</u>	<u>736,232</u>	<u>314,577</u>
Total community development	<u>1,050,809</u>	<u>736,232</u>	<u>314,577</u>
Parks and Recreation Programs:			
Salaries and employee benefits	1,312,601	1,324,508	(11,907)
Operating expenditures	<u>1,054,481</u>	<u>1,013,468</u>	<u>41,013</u>
Total	<u>2,367,082</u>	<u>2,337,976</u>	<u>29,106</u>
Stadium:			
Operating expenditures	<u>290,000</u>	<u>260,449</u>	<u>29,551</u>
Total	<u>290,000</u>	<u>260,449</u>	<u>29,551</u>
Total parks and recreation	<u>2,657,082</u>	<u>2,598,425</u>	<u>58,657</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, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal retirement	5,150,277	5,150,276	1
Interest and fees	3,277,740	3,277,740	-
Total debt service	<u>8,428,017</u>	<u>8,428,016</u>	<u>1</u>
Total expenditures	<u>42,157,890</u>	<u>39,760,928</u>	<u>2,396,962</u>
Revenues over (under) expenditures	<u>4,169,544</u>	<u>8,728,743</u>	<u>4,559,199</u>
Other Financing Sources (Uses):			
Transfers out	(5,105,900)	(5,105,900)	-
Appropriated fund balance	936,356	-	(936,356)
Total other financing sources (uses)	<u>(4,169,544)</u>	<u>(5,105,900)</u>	<u>(936,356)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,622,843</u>	<u>\$ 3,622,843</u>
Fund Balance:			
Beginning of year - July 1		<u>18,801,072</u>	
End of year - June 30		<u>\$ 22,423,915</u>	

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CITY OF KANNAPOLIS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - FIRE STATION IMPROVEMENTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 20,114	\$ 132,650	\$ 152,764
Total revenues	<u>-</u>	<u>20,114</u>	<u>132,650</u>	<u>152,764</u>
Expenditures:				
Contracted services	693,200	492,906	160,450	653,356
Capital outlay	11,344,800	1,001,871	9,034,715	10,036,586
Debt service:				
Interest and fees	<u>62,000</u>	<u>61,416</u>	<u>-</u>	<u>61,416</u>
Total expenditures	<u>12,100,000</u>	<u>1,556,193</u>	<u>9,195,165</u>	<u>10,751,358</u>
Revenues over (under) expenditures	<u>(12,100,000)</u>	<u>(1,536,079)</u>	<u>(9,062,515)</u>	<u>(10,598,594)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	11,245,000	11,100,000	-	11,100,000
Transfers in	<u>855,000</u>	<u>855,000</u>	<u>-</u>	<u>855,000</u>
Total other financing sources (uses)	<u>12,100,000</u>	<u>11,955,000</u>	<u>-</u>	<u>11,955,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 10,418,921</u>	<u>\$ (9,062,515)</u>	<u>\$ 1,356,406</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	<i>Schedule C-1</i>	<i>Schedule D-1</i>	
	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash and investments	\$ 958,130	\$ 270,302	\$ 1,228,432
Long-term receivable	174,013	-	174,013
Due from other governments	190,076	635,295	825,371
Cash and cash equivalents, restricted	<u>1,491,550</u>	<u>-</u>	<u>1,491,550</u>
 Total assets	 <u>\$ 2,813,769</u>	 <u>\$ 905,597</u>	 <u>\$ 3,719,366</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 325,956	\$ 209,671	\$ 535,627
Due to other funds	<u>97,314</u>	<u>360,909</u>	<u>458,223</u>
Total liabilities	<u>423,270</u>	<u>570,580</u>	<u>993,850</u>
 Fund Balances:			
Restricted:			
Stabilization for state statute	364,089	635,295	999,384
Restricted, all other	2,152,428	-	2,152,428
Committed	-	268,557	268,557
Unassigned	<u>(126,018)</u>	<u>(568,835)</u>	<u>(694,853)</u>
Total fund balances	<u>2,390,499</u>	<u>335,017</u>	<u>2,725,516</u>
 Total liabilities and fund balances	 <u>\$ 2,813,769</u>	 <u>\$ 905,597</u>	 <u>\$ 3,719,366</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, 2019**

	<i>Schedule C-2</i> Special Revenue Funds	<i>Schedule D-2</i> Capital Project Funds	Total
Revenues:			
Other taxes and licenses	\$ 679,888	\$ -	\$ 679,888
Restricted intergovernmental	854,175	629,254	1,483,429
Investment earnings	39	-	39
Miscellaneous revenues	-	-	-
Total revenues	<u>1,534,102</u>	<u>629,254</u>	<u>2,163,356</u>
Expenditures:			
Economic development	1,372,005	-	1,372,005
Contracted services	-	57,498	57,498
Capital outlay	-	737,645	737,645
Debt service:			
Principal retirement	50,000	-	50,000
Interest and fees	9,610	-	9,610
Total expenditures	<u>1,431,615</u>	<u>795,143</u>	<u>2,226,758</u>
Revenues over (under) expenditures	102,487	(165,889)	(63,402)
Other Financing Sources (Uses):			
Transfers in	<u>53,000</u>	<u>-</u>	<u>53,000</u>
Special item - sale of land	<u>1,277,751</u>	<u>-</u>	<u>1,277,751</u>
Net change in fund balances	1,433,238	(165,889)	1,267,349
Fund Balances:			
Beginning of year - July 1	<u>957,261</u>	<u>500,906</u>	<u>1,458,167</u>
End of year - June 30	<u>\$ 2,390,499</u>	<u>\$ 335,017</u>	<u>\$ 2,725,516</u>

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Special Revenue Funds

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, 2019

	Community Development Block Grant	Transit Tax Fund	Total
Assets:			
Cash and investments	\$ -	\$ 958,130	\$ 958,130
Long-term receivable	174,013	-	174,013
Due from other governments	190,076	-	190,076
Restricted cash	<u>1,491,550</u>	<u>-</u>	<u>1,491,550</u>
 Total assets	 <u>\$ 1,855,639</u>	 <u>\$ 958,130</u>	 <u>\$ 2,813,769</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 28,704	\$ 297,252	\$ 325,956
Due to other funds	<u>97,314</u>	<u>-</u>	<u>97,314</u>
Total liabilities	<u>126,018</u>	<u>297,252</u>	<u>423,270</u>
Fund Balances:			
Restricted:			
Stabilization for state statute	364,089	-	364,089
Restricted, all other	1,491,550	660,878	2,152,428
Unassigned	<u>(126,018)</u>	<u>-</u>	<u>(126,018)</u>
Total fund balances	<u>1,729,621</u>	<u>660,878</u>	<u>2,390,499</u>
 Total liabilities and fund balances	 <u>\$ 1,855,639</u>	 <u>\$ 958,130</u>	 <u>\$ 2,813,769</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, 2019**

	Community Development Block Grant	Transit Tax Fund	Total
Revenues:			
Other taxes and licenses	\$ -	\$ 679,888	\$ 679,888
Restricted intergovernmental	854,175	-	854,175
Miscellaneous revenue	-	-	-
Investment earnings	39	-	39
Total revenues	<u>854,214</u>	<u>679,888</u>	<u>1,534,102</u>
Expenditures:			
Current:			
Economic development	751,878	620,127	1,372,005
Debt service:			
Principal retirement	50,000	-	50,000
Interest and fees	9,610	-	9,610
Total expenditures	<u>811,488</u>	<u>620,127</u>	<u>1,431,615</u>
Revenues over (under) expenditures	42,726	59,761	102,487
Other Financing Sources (Uses):			
Transfers in (out)	<u>5,000</u>	<u>48,000</u>	<u>53,000</u>
Special item - sale of land	<u>1,277,751</u>	<u>-</u>	<u>1,277,751</u>
Net change in fund balances	1,325,477	107,761	1,433,238
Fund Balances:			
Beginning of year - July 1	<u>404,144</u>	<u>553,117</u>	<u>957,261</u>
End of year - June 30	<u>\$ 1,729,621</u>	<u>\$ 660,878</u>	<u>\$ 2,390,499</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, 2019

	Project Authorization	Actual		
		Prior Years	Current Year	Total To Date
Revenues:				
CDBG 2006	\$ 2,139,282	\$ 2,139,282	\$ -	\$ 2,139,282
CDBG 2014	325,452	325,452	-	325,452
CDBG 2016	326,534	326,534	-	326,534
CDBG 2017	341,246	231,020	110,226	341,246
CDBG 2018	336,305	-	282,173	282,173
CDBG 2019	348,206	-	54,841	54,841
CDBG 2015 Program Income	3,105	1,060	2,045	3,105
2011 HOME Program Grant	124,946	124,946	-	124,946
2013 HOME Program Grant	104,483	104,483	-	104,483
2014 HOME Program Grant	125,421	125,421	-	125,421
2016 HOME Program Grant	102,273	56,688	45,585	102,273
2017 HOME Program Grant	106,846	-	106,846	106,846
2018 HOME Program Grant	134,048	11,384	122,664	134,048
2019 HOME Program Grant	172,070	-	43,181	43,181
2011 Consortium HOME Program Income	96,834	96,833	-	96,833
2018 Consortium HOME Program Income	13,386	13,386	-	13,386
2019 Consortium HOME Program Income	13,385	-	26,771	26,771
2017 Urgent Repair Grant	50,000	50,000	-	50,000
2018 Urgent Repair Grant	100,000	-	100,000	100,000
Investment income	-	150	39	189
Total revenues	<u>4,963,822</u>	<u>3,606,639</u>	<u>894,371</u>	<u>4,501,010</u>
Expenditures:				
CDBG 2006:				
Section 108 loan payments	<u>2,139,282</u>	<u>1,754,485</u>	<u>-</u>	<u>1,754,485</u>
Total	<u>2,139,282</u>	<u>1,754,485</u>	<u>-</u>	<u>1,754,485</u>
CDBG 2014:				
Administration	65,090	65,090	-	65,090
Infrastructure improvements	104,929	29,182	35,590	64,772
Public service	48,000	48,000	-	48,000
Section 108 loan payments	67,433	67,433	-	67,433
Urgent Repair Program	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total	<u>325,452</u>	<u>249,705</u>	<u>35,590</u>	<u>285,295</u>
CDBG 2015:				
Urgent Repair Program	<u>3,105</u>	<u>150</u>	<u>2,955</u>	<u>3,105</u>
Total	<u>3,105</u>	<u>150</u>	<u>2,955</u>	<u>3,105</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, 2019

	Project Authorization	Actual		Total To Date
		Prior Years	Current Year	
CDBG 2016:				
Administration	65,300	65,300	-	65,300
Infrastructure improvements	70,000	-	69,999	69,999
Public service	48,000	48,000	-	48,000
Section 108 loan payments	64,882	64,882	-	64,882
Urgent Repair Program	57,053	57,053	-	57,053
Demolition	21,299	21,299	-	21,299
Total	<u>326,534</u>	<u>256,534</u>	<u>69,999</u>	<u>326,533</u>
CDBG 2017:				
Administration	68,200	68,200	-	68,200
Infrastructure improvements	100,766	-	76,439	76,439
Public service	50,000	50,000	-	50,000
Section 108 loan payments	62,280	62,280	-	62,280
Urgent Repair Program	30,000	30,000	-	30,000
Demolition	30,000	10,800	150	10,950
Total	<u>341,246</u>	<u>221,280</u>	<u>76,589</u>	<u>297,869</u>
CDBG 2018:				
Administration	67,261	67,261	-	67,261
Infrastructure improvements	88,089	-	-	-
Public service	44,000	41,634	2,366	44,000
Section 108 loan payments	80,955	-	59,610	59,610
Urgent Repair Program	56,000	45,783	10,127	55,910
Total	<u>336,305</u>	<u>154,678</u>	<u>72,103</u>	<u>226,781</u>
CDBG 2019:				
Administration	69,640	-	69,640	69,640
Infrastructure improvements	88,000	-	-	-
Public service	46,000	-	43,581	43,581
Section 108 loan payments	56,903	-	-	-
Urgent Repair Program	59,000	-	36,776	36,776
Demolition	28,663	-	-	-
Total	<u>348,206</u>	<u>-</u>	<u>149,997</u>	<u>149,997</u>
2011 HOME Program Grant:				
Administration	15,372	15,372	-	15,372
Construction	50,000	50,000	-	50,000
Transitional housing	136,408	124,418	-	124,418
Downpayment assistance	20,000	20,000	-	20,000
Total	<u>221,780</u>	<u>209,790</u>	<u>-</u>	<u>209,790</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, 2019**

	Project Authorization	Actual		Total To Date
		Prior Years	Current Year	
2013 HOME Program Grant:				
Administration	5,915	5,915	-	5,915
Property purchase	18,568	18,568	-	18,568
Program rehabilitation	60,000	60,000	-	60,000
Downpayment assistance	20,000	11,432	-	11,432
Total	104,483	95,915	-	95,915
2014 HOME Program Grant:				
Administration	7,099	7,098	-	7,098
Program rehabilitation	118,322	111,863	6,460	118,323
Total	125,421	118,961	6,460	125,421
2016 HOME Program Grant:				
Administration	5,789	2,797	2,993	5,790
Senior housing	96,484	63,163	33,321	96,484
Total	102,273	65,960	36,314	102,274
2017 HOME Program Grant:				
Administration	6,047	6,047	-	6,047
Senior housing	100,799	-	100,799	100,799
Total	106,846	6,047	100,799	106,846
2017 Urgent Repair Grant:				
Rehabilitation	50,000	50,000	-	50,000
Total	50,000	50,000	-	50,000
2018 HOME Program Income:				
Program rehabilitation	13,386	13,387	-	13,387
Total	13,386	13,387	-	13,387
2018 HOME Program Grant:				
Administration	18,410	5,353	7,025	12,378
Program rehabilitation	52,271	250	52,021	52,271
Senior housing	63,367	-	63,367	63,367
Total	134,048	5,603	122,413	128,016
2019 Urgent Repair Grant:				
Rehabilitation	105,000	-	102,981	102,981
Total	105,000	-	102,981	102,981

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, 2019**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
2019 HOME Program Income:				
Program rehabilitation	13,385	-	6,025	6,025
Total	13,385	-	6,025	6,025
2019 HOME Program Grant:				
Administration	9,739	-	9,739	9,739
Program rehabilitation	132,331	-	19,524	19,524
Downpayment assistance	10,000	-	-	-
Construction	20,000	-	-	-
Total	172,070	-	29,263	29,263
Total expenditures	4,968,822	3,202,495	811,488	4,013,983
Revenues over (under) expenditures	(5,000)	404,144	82,883	487,027
Other Financing Sources (Uses):				
Transfers in	5,000	-	5,000	5,000
Special item - sale of land	-	-	1,277,751	1,277,751
Net change in fund balance	\$ -	\$ 404,144	1,365,634	\$ 1,769,778
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Current year loan repayments			(40,157)	
Net change in fund balance			\$ 1,325,477	

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Vehicle license tax	\$ 760,000	\$ 679,888	\$ (80,112)
Total revenues	<u>760,000</u>	<u>679,888</u>	<u>(80,112)</u>
Expenditures:			
Contracted services	<u>808,000</u>	<u>620,127</u>	<u>187,873</u>
Revenues over (under) expenditures	(48,000)	59,761	107,761
Other Financing Sources (Uses):			
Transfers in (out)	<u>48,000</u>	<u>48,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 107,761</u>	<u>\$ 107,761</u>

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Capital Project Funds

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 six Capital Project Funds.

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

Oak Avenue Sidewalk - This fund is used to account for funds used for sidewalk improvements on Oak Avenue.

Little Texas Road Sidewalk - This fund is used to account for funds used for sidewalk improvements on Little Texas Road.

Bethpage Sidewalks - This fund is used to account for sidewalk improvements on Bethpage Road.

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CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Irish Buffalo Creek Greenway	Oak Avenue Sidewalk	Little Texas Road Sidewalk	Bethpage Sidewalks	Total
Assets:					
Cash and investments	\$ 227,258	\$ -	\$ 43,044	\$ -	\$ 270,302
Due from other governments	46,304	588,991	-	-	635,295
Due from other funds	-	-	-	-	-
Cash and cash equivalents, restricted	-	-	-	-	-
Total assets	<u>\$ 273,562</u>	<u>\$ 588,991</u>	<u>\$ 43,044</u>	<u>\$ -</u>	<u>\$ 905,597</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,745	\$ 207,926	\$ -	\$ -	\$ 209,671
Due to other funds	-	360,909	-	-	360,909
Total liabilities	<u>1,745</u>	<u>568,835</u>	<u>-</u>	<u>-</u>	<u>570,580</u>
Fund Balances:					
Restricted:					
Stabilization for state statute	46,304	588,991	-	-	635,295
Committed	225,513	-	43,044	-	268,557
Unassigned	-	(568,835)	-	-	(568,835)
Total fund balances	<u>271,817</u>	<u>20,156</u>	<u>43,044</u>	<u>-</u>	<u>335,017</u>
Total liabilities and fund balances	<u>\$ 273,562</u>	<u>\$ 588,991</u>	<u>\$ 43,044</u>	<u>\$ -</u>	<u>\$ 905,597</u>

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, 2019

	Irish Buffalo Creek Greenway	Oak Avenue Sidewalk	Little Texas Road Sidewalk	Bethpage Sidewalks	Total
Revenues:					
Restricted intergovernmental	\$ 45,998	\$ 583,256	\$ -	\$ -	\$ 629,254
Total revenues	<u>45,998</u>	<u>583,256</u>	<u>-</u>	<u>-</u>	<u>629,254</u>
Expenditures:					
Current:					
Contracted services	57,498	-	-	-	57,498
Capital outlay	8,575	729,070	-	-	737,645
Total expenditures	<u>66,073</u>	<u>729,070</u>	<u>-</u>	<u>-</u>	<u>795,143</u>
Net change in fund balances	(20,075)	(145,814)	-	-	(165,889)
Fund Balances:					
Beginning of year - July 1	<u>291,892</u>	<u>165,970</u>	<u>43,044</u>	<u>-</u>	<u>500,906</u>
End of year - June 30	<u>\$ 271,817</u>	<u>\$ 20,156</u>	<u>\$ 43,044</u>	<u>\$ -</u>	<u>\$ 335,017</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, 2019

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 2,136,000	\$ 186,439	\$ 45,998	\$ 232,437
Contributions	540,024	96,014	-	96,014
Total revenues	<u>2,676,024</u>	<u>282,453</u>	<u>45,998</u>	<u>328,451</u>
Expenditures:				
Capital outlay	3,339,668	89,714	8,575	98,289
Contract engineering	903,332	305,823	57,498	363,321
Total expenditures	<u>4,243,000</u>	<u>395,537</u>	<u>66,073</u>	<u>461,610</u>
Revenues over (under) expenditures	<u>(1,566,976)</u>	<u>(113,084)</u>	<u>(20,075)</u>	<u>(133,159)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	1,162,000	-	-	-
Transfers in	404,976	404,976	-	404,976
Total other financing sources (uses)	<u>1,566,976</u>	<u>404,976</u>	<u>-</u>	<u>404,976</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 291,892</u>	<u>\$ (20,075)</u>	<u>\$ 271,817</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - OAK AVENUE SIDEWALK
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 2,028,800	\$ 96,739	\$ 583,256	\$ 679,995
Total revenues	<u>2,028,800</u>	<u>96,739</u>	<u>583,256</u>	<u>679,995</u>
Expenditures:				
Operating expenses	8,919	8,916	-	8,916
Capital outlay	<u>2,527,081</u>	<u>111,853</u>	<u>729,070</u>	<u>840,923</u>
Total expenditures	<u>2,536,000</u>	<u>120,769</u>	<u>729,070</u>	<u>849,839</u>
Revenues over (under) expenditures	(507,200)	(24,030)	(145,814)	(169,844)
Other Financing Sources (Uses):				
Transfers in	<u>507,200</u>	<u>190,000</u>	<u>-</u>	<u>190,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 165,970</u>	<u>\$ (145,814)</u>	<u>\$ 20,156</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - LITTLE TEXAS ROAD SIDEWALK
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Proceeds from grants	\$ 2,051,200	\$ 23,868	\$ -	\$ 23,868
Total revenues	<u>2,051,200</u>	<u>23,868</u>	<u>-</u>	<u>23,868</u>
Expenditures:				
Capital outlay	<u>2,564,000</u>	<u>31,824</u>	<u>-</u>	<u>31,824</u>
Total expenditures	<u>2,564,000</u>	<u>31,824</u>	<u>-</u>	<u>31,824</u>
Revenues over (under) expenditures	<u>(512,800)</u>	<u>(7,956)</u>	<u>-</u>	<u>(7,956)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	461,800	-	-	-
Transfers in	<u>51,000</u>	<u>51,000</u>	<u>-</u>	<u>51,000</u>
Total other financing sources (uses)	<u>512,800</u>	<u>51,000</u>	<u>-</u>	<u>51,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 43,044</u>	<u>\$ -</u>	<u>\$ 43,044</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - BETHPAGE SIDEWALKS

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Proceeds from grants	\$ 648,000	\$ -	\$ -	\$ -
Total revenues	<u>648,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital outlay	810,000	-	-	-
Total expenditures	<u>810,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	(162,000)	-	-	-
Other Financing Sources (Uses):				
Transfers in	162,000	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Enterprise Funds

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 four Enterprise Funds:

Water and Sewer Fund
Stormwater Fund
Environmental Services Fund
Downtown Kannapolis Fund

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

Revenue Bonds 2014 Fund
Mooreville Road Water Main Fund
Davidson Road Water and Sudbury Road Sewer Main
Downtown Water and Sewer Infrastructure
Revenue Bonds 2020 Fund

The City maintains one separate Stormwater Capital Project Fund for accounting purposes, listed as follows:

Downtown Stormwater

The City maintains three separate Downtown Kannapolis Capital Project Funds for accounting purposes, listed as follows:

Demonstration Project Parking Deck
Sports and Entertainment Venue
Downtown Streetscape Project
College Station

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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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water and sewer charges	\$ 16,632,000	\$ 15,461,482	\$ (1,170,518)
Water and sewer taps	907,000	1,160,389	253,389
Penalties	441,000	478,407	37,407
Other	15,000	12,358	(2,642)
Total operating revenues	<u>17,995,000</u>	<u>17,112,636</u>	<u>(882,364)</u>
Non-Operating Revenues:			
Interest on investments	<u>30,000</u>	<u>162,069</u>	<u>132,069</u>
Total non-operating revenues	<u>30,000</u>	<u>162,069</u>	<u>132,069</u>
Total revenues	<u>18,025,000</u>	<u>17,274,705</u>	<u>(750,295)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	610,356	599,474	10,882
Operating expenditures	274,845	199,648	75,197
Capital outlay	26,000	23,823	2,177
Total	<u>911,201</u>	<u>822,945</u>	<u>88,256</u>
Distribution:			
Salaries and employee benefits	1,711,507	1,629,355	82,152
Operating expenditures	1,003,667	888,453	115,214
Repairs and maintenance	287,900	214,958	72,942
Capital outlay	1,117,733	456,496	661,237
Total	<u>4,120,807</u>	<u>3,189,262</u>	<u>931,545</u>
Filter Plant:			
Salaries and employee benefits	826,840	810,360	16,480
Operating expenditures	1,820,175	1,764,831	55,344
Repairs and maintenance	347,050	345,445	1,605
Capital outlay	455,004	433,522	21,482
Total	<u>3,449,069</u>	<u>3,354,158</u>	<u>94,911</u>
General Services	<u>1,765,800</u>	<u>1,765,800</u>	<u>-</u>
Sewage Treatment	<u>3,620,555</u>	<u>3,512,330</u>	<u>108,225</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal	2,800,666	2,800,665	1
Interest and fees	2,042,890	2,009,749	33,141
Total debt service	<u>4,843,556</u>	<u>4,810,414</u>	<u>33,142</u>
Total expenditures	<u>18,710,988</u>	<u>17,454,909</u>	<u>1,256,079</u>
Revenues over (under) expenditures	<u>(685,988)</u>	<u>(180,204)</u>	<u>505,784</u>
 Other Financing Sources (Uses):			
Transfers in	-	440,706	440,706
Transfers out	(1,947,436)	(1,947,436)	-
Appropriated fund balance	<u>2,633,424</u>	<u>-</u>	<u>(2,633,424)</u>
Total other financing sources (uses)	<u>685,988</u>	<u>(1,506,730)</u>	<u>(2,192,718)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,686,934)</u>	<u>\$ (1,686,934)</u>
 Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Depreciation and amortization		(2,758,552)	
Capital outlay		913,841	
Transfers in - capital projects		1,687,436	
Transfers out - capital projects		(440,706)	
Payment of debt principal		2,800,665	
Change in accrued interest		149,002	
Change in OPEB liability		86,566	
Change in compensated absences		(32,900)	
Change in deferred outflows of resources - pensions		319,028	
Change in deferred inflows of resources - pensions		(41,888)	
Change in deferred outflows of resources - OPEB		(114)	
Change in deferred inflows of resources - OPEB		(308,467)	
Change in total pension liability		16,847	
Change in net pension liability		(328,746)	
Interest from capital projects		262,234	
Contributions from developer		<u>1,152,708</u>	
Change in net position		<u>\$ 1,790,020</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - REVENUE BONDS 2014 FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Interest income	\$ 80,000	\$ 72,753	\$ 7,330	\$ 80,083
Total revenues	<u>80,000</u>	<u>72,753</u>	<u>7,330</u>	<u>80,083</u>
Expenditures:				
Capital outlay:				
Albemarle water line	10,382,512	10,382,511	-	10,382,511
Meter exchange project	6,086,759	6,086,758	-	6,086,758
Water intake and clear well	1,000,936	1,000,935	-	1,000,935
Irish Buffalo Creek sewer project	2,614,820	286,421	1,102,439	1,388,860
Debt issuance costs	132,319	99,316	-	99,316
Total expenditures	<u>20,217,346</u>	<u>17,855,941</u>	<u>1,102,439</u>	<u>18,958,380</u>
Revenues over (under) expenditures	<u>(20,137,346)</u>	<u>(17,783,188)</u>	<u>(1,095,109)</u>	<u>(18,878,297)</u>
Other Financing Sources (Uses):				
Transfers in	1,892,346	204,910	1,687,436	1,892,346
Issuance of long-term debt	<u>18,245,000</u>	<u>18,245,000</u>	-	<u>18,245,000</u>
Total other financing sources (uses)	<u>20,137,346</u>	<u>18,449,910</u>	<u>1,687,436</u>	<u>20,137,346</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 666,722</u>	<u>\$ 592,327</u>	<u>\$ 1,259,049</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - MOORESVILLE ROAD WATER MAIN FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Expenditures:				
Capital outlay	\$ 3,000,000	\$ 219,291	\$ -	\$ 219,291
Total expenditures	<u>3,000,000</u>	<u>219,291</u>	<u>-</u>	<u>219,291</u>
Revenues over (under) expenditures	<u>(3,000,000)</u>	<u>(219,291)</u>	<u>-</u>	<u>(219,291)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	3,000,000	-	-	-
Transfer in (out)	<u>-</u>	<u>-</u>	<u>219,291</u>	<u>219,291</u>
Total other financing sources (uses)	<u>3,000,000</u>	<u>-</u>	<u>219,291</u>	<u>219,291</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (219,291)</u>	<u>\$ 219,291</u>	<u>\$ -</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - DAVIDSON ROAD WATER AND
 SUDBURY ROAD SEWER MAIN
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Investment earnings	\$ 32,231	\$ 24,445	\$ 7,786	\$ 32,231
Total revenues	<u>32,231</u>	<u>24,445</u>	<u>7,786</u>	<u>32,231</u>
Expenditures:				
Capital outlay	6,068,525	5,469,400	599,125	6,068,525
Total expenditures	<u>6,068,525</u>	<u>5,469,400</u>	<u>599,125</u>	<u>6,068,525</u>
Revenues over (under) expenditures	(6,036,294)	(5,444,955)	(591,339)	(6,036,294)
Other Financing Sources (Uses):				
Issuance of long-term debt	6,477,000	6,477,000	-	6,477,000
Transfer in (out)	(440,706)	-	(440,706)	(440,706)
Total other financing sources (uses)	<u>6,036,294</u>	<u>6,477,000</u>	<u>(440,706)</u>	<u>6,036,294</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,032,045</u>	<u>\$ (1,032,045)</u>	<u>\$ -</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - DOWNTOWN WATER AND SEWER INFRASTRUCTURE
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 121,574	\$ 247,118	\$ 368,692
Total revenues	-	121,574	247,118	368,692
Expenditures:				
Capital outlay	17,400,000	6,427,050	9,212,328	15,639,378
Total expenditures	17,400,000	6,427,050	9,212,328	15,639,378
Revenues over (under) expenditures	(17,400,000)	(6,305,476)	(8,965,210)	(15,270,686)
Other Financing Sources (Uses):				
Issuance of long-term debt	17,400,000	17,400,000	-	17,400,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 11,094,524	\$ (8,965,210)	\$ 2,129,314

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - REVENUE BONDS 2020 FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Expenditures:				
Downtown Sewer Outfall	\$ 4,750,000	\$ -	\$ -	\$ -
Lane Street Water Line	3,030,709	-	237,163	237,163
High Bridge Water Line	3,000,000	-	471,142	471,142
Sludge Lagoon Dewatering	1,800,000	-	218,439	218,439
Moorseville Road Water Line	3,300,000	-	22,272	22,272
Rodgers Lake Road Bridge Water	200,000	-	-	-
Concrete Spillway	3,500,000	-	-	-
Bulk Storage Replacement	700,000	-	-	-
Debt Issuance Cost	3,500,000	-	-	-
Total expenditures	<u>23,780,709</u>	<u>-</u>	<u>949,016</u>	<u>949,016</u>
Revenues over (under) expenditures	<u>(23,780,709)</u>	<u>-</u>	<u>(949,016)</u>	<u>(949,016)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	24,000,000	-	-	-
Transfer in (out)	<u>(219,291)</u>	<u>-</u>	<u>(219,291)</u>	<u>(219,291)</u>
Total other financing sources (uses)	<u>23,780,709</u>	<u>-</u>	<u>(219,291)</u>	<u>(219,291)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,168,307)</u>	<u>\$ (1,168,307)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,023,000	\$ 2,991,457	\$ (31,543)
Total revenues	<u>3,023,000</u>	<u>2,991,457</u>	<u>(31,543)</u>
Expenditures:			
Salaries and employee benefits	811,348	747,930	63,418
Operating expenditures	569,361	636,417	(67,056)
General services	296,000	296,000	-
Capital outlay	459,975	334,808	125,167
Total	<u>2,136,684</u>	<u>2,015,155</u>	<u>121,529</u>
Debt Service:			
Principal	940,627	940,627	-
Interest	345,689	345,689	-
Total	<u>1,286,316</u>	<u>1,286,316</u>	<u>-</u>
Total expenditures	<u>3,423,000</u>	<u>3,301,471</u>	<u>121,529</u>
Revenues over (under) expenditures	(400,000)	(310,014)	89,986
Other Financing Sources (Uses):			
Appropriated fund balance	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(310,014)</u>	<u>\$ (310,014)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Depreciation and amortization		(222,255)	
Capital outlay		334,808	
Interest from capital project		72,120	
Change in interest accrued		50,380	
Change in compensated absences		(843)	
Change in OPEB liability		29,470	
Change in total pension liability		6,480	
Change in net pension liability		(126,441)	
Change in deferred outflows of resources for pensions		122,703	
Change in deferred inflows of resources for pensions		(16,111)	
Change in deferred outflows of resources - OPEB		(39)	
Change in deferred inflows of resources - OPEB		(105,010)	
Payment of debt principal		<u>940,627</u>	
Total		<u>1,085,889</u>	
Change in net position		<u>\$ 775,875</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER CAPITAL PROJECT - DOWNTOWN STORMWATER
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 35,568	\$ 72,120	\$ 107,688
Total revenues	<u>-</u>	<u>35,568</u>	<u>72,120</u>	<u>107,688</u>
Expenditures:				
Contracted services	630,000	230,928	129,470	360,398
Capital outlay	<u>6,370,000</u>	<u>323,570</u>	<u>4,484,446</u>	<u>4,808,016</u>
Total expenditures	<u>7,000,000</u>	<u>554,498</u>	<u>4,613,916</u>	<u>5,168,414</u>
Revenues over (under) expenditures	(7,000,000)	(518,930)	(4,541,796)	(5,060,726)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>7,000,000</u>	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 6,481,070</u>	<u>\$ (4,541,796)</u>	<u>\$ 1,939,274</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,200,500	\$ 3,152,622	\$ (47,878)
Miscellaneous revenue	32,300	120,903	88,603
Total revenues	<u>3,232,800</u>	<u>3,273,525</u>	<u>40,725</u>
Expenditures:			
Salaries and employee benefits	278,890	273,812	5,078
Operating expenditures	189,000	186,182	2,818
Contracted services	<u>3,446,574</u>	<u>3,080,737</u>	<u>365,837</u>
Total	<u>3,914,464</u>	<u>3,540,731</u>	<u>373,733</u>
Debt Service:			
Principal	206,290	206,290	-
Interest	<u>25,746</u>	<u>25,746</u>	<u>-</u>
Total	<u>232,036</u>	<u>232,036</u>	<u>-</u>
Total expenditures	<u>4,146,500</u>	<u>3,772,767</u>	<u>373,733</u>
Revenues over (under) expenditures	<u>(913,700)</u>	<u>(499,242)</u>	<u>414,458</u>
Other Financing Sources (Uses):			
Transfers in	713,700	713,700	-
Appropriated fund balance	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>913,700</u>	<u>713,700</u>	<u>(200,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>214,458</u>	<u>\$ 214,458</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Depreciation and amortization		(225,445)	
Change in OPEB liability		9,209	
Change in total pension liability		1,296	
Change in net pension liability		(25,288)	
Change in interest accrued		984	
Change in deferred outflows of resources pensions		24,540	
Change in deferred inflows of resources pensions		(3,223)	
Change in deferred outflows of resources - OPEB		(12)	
Change in deferred inflows of resources - OPEB		(32,815)	
Change in compensated absences		(5,025)	
Payment of debt principal		<u>206,290</u>	
Total		<u>(49,489)</u>	
Change in net position		<u>\$ 164,969</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN KANNAPOLIS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 1,021,800	\$ 764,716	\$ (257,084)
Investment earnings	-	23,710	23,710
Grant revenue	42,389	42,389	84,778
Sale of capital asset	-	439,974	439,974
Miscellaneous revenue	-	9,137	9,137
Total revenues	<u>1,064,189</u>	<u>1,279,926</u>	<u>300,515</u>
Expenditures:			
Operating expenditures	1,740,643	1,284,886	455,757
Contracted services	724,000	638,331	85,669
Capital outlay	<u>155,554</u>	<u>30,166</u>	<u>125,388</u>
Total	<u>2,620,197</u>	<u>1,953,383</u>	<u>666,814</u>
Debt Service:			
Principal	1,384,226	1,384,226	-
Interest and fees	<u>2,750,509</u>	<u>1,711,974</u>	<u>1,038,535</u>
Total	<u>4,134,735</u>	<u>3,096,200</u>	<u>1,038,535</u>
Total expenditures	<u>6,754,932</u>	<u>5,049,583</u>	<u>1,705,349</u>
Revenues over (under) expenditures	<u>(5,690,743)</u>	<u>(3,769,657)</u>	<u>1,921,086</u>
Other Financing Sources (Uses):			
Transfers in	4,599,200	4,599,200	-
Transfers (out)	(195,166)	(175,549)	19,617
Appropriated fund balance	<u>1,286,709</u>	<u>-</u>	<u>(1,286,709)</u>
Total other financing sources (uses)	<u>5,690,743</u>	<u>4,423,651</u>	<u>(1,267,092)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>653,994</u>	<u>\$ 653,994</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Capital outlay		30,166	
Depreciation and amortization		(109,124)	
Capital project expenses not capitalized		(52,154)	
Change in accrued interest		(463,011)	
Intrafund transfers		175,549	
Donation from capital projects		1,103,668	
Interest from capital projects		746,072	
Gain on sale of asset		52,306	
Loss on asset disposal		(439,972)	
Payment of debt principal		<u>1,384,226</u>	
Total		<u>2,427,726</u>	
Change in net position		<u>\$ 3,081,720</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN CAPITAL PROJECT - DEMONSTRATION PROJECT PARKING DECK
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Donations	\$ 1,103,668	\$ -	\$ 1,103,668	\$ 1,103,668
Total revenues	<u>1,103,668</u>	<u>-</u>	<u>1,103,668</u>	<u>1,103,668</u>
Expenditures:				
Contracted services	48,500	48,500	-	48,500
Capital outlay	<u>1,190,334</u>	<u>666,544</u>	<u>523,790</u>	<u>1,190,334</u>
Total expenditures	<u>1,238,834</u>	<u>715,044</u>	<u>523,790</u>	<u>1,238,834</u>
Revenues over (under) expenditures	(135,166)	(715,044)	579,878	(135,166)
Other Financing Sources (Uses):				
Transfer in (out)	<u>135,166</u>	<u>-</u>	<u>135,166</u>	<u>135,166</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (715,044)</u>	<u>\$ 715,044</u>	<u>\$ -</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN CAPITAL PROJECT - SPORTS AND ENTERTAINMENT VENUE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 734,339	\$ 734,339
Total revenues	-	-	734,339	734,339
Expenditures:				
Contracted services	3,700,000	2,512,552	638,372	3,150,924
Small equipment and tools	1,400,000	-	52,154	52,154
Capital outlay	46,900,000	61,822	17,657,940	17,719,762
Total expenditures	52,000,000	2,574,374	18,348,466	20,922,840
Revenues over (under) expenditures	(52,000,000)	(2,574,374)	(17,614,127)	(20,188,501)
Other Financing Sources (Uses):				
Issuance of long-term debt	52,000,000	-	52,000,000	52,000,000
Discount on bond issuance	-	-	(210,580)	(210,580)
Total other financing sources (uses)	52,000,000	-	51,789,420	51,789,420
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (2,574,374)	\$ 34,175,293	\$ 31,600,919

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN CAPITAL PROJECT - DOWNTOWN STREETScape PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 17,170	\$ 11,733	\$ 28,903
Total revenues	<u>-</u>	<u>17,170</u>	<u>11,733</u>	<u>11,733</u>
Expenditures:				
Capital outlay	<u>4,000,000</u>	<u>3,162,043</u>	<u>94,570</u>	<u>3,256,613</u>
Total expenditures	<u>4,000,000</u>	<u>3,162,043</u>	<u>94,570</u>	<u>3,256,613</u>
Revenues over (under) expenditures	(4,000,000)	(3,144,873)	(82,837)	(3,244,880)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>4,000,000</u>	<u>4,526,662</u>	<u>-</u>	<u>4,526,662</u>
Total other financing sources (uses)	<u>4,000,000</u>	<u>4,526,662</u>	<u>-</u>	<u>4,526,662</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,381,789</u>	<u>\$ (82,837)</u>	<u>\$ 1,281,782</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN CAPITAL PROJECT - COLLEGE STATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual		Total to Date
	Prior Years	Current Year		
Revenues:				
Investment earnings	\$ -	\$ 18,444	\$ -	\$ 18,444
Total revenues	<u>-</u>	<u>18,444</u>	<u>-</u>	<u>18,444</u>
Expenditures:				
Capital outlay	6,060,000	4,752,390	1,306,437	6,058,827
Total expenditures	<u>6,060,000</u>	<u>4,752,390</u>	<u>1,306,437</u>	<u>6,058,827</u>
Revenues over (under) expenditures	<u>(6,060,000)</u>	<u>(4,733,946)</u>	<u>(1,306,437)</u>	<u>(6,040,383)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	6,000,000	6,000,000	-	6,000,000
Transfer in (out)	60,000	-	40,383	40,383
Total other financing sources (uses)	<u>6,060,000</u>	<u>6,000,000</u>	<u>40,383</u>	<u>6,040,383</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,266,054</u>	<u>\$ (1,266,054)</u>	<u>\$ -</u>

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Additional Financial Data

This section contains additional information on property taxes and principal taxpayers.

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, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018 - 2019	\$ -	\$ 26,112,720	\$ 25,672,563	\$ 440,157
2017 - 2018	354,395	-	244,528	109,867
2016 - 2017	131,218	-	63,384	67,834
2015 - 2016	105,233	-	42,785	62,448
2014 - 2015	78,912	-	21,392	57,520
2013 - 2014	69,368	-	11,544	57,824
2012 - 2013	42,906	-	7,849	35,057
2011 - 2012	46,010	-	4,857	41,153
2010 - 2011	41,871	-	1,922	39,949
2009 - 2010	29,146	-	2,307	26,839
2008 - 2009	19,293	-	19,293	-
Total	<u>\$ 918,352</u>	<u>\$ 26,112,720</u>	<u>\$ 26,092,424</u>	938,648
Less: Allowance for uncollectible accounts				<u>511,129</u>
Ad valorem taxes receivable - net				<u>\$ 427,519</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 26,133,411
Reconciling items:				
Penalties and interest				(128,996)
Discounts				19,834
Taxes written off - state statute				19,293
Miscellaneous adjustment				<u>48,882</u>
Total collections and credits				<u>\$ 26,092,424</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2019

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 4,122,978,233	\$ 0.6300	\$ 25,974,763	\$ 23,561,955	\$ 2,412,808
Penalties	-		14,918	14,918	-
Total	<u>4,122,978,233</u>		<u>25,989,681</u>	<u>23,576,873</u>	<u>2,412,808</u>
Discoveries:					
Current year taxes	16,636,327	0.6300	104,809	104,809	-
Prior year taxes	17,934,087	0.6300	112,985	112,985	-
Penalties	-		27,515	27,515	-
Total	<u>34,570,414</u>		<u>245,309</u>	<u>245,309</u>	<u>-</u>
Releases:					
Property taxed at current year's rate	(19,180,602)	0.6300	(120,838)	(120,838)	-
Property taxed at prior year's rate	<u>(227,273)</u>	0.6300	<u>(1,432)</u>	<u>(1,432)</u>	<u>-</u>
Total	<u>(19,407,875)</u>		<u>(122,270)</u>	<u>(122,270)</u>	<u>-</u>
Total property valuation	<u>\$ 4,138,140,772</u>				
Net Levy			26,112,720	23,699,912	2,412,808
Less uncollected taxes at June 30, 2019			<u>440,157</u>	<u>440,157</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 25,672,563</u>	<u>\$ 23,259,755</u>	<u>\$ 2,412,808</u>
Percent Current Year Collected			<u>98.31%</u>	<u>98.14%</u>	<u>100.00%</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
SECONDARY MARKET DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2019**

Assessed Valuation:

Assessment Ratio (1)	<u>100.00%</u>
Real property	\$ 3,474,735,157
Personal property	572,536,247
Public service companies (2)	<u>90,869,368</u>
Total assessed valuation	<u>\$ 4,138,140,772</u>
Tax Rate per \$100	<u>0.6300</u>
Levy (includes discoveries, releases, penalties, and abatements)	<u>\$ 26,112,720</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, 2019

<u>Business</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Castle & Cooke NCRC	Real Estate	\$ 115,829,093	2.80%
Atlantic America Properties	Real Estate	86,793,600	2.10%
6200 Glen Afton, LLC	Real Estate	72,348,590	1.75%
ABC Parkway LLC	Real Estate	53,523,540	1.29%
Academy Associates Kannapolis	Real Estate	51,816,330	1.25%
Castle & Cooke LLC	Real Estate	47,904,500	1.16%
Gateway Afton Ridge, Inc	Retail	40,812,800	0.99%
Bass, Ann B	Real Estate	36,865,480	0.89%
Benbrooke Cloverleaf Partners	Real Estate	36,190,265	0.87%
Carolina Development Services, LLC	Real Estate	<u>31,112,490</u>	<u>0.75%</u>
Total		<u>\$ 573,196,688</u>	<u>13.85%</u>

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

Statistical Section

- Schedules presented in the Statistical Section may differ from financial statement schedules because they usually cover more than one fiscal year and may present non-accounting data. The Statistical Section reflects social and economic data, financial trends, and the fiscal capacity of the City.
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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 Position by Component	Table 1
Changes in Net Position	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 16

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 County Government Employees by Function	Table 17
Operating Indicators by Function	Table 18
Capital Asset Statistics by Function/Program	Table 19

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NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 112,112	\$ 103,739	\$ 104,875	\$ 105,486	\$ 110,812	\$ 115,035	\$ 110,342	\$ 115,399	\$ 116,405	\$ 117,862
Restricted	650	3,555	3,643	3,242	9,131	3,909	3,626	8,591	9,291	15,207
Unrestricted	6,242	1,424	(1,135)	640	(6,850)	(2,942)	1,750	(11,002)	(38,986)	(41,417)
Total governmental activities net position	<u>\$ 119,004</u>	<u>\$ 108,718</u>	<u>\$ 107,383</u>	<u>\$ 109,368</u>	<u>\$ 113,093</u>	<u>\$ 116,003</u>	<u>\$ 115,718</u>	<u>\$ 112,988</u>	<u>\$ 86,710</u>	<u>\$ 91,652</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 47,302	\$ 54,488	\$ 57,456	\$ 58,647	\$ 60,310	\$ 61,843	\$ 62,887	\$ 71,696	\$ 77,496	\$ 80,925
Restricted	738	3,791	-	-	-	-	-	-	-	-
Unrestricted	8,151	3,018	6,252	4,917	6,551	6,564	9,331	5,054	(1,438)	945
Total business-type activities net position	<u>\$ 56,191</u>	<u>\$ 61,297</u>	<u>\$ 63,708</u>	<u>\$ 63,564</u>	<u>\$ 66,861</u>	<u>\$ 66,304</u>	<u>\$ 72,218</u>	<u>\$ 76,750</u>	<u>\$ 76,058</u>	<u>\$ 81,870</u>
Primary government										
Invested in capital assets, net of related debt	\$ 159,414	\$ 158,227	\$ 162,331	\$ 164,133	\$ 171,122	\$ 176,879	\$ 173,229	\$ 187,095	\$ 193,901	\$ 198,787
Restricted	1,388	7,346	3,643	3,242	9,131	3,909	3,626	8,591	9,291	15,207
Unrestricted	14,393	4,442	5,117	5,557	(299)	3,621	11,081	(5,948)	(40,424)	(40,472)
Total primary government net position	<u>\$ 175,195</u>	<u>\$ 170,015</u>	<u>\$ 171,091</u>	<u>\$ 172,932</u>	<u>\$ 179,954</u>	<u>\$ 184,410</u>	<u>\$ 187,936</u>	<u>\$ 189,738</u>	<u>\$ 162,768</u>	<u>\$ 173,522</u>

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

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 6,573	\$ 2,876	\$ 8,103	\$ 7,777	\$ 9,674	\$ 5,292	\$ 744	\$ 7,325	\$ 10,748	\$ 9,492
Public safety	11,275	13,398	12,522	15,028	15,708	14,412	18,549	17,463	18,459	18,626
Public works	6,943	8,711	7,668	5,492	5,639	5,037	10,485	7,236	6,330	5,462
Community development	4,359	14,578	1,533	1,754	1,760	1,829	1,420	1,432	1,685	2,108
Parks and recreation	1,545	1,941	1,931	2,172	2,101	2,365	2,479	1,743	2,783	3,271
Interest on long-term debt	551	1,868	2,276	2,283	2,205	3,026	3,110	2,982	3,328	3,105
Total governmental activities	<u>31,246</u>	<u>43,372</u>	<u>34,033</u>	<u>34,506</u>	<u>37,087</u>	<u>31,962</u>	<u>36,787</u>	<u>38,181</u>	<u>43,333</u>	<u>42,064</u>
Business-type activities:										
Water and sewer	11,260	11,185	13,045	11,427	12,569	12,363	14,130	14,819	14,891	16,640
Stormwater	1,405	1,270	1,436	1,691	1,545	1,552	1,684	1,901	2,113	2,288
Environmental services	-	-	427	3,314	3,355	3,523	3,632	3,645	3,814	3,822
Downtown	-	-	-	-	-	-	1,630	1,561	1,639	4,207
Total business-type activities	<u>12,665</u>	<u>12,455</u>	<u>14,908</u>	<u>16,432</u>	<u>17,469</u>	<u>17,437</u>	<u>21,076</u>	<u>21,926</u>	<u>22,457</u>	<u>26,957</u>
Total primary government expenses	<u>\$ 43,911</u>	<u>\$ 55,827</u>	<u>\$ 48,941</u>	<u>\$ 50,938</u>	<u>\$ 54,556</u>	<u>\$ 49,400</u>	<u>\$ 57,863</u>	<u>\$ 60,107</u>	<u>\$ 65,790</u>	<u>\$ 69,021</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,183	\$ 2,310	\$ 2,422	\$ 2,118	\$ 87	\$ 62	\$ 94	\$ 118	\$ 155	\$ 204
Public safety	152	135	135	118	133	102	246	142	160	230
Public works	8	98	44	25	13	62	144	84	74	116
Community development	110	59	33	136	291	99	118	110	150	184
Parks and recreation	260	258	275	279	256	257	132	280	444	425
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions:										
General government	33	204	27	65	933	769	829	1,376	975	3,653
Public safety	28	602	29	970	791	212	-	92	39	56
Public works	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	104	13	68	71	85
Parks and recreation	-	-	-	-	-	-	67	-	-	-
Capital grants and contributions:										
General government	590	366	3	1,536	5,499	1,520	1,523	1,522	1,524	1,523
Public safety	128	176	382	299	2,722	-	-	-	-	-
Public works	1,508	1,481	1,731	1,468	1,264	1,572	1,590	1,324	1,316	1,880
Community development	345	958	445	358	506	686	-	355	322	2,132
Parks and recreation	32	-	-	-	-	-	457	121	66	46
Total governmental activities program revenues	<u>4,377</u>	<u>6,647</u>	<u>5,526</u>	<u>7,372</u>	<u>12,495</u>	<u>5,445</u>	<u>5,213</u>	<u>5,592</u>	<u>5,296</u>	<u>10,534</u>

Continued on next page.

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in Thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program Revenues (Continued):										
Business-type activities										
Charges for services:										
Water and sewer	12,146	13,135	13,627	13,661	14,573	13,708	16,315	15,803	17,032	17,113
Stormwater	1,398	1,472	1,504	1,671	1,699	1,773	2,449	2,372	2,941	2,991
Environmental services	-	35	631	1,264	1,274	1,609	1,932	2,366	2,534	3,274
Downtown							764	913	841	765
Operating grants and contributions:										
Downtown	-	-	-	-	-	-	-	-	100	51
Capital grants and contributions:										
Water and sewer	2,084	2,775	1,137	237	1,655	1,330	1,205	1,116	1,653	1,153
Environmental services	-	-	67	3	-	-	-	-	-	-
Downtown	-	-	-	-	-	-	-	-	-	1,103
Total business-type activities program revenues	<u>15,628</u>	<u>17,417</u>	<u>16,966</u>	<u>16,836</u>	<u>19,201</u>	<u>18,420</u>	<u>22,665</u>	<u>22,570</u>	<u>25,101</u>	<u>26,450</u>
Total primary government program revenues	<u>\$ 20,005</u>	<u>\$ 24,064</u>	<u>\$ 22,492</u>	<u>\$ 24,208</u>	<u>\$ 31,696</u>	<u>\$ 23,865</u>	<u>\$ 27,878</u>	<u>\$ 28,162</u>	<u>\$ 30,397</u>	<u>\$ 36,984</u>
Net (Expense)/Revenue										
Governmental activities	\$ (26,869)	\$ (36,725)	\$ (28,507)	\$ (27,134)	\$ (24,592)	\$ (26,517)	\$ (31,574)	\$ (32,589)	\$ (38,037)	\$ (31,530)
Business-type activities	<u>2,963</u>	<u>4,962</u>	<u>2,058</u>	<u>404</u>	<u>1,732</u>	<u>983</u>	<u>1,589</u>	<u>644</u>	<u>2,644</u>	<u>(507)</u>
Total primary government net (expense)/revenue	<u>\$ (23,906)</u>	<u>\$ (31,763)</u>	<u>\$ (26,449)</u>	<u>\$ (26,730)</u>	<u>\$ (22,860)</u>	<u>\$ (25,534)</u>	<u>\$ (29,985)</u>	<u>\$ (31,945)</u>	<u>\$ (35,393)</u>	<u>\$ (32,037)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Ad valorem taxes	\$ 18,252	\$ 18,379	\$ 18,585	\$ 19,274	19,935	21,586	23,620	24,802	25,379	26,139
Sales tax	5,309	5,218	5,698	6,212	6,486	7,341	8,168	9,246	9,561	10,358
Other taxes and licenses	797	752	786	944	1,189	946	758	685	693	1,165
Franchise tax	1,779	1,830	1,825	1,840	1,906	2,476	2,749	2,727	2,716	2,766
Unrestricted intergovernmental revenues	69	228	515	186	195	209	195	211	206	208
Investment earnings	35	32	78	113	125	193	204	299	349	889
Transfers	<u>331</u>	<u>-</u>	<u>(316)</u>	<u>548</u>	<u>(1,520)</u>	<u>(1,100)</u>	<u>(2,360)</u>	<u>(4,941)</u>	<u>(2,201)</u>	<u>(5,053)</u>
Total general revenues and transfers	<u>26,572</u>	<u>26,439</u>	<u>27,171</u>	<u>29,117</u>	<u>28,316</u>	<u>31,651</u>	<u>33,334</u>	<u>33,029</u>	<u>36,703</u>	<u>36,472</u>
Business-type activities:										
Investment earnings	140	144	36	3	45	20	13	16	309	1,266
Transfers	<u>(331)</u>	<u>-</u>	<u>316</u>	<u>(548)</u>	<u>1,520</u>	<u>1,100</u>	<u>2,360</u>	<u>4,941</u>	<u>2,201</u>	<u>5,053</u>
Total business-type activities	<u>\$ (191)</u>	<u>\$ 144</u>	<u>\$ 352</u>	<u>\$ (545)</u>	<u>1,565</u>	<u>1,120</u>	<u>2,373</u>	<u>4,957</u>	<u>2,510</u>	<u>6,319</u>
Change in Net Position										
Governmental activities	\$ 2,666	\$ (10,286)	\$ (1,336)	\$ 1,983	\$ 3,724	\$ 5,135	\$ 1,760	\$ 440	\$ (1,334)	\$ 4,942
Business-type activities	<u>2,772</u>	<u>5,106</u>	<u>2,410</u>	<u>(141)</u>	<u>3,297</u>	<u>2,103</u>	<u>3,962</u>	<u>5,601</u>	<u>5,154</u>	<u>5,812</u>
Total primary government	<u>\$ 5,438</u>	<u>\$ (5,180)</u>	<u>\$ 1,074</u>	<u>\$ 1,842</u>	<u>\$ 7,021</u>	<u>\$ 7,238</u>	<u>\$ 5,722</u>	<u>\$ 6,041</u>	<u>\$ 3,820</u>	<u>\$ 10,754</u>

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Dollars in Thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Nonspendable	\$ 403	\$ 453	\$ 35	\$ 50	\$ 53	\$ 65	\$ 220	\$ 264	\$ 128	\$ 91
Committed							46	146	237	340
Restricted	2,100	2,990	2,518	2,285	11,013	7,712	7,471	7,765	8,827	11,962
Unassigned	3,874	2,677	4,135	6,706	3,069	9,860	12,016	9,911	9,609	10,031
Total General Fund	<u>\$ 6,377</u>	<u>\$ 6,120</u>	<u>\$ 6,688</u>	<u>\$ 9,041</u>	<u>\$ 14,135</u>	<u>\$ 17,637</u>	<u>\$ 19,753</u>	<u>\$ 18,086</u>	<u>\$ 18,801</u>	<u>\$ 22,424</u>
NCRC Project Development										
Financing 2010 Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	21,431	11,336	5,692	-	-	-	-	-	-
Total NCRC Financing 2010 Fund	<u>\$ -</u>	<u>\$ 21,431</u>	<u>\$ 11,336</u>	<u>\$ 5,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pine Street Assisted Living Facility										
Restricted	\$ -	\$ -	\$ -	\$ -	2,722	-	-	-	-	-
Unassigned	-	-	-	-	(2,724)	-	-	-	-	-
Total Pine Street Assisted Living Facility	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Office/Public Safety Building										
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	(1,802)	-	-	-	-
Restricted	-	-	-	-	-	13,206	515	-	-	-
Total City Office/Public Safety Building	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,404</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire Station Improvements										
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(392)
Restricted	-	-	-	-	-	-	-	-	10,419	1,748
Total City Office/Public Safety Building	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,419</u>	<u>\$ 1,356</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	187	-	-	-
Restricted	1,999	1,036	1,124	954	5,321	1,175	1,262	1,167	1,023	3,152
Committed	-	1,250	308	3,680	93	214	218	620	440	269
Unassigned	-	-	-	-	-	(185)	(285)	(182)	(5)	(695)
Assigned	-	(396)	(224)	(29)	(29)	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,999</u>	<u>\$ 1,890</u>	<u>\$ 1,208</u>	<u>\$ 4,605</u>	<u>\$ 5,385</u>	<u>\$ 1,204</u>	<u>\$ 1,382</u>	<u>\$ 1,605</u>	<u>\$ 1,458</u>	<u>\$ 2,726</u>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Dollars in Thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Ad valorem taxes	\$17,907	\$18,235	\$18,600	\$19,032	\$ 20,243	\$ 21,728	\$ 23,809	\$ 24,859	\$ 25,435	\$ 26,134
Other taxes and licenses	6,106	5,971	6,484	7,156	7,675	8,287	8,926	9,848	10,168	11,434
Unrestricted intergovernmental revenues	1,848	2,058	2,340	2,028	2,100	2,685	2,945	3,021	3,009	3,063
Restricted intergovernmental revenues	2,322	3,635	2,129	4,247	6,784	3,976	3,570	3,508	3,272	6,833
Sales and services	1,195	912	2,101	1,767	780	594	745	744	993	1,169
Investment earnings	35	32	78	113	125	193	204	299	349	889
Miscellaneous	1,254	2,038	808	909	933	887	908	1,350	1,040	1,264
Total revenues	30,667	32,881	32,540	35,252	38,640	38,350	41,107	43,629	44,266	50,786
Expenditures:										
General Government	6,579	7,399	7,141	8,358	6,534	5,129	6,122	7,132	10,455	8,468
Public safety	10,949	11,988	11,676	13,865	13,461	15,310	15,440	15,706	17,878	16,012
Public works	5,337	6,489	5,831	3,088	3,449	4,022	4,343	4,282	4,544	3,518
Community development	731	731	1,679	1,702	1,760	1,829	1,375	1,432	1,684	2,108
Parks and recreation	1,340	1,444	4,474	1,549	1,665	1,829	1,655	2,573	2,408	2,599
Capital Outlay	3,808	13,947	10,294	3,527	4,764	21,245	11,618	2,315	1,184	9,990
Debt service:										
Principal	3,206	2,456	2,405	8,803	3,050	2,852	3,693	4,717	4,374	5,200
Interest and fees	574	1,838	1,735	2,368	2,257	2,814	3,146	2,826	3,111	3,288
Total expenditures	32,524	46,292	45,235	43,260	36,940	55,030	47,392	40,983	45,638	51,183
Excess of revenues over (under) expenditures	(1,857)	(13,411)	(12,695)	(8,008)	1,700	(16,680)	(6,285)	2,646	(1,372)	(397)
Other Financing Sources (Uses)										
Transfers from other funds	2,071	1,080	704	6,863	6,628	893	840	2,326	862	53
Transfers to other funds	(1,740)	(1,080)	(373)	(6,315)	(8,148)	(1,993)	(3,174)	(7,267)	(3,063)	(5,106)
Proceeds of installment financing	1,340	971	3,000	7,566	-	-	-	335	14,560	-
Debt service reserve	-	-	(19)	-	-	-	-	-	-	-
Capitalized interest	-	(140)	(826)	-	-	-	-	-	-	-
Payments to bondholders	-	(1,330)	-	-	-	-	-	-	-	-
Premium on long-term debt	-	789	-	-	-	2,303	-	-	-	-
Proceeds of limited obligation bonds	-	34,185	-	-	-	25,990	-	-	-	-
Total other financing sources (uses)	1,671	34,475	2,486	8,114	(1,520)	27,193	(2,334)	(4,606)	12,359	(5,053)
Special item - sale of land	-	-	-	-	-	-	-	-	-	1,278
Net change in fund balances	\$ (186)	\$ 21,064	\$ (10,209)	\$ 106	\$ 180	\$ 10,513	\$ (8,619)	\$ (1,960)	\$ 10,987	\$ (4,172)
Debt service as a percentage of noncapital expenditures	13.16%	13.28%	11.85%	28.12%	16.49%	16.77%	19.12%	19.51%	16.84%	20.61%

Note: Per GFOA, the amount of capital outlay used to calculate the ratio of total debt service expenditures to noncapital expenditures should be the same as the reconciling item for capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance.

ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies ⁽²⁾</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax Rate ⁽³⁾</u>
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
2013 ⁽¹⁾	3,090,633,951	207,389,228	64,386,561	3,362,409,740	0.560
2014	3,031,530,139	368,707,556	68,379,259	3,468,616,954	0.560
2015	3,094,058,468	419,316,615	70,827,286	3,584,202,369	0.600
2016 ⁽¹⁾	3,193,371,079	470,988,564	81,056,490	3,745,416,133	0.630
2017 ⁽¹⁾	3,318,942,258	527,476,822	83,163,104	3,929,582,184	0.630
2018	3,365,940,833	570,541,905	83,307,314	4,019,790,052	0.630
2019	3,474,735,157	572,536,247	90,869,368	4,138,140,772	0.630

Notes: ⁽¹⁾ Increases in FY 2013 and FY 2017 include Cabarrus County revaluation. Increase in FY 2012 and FY 2016 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⁾ Tax rates are per \$100 of assessed value.

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate per \$100 of Assessed Value)

	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>	<u>2013⁽²⁾</u>	<u>2014</u>	<u>2015</u>	<u>2016⁽³⁾</u>	<u>2017⁽⁴⁾</u>	<u>2018</u>	<u>2019</u>
City of Kannapolis:										
General fund	0.4900	0.4900	0.4900	0.5600	0.5600	0.6000	0.6300	0.6300	0.6300	0.6300
County Rates:										
Cabarrus	0.6300	0.6300	0.6300	0.7000	0.7000	0.7000	0.7000	0.7000	0.7000	0.7400
Rowan	0.5950	0.5950	0.6225	0.6225	0.6225	0.6625	0.6625	0.6625	0.6625	0.6575

- Notes:**
- ⁽¹⁾ Real property was revalued by Rowan County on January 1, 2011
 - ⁽²⁾ Real property was revalued by Cabarrus County on January 1, 2012
 - ⁽³⁾ Real property was revalued by Rowan County on January 1, 2015
 - ⁽⁴⁾ Real property was revalued by Cabarrus County on January 1, 2016

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2019			Fiscal Year 2010		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Castle & Cooke NCRC	Real Estate	115,829,093	1	2.80%	-	-	-
Atlantic America Properties	Real Estate	86,793,600	2	2.10%	49,880,774	3	1.44%
6200 Glen Afton, LLC	Real Estate	72,348,590	3	1.75%	-	0	-
ABC Parkway LLC	Real Estate	53,523,540	4	1.29%	-	0	-
Academy Associates Kannapolis	Real Estate	51,816,330	5	1.25%	-	0	-
Castle & Cooke LLC	Real Estate	47,904,500	6	1.16%	274,557,011	1	7.93%
Gateway Afton Ridge, Inc	Retail	40,812,800	7	0.99%	47,787,830	4	1.38%
Bass, Ann B	Real Estate	36,865,480	8	0.89%	-	-	-
Benbrooke Cloverleaf Partners	Real Estate	36,190,265	9	0.87%	-	-	-
Carolina Development Services, LLC	Real Estate	31,112,490	10	0.75%	-	-	-
Trinity of Cabarrus LTD (Shoe Show)					51,112,130	2	1.48%
BNP Paribus Leasing Corp.	Real Estate	-	-	-	44,305,730	5	1.28%
Duke Energy Corp	Utility				27,342,065	6	0.79%
Kellswater	Real Estate	-	-	-	26,792,410	7	0.77%
Dayton Hudson Corp. D/B/A Target	Retail	-	-	-	25,702,192	8	0.74%
David Murdock	Real Estate	-	-	-	17,301,192	9	0.50%
Crescent Resources LLC/Ga	Warehousing	-	-	-	14,912,800	10	0.43%
Total		\$ 573,196,688		13.85%	\$ 579,694,134		16.74%

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

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	
					Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2010	18,211,307	171,026	(192,864)	18,189,469	17,471,125	96.05%	689,195	18,160,320	99.84%
2011	18,385,221	80,004	(72,720)	18,392,505	17,638,052	95.90%	714,504	18,352,556	99.78%
2012	18,661,612	115,408	(35,161)	18,741,859	18,053,024	96.32%	647,682	18,700,706	99.78%
2013	19,281,030	197,718	(148,628)	19,330,120	18,620,309	96.33%	674,754	19,295,063	99.82%
2014	20,012,799	87,303	(83,385)	20,016,717	19,430,246	97.07%	528,647	19,958,893	99.71%
2015	21,392,417	190,276	(47,143)	21,535,550	21,050,962	97.75%	427,068	21,478,030	99.73%
2016	23,502,259	137,451	(29,535)	23,610,175	23,193,274	98.23%	(205,547)	22,987,727	97.36%
2017	24,743,633	192,065	(148,154)	24,787,544	24,421,144	98.52%	298,566	24,719,710	99.73%
2018	25,236,150	187,941	(68,744)	25,355,347	25,000,952	98.60%	79,902	25,080,854	98.92%
2019	25,989,681	245,309	(122,270)	26,112,720	25,672,563	98.31%	-	25,672,563	98.31%

Source: City of Kannapolis Finance Department

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
2010	-	0.00%	-
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-

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

⁽¹⁾ See Table 5 for total assessed value of property.

⁽²⁾ See Table 14 for population data.

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	Limited Obligation Bonds	Installment Obligations	Special Obligation Bonds	W/S Revenue Bonds	Limited Obligation Bonds			
2010	17,154,850	1,513,000	-	-	6,261,384	-	23,477,283	-	48,406,517	1,078	0.90%
2011	14,503,541	1,349,000	34,184,500	-	6,114,144	-	21,607,221	815,500	78,573,906	1,835	1.47%
2012	11,357,867	1,180,000	34,425,000	-	8,718,447	-	17,620,006	-	73,301,320	1,695	1.35%
2013	11,594,133	1,006,000	33,125,000	-	9,144,385	-	16,366,902	-	71,236,420	1,645	1.26%
2014	10,163,453	827,000	31,685,000	-	7,929,905	-	33,224,348	-	83,829,706	1,915	1.37%
2015	9,850,171	643,000	55,320,000	2,272,933	7,022,766	-	31,325,158	-	106,434,028	2,399	1.69%
2016	8,622,690	453,000	53,045,000	2,151,700	5,857,523	11,000,000	29,365,628	-	110,495,541	2,395	1.75%
2017	7,751,829	250,000	49,940,000	2,030,477	5,279,889	10,266,000	27,333,327	-	102,851,522	2,150	1.43%
2018	10,083,071	200,000	57,845,000	1,909,254	8,811,301	9,532,000	49,112,298	14,900,000	152,392,924	3,122	1.96%
2019	8,772,794	150,000	54,005,000	1,788,031	7,387,793	8,798,000	46,683,000	66,155,000	193,739,618	3,893	*

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.

* Information not yet available. Calendar year 2019 personal income not available to calculate fiscal year 2019 percentage of personal income.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2019

(Dollars in Thousands)

<u>Governmental Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Cabarrus County General Obligation Debt	57,860	16.24%	9,396
Cabarrus County COPS/LOBS	262,375	16.24%	42,610
Cabarrus County Capital Leases	3,245	16.24%	527
Rowan County General Obligation Debt	10,575	4.07%	430
Rowan County Installment Financing	50,836	4.07%	<u>2,069</u>
Subtotal, overlapping debt			55,033
City direct debt			<u>62,028</u>
Total direct and overlapping debt			<u><u>\$117,061</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.

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Dollars in Thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed Value of Property	\$ 3,706,995	\$ 3,737,493	\$ 3,791,828	\$ 3,362,410	\$ 3,468,617	\$ 3,584,202	\$ 3,745,416	\$ 3,929,582	\$ 4,019,790	\$ 4,138,141
Debt Limit, 8% of Assessed Value (Statutory Limitation)	296,560	298,999	303,346	268,993	277,489	286,736	299,633	314,367	321,583	331,051
Debt applicable to debt limitations:										
Special obligation bonds	-	-	-	-	-	-	11,000	10,266	9,532	8,798
Limited obligation bonds	-	35,000	34,425	33,125	31,685	57,593	55,197	49,940	74,654	121,948
Installment obligations	24,929	21,967	21,256	21,744	18,920	17,516	14,933	13,282	19,094	16,311
Less: Amount of bonded debt incurred for water purposes	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limitations	24,929	56,967	55,681	54,869	50,605	75,109	81,130	73,488	103,280	147,057
Legal debt margin	<u>\$ 271,631</u>	<u>\$ 242,032</u>	<u>\$ 247,665</u>	<u>\$ 214,124</u>	<u>\$ 226,884</u>	<u>\$ 211,627</u>	<u>\$ 218,503</u>	<u>\$ 240,879</u>	<u>\$ 218,303</u>	<u>\$ 183,994</u>
Total net debt applicable to the limit as a percentage of debt limit	8.41%	19.05%	18.36%	20.40%	18.24%	26.19%	27.08%	23.38%	32.12%	44.42%

Note: NC Statute GS159-55 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.

PLEGGED - REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Water and Sewer Revenue Bonds			Coverage
				Debt Service			
				Principal	Interest	Total	
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
2013	13,664,084	8,431,200	5,232,884	1,253,104	526,082	1,779,186	2.94
2014	14,618,245	8,933,072	5,685,173	1,387,555	864,802	2,252,357	2.52
2015	13,708,157	7,632,786	6,075,371	2,280,158	1,314,183	3,594,341	1.69
2016	16,314,943	9,090,114	7,224,829	1,959,530	1,148,822	3,108,352	2.32
2017	15,850,706	9,217,604	6,633,102	2,032,301	1,161,310	3,193,611	2.08
2018	15,345,180	10,740,761	4,604,419	2,098,027	1,121,971	3,219,998	1.43
2019	15,461,482	12,020,328	3,441,154	2,429,300	1,934,634	4,363,934	0.79

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.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (Dollars in Thousands)		Per Capita Personal Income ⁽²⁾		Public School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	
		Cabarrus County	Rowan County	Cabarrus County	Rowan County		Cabarrus County	Rowan County
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	6,453,148	4,111,873	35,561	29,792	5,290	9.3%	10.3%
2013	43,312	7,025,450	4,334,051	38,079	31,365	5,442	7.9%	8.8%
2014	43,782	7,301,723	4,317,017	39,000	31,210	5,554	6.0%	6.5%
2015	44,359	7,305,647	4,326,891	38,521	34,587	5,707	5.3%	6.0%
2016	46,144	7,799,648	4,779,187	39,640	34,348	5,829	5.4%	5.8%
2017	47,839	8,286,025	4,940,633	41,103	35,307	5,249	3.9%	4.3%
2018	48,806	9,085,784	5,202,978	43,920	36,994	5,375	3.7%	4.0%
2019	49,761	*	*	*	*	5,516	3.3%	4.4%

* Information not yet available.

- Notes:**
- ⁽¹⁾ The source for the 2010-2011 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
 The 2013 population was determined by estimates from the Planning Department in contact with the demographer for N.C. OSBM
 The 2014 population of 43,782 was determined by the 2012 census.
 The 2015-2019 population was estimated from the US Census Bureau
 - ⁽²⁾ Source: State of N.C. Office of State Budget and Management
 The 2012 figures were determined from the N.C. OSBM figures released late 2011
 The 2013 figures were determined from the Bureau of Economic Analysis | US Department of Commerce
 The 2014 Personal Income and Per Capita Personal Income for Cabarrus and Rowan Counties are not available as of October 2014
 The 2015 figures were determined from the Bureau of Economic Analysis | US Department of Commerce
 2016 figures were determined from Feder Reserve Bank Economic Division
 2017 figures were determined from Feder Reserve Bank Economic Division
 2018 figures were determined from Feder Reserve Bank Economic Division
 - ⁽³⁾ Kannapolis City Schools
 - ⁽⁴⁾ Source: N. C. Employment Security Commission - <https://desncc.com/PMINewsRates>
 These are County figures -- separate figures for the City of Kannapolis are not available.
 2016 unemployment rates for Cabarrus and Rowan County were determined by NC. E.S.C as of May 2016
 2017 unemployment rates for Cabarrus and Rowan County were determined by Federal Reserve Economic Research Division for June of 2017

**PRINCIPAL EMPLOYERS
Current and Ten Years Ago**

Employer	Fiscal Year 2019			Fiscal Year 2009		
	Employees	Rank	Percentage of Total Cabarrus County and Rowan County Employment	Employees	Rank	Percentage of Total Cabarrus County and Rowan County Employment
Kannapolis City Schools	1,036	1	0.64%	750	1	0.48%
Shoe Show	903	2	0.56%	700	2	0.45%
Cabarrus County Schools	492	3	0.30%	468	3	0.30%
Wayne Brothers	515	4	0.32%	-	-	-
City of Kannapolis	365	5	0.22%	353	4	0.23%
Stewart-Haas Racing LLC	369	6	0.23%	-	-	-
North Carolina Research Campus	301	7	0.19%	-	-	-
Target	242	8	0.15%	227	6	0.14%
Cabarrus Health Alliance	234	9	0.14%	252	5	0.16%
Stanley Works	231	10	0.14%	225	7	0.15%
Food Lion	-	-	-	214	8	0.14%
Rowan Cabarrus Community College	-	-	-	130	10	0.08%
Kannapolis Health Care	-	-	-	155	9	0.10%
Total	4,688		2.89%	3,319		2.22%

Source: For 2009, used Labor Force data from 6/30/09 CAFR.
For 2019, used Labor Force data from N.C. ESC, Cabarrus County Economic Development Corporation, and Cabarrus County Schools telephone inquiries and the Salisbury Post

PROPERTY VALUES AND CONSTRUCTION
Last Ten Fiscal Years

Fiscal Year Ended June 30	New Construction				Total Value Of New Construction	Total Additions And Alterations	Total Value Of New Construction And Additions
	Commercial Construction		Residential Construction				
	Number of Units	Value	Number of Units	Value			
2019	34	37,660,961	283	39,253,207	76,914,168	93,464,274	170,378,442
2018	87	125,834,874	315	45,676,825	171,511,699	7,556,150	179,067,849
2017	94	40,679,619	321	35,912,500	76,592,119	6,735,024	83,327,143
2016	81	57,578,745	305	45,456,760	103,035,505	11,296,388	114,331,893
2015	41	65,320,262	292	43,319,992	108,640,254	11,901,231	120,541,485
2014	54	22,521,075	298	41,005,304	63,526,379	11,714,672	75,241,051
2013	41	22,997,714	287	24,471,966	47,469,680	9,821,608	57,291,288
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

Source:

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	30	29	29	28	21 ⁽¹⁾	31	40 ⁽²⁾	41	43	43
Public safety	168	167	165	187	197	192	196	201	206	206
Public works admin and engineering	6	6	6	7	9	9	9	9	9	10
Parks and recreation	-	-	-	-	10 ⁽¹⁾	11	8	9	10	10
Streets and sign shops	11	11	9	8	11	8	12	12	13	13
Stormwater	12	13	13	13	13	13	13	16	16	16
Environmental	1	1	1	1	1	1	1	0	4 ⁽³⁾	4
Water - Sewer billing and collections	5	6	6	7	9	7	7	8	8	8
Water - Sewer distribution	27	27	26	27	28	28	29	29	29	31
Water treatment plant	10	10	10	10	10	10	11	11	11	14
Total	270	270	265	288	309	310	326	336	349	355

Source: 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.

- ⁽¹⁾ The decrease from the prior period in 2013 was due to parks and recreation employees not included in general government. The parks and recreation employees are included in a separate function/program.
- ⁽²⁾ Data shows that in 2016 the City implemented a new division for General Services.
- ⁽³⁾ The City hired staff for limb and leaf collection instead of outsourcing the services.

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Collection rate for city taxes	96.05%	95.90%	96.32%	96.33%	97.07%	97.37%	98.23%	98.52%	98.60%	98.31%
Applications for employment processed	1,521	1,851	1,408	1,554	1,467	1,367	1,419	1,912	1,845	1,834
Hiring rate	5.30%	3.67%	3.27%	4.40%	2.65%	2.12%	8.97%	3.30%	2.39%	2.67%
Parks and Recreation:										
Concerts presented by the City	15	14	12	14	19	19	19	22	23	24
Shelter reservations	973	1029	943	911	1580	956	1021	1528	1565	1601
Police:										
Homicide and death investigations	12	7	13	55	53	61	71	64	100	96
Assault investigations	66	66	70	34	39	38	49	42	48	47
Fire:										
Response to all in City incidents within six minutes	90%	4849	4274	90%	83.8%	80.7%	79.0%	85.0%	82.0%	80.0%
Average response time (minutes) for fire calls	NA	NA	NA	3:49	4:46	4:20	4:19	3:25	3:31	3:19
Number of fire inspections for businesses	1,136	1,280	1,550	682	1,420	1,689	5,946	1,058	687	234
Storm water:										
Shoulder work and ditches cleared (miles)	4.50	4.00	9.00	4.00	4.5	7.8	3.9	1.4	2.1	3.1
Drainage structures (repaired & constructed)	28	31	54	31	45	46	16	31	37	29
Streets And Sign Shop:										
Reconstruction resurfacing (miles)	0.00	0.36	2.83	1.52	3.20	3.65	3.65	3.84	2.94	3.16
Pavement repairs (including potholes)	1,526	1,538	935	1,242	1,654	4,615	7,370	7,370	5,322	6,387
Street name signs installed or repaired	154	126	202	760	358	182	218	218	239	316
Information signs installed or repaired	332	268	466	638	1,060	1,794	1,740	1,740	1,520	1,856
Water Sewer Distribution:										
Water services installed	32	35	39	54	53	46	46	93	150	215
Sewer services installed	21	4	11	11	55	15	10	54	127	189

Continued on next page.

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Treatment Plant:										
Total water treated (per billion gallons)	1.270	1.210	1.230	1.305	1.424	1.100	1.550	1.410	1.290	1.360
Unit cost of treatment (\$/1,000 Gal)	1.670	1.610	1.670	1.358	1.461	1.510	1.490	1.490	1.340	1.360
Water Sewer Billing Collections:										
Average number of walk in customers	6,543	6,662	6,900	6,221	6,145	6,527	6,421	4,180	6,325	3,465
Water and Sewer collection percentage	97.00%	97.30%	98.80%	97.63%	98.76%	98.00%	97.69%	97.57%	97.80%	98.20%

Sources: Various County departments.

- NOTES:** ⁽¹⁾ Data is calendar year
⁽²⁾ Data is average per month
 NA Data not available

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Parks and recreation:										
Park facilities	8	8	8	9	8	8	8	8	8	8
Acreage	114	114	114	114	114	114	128	172	172	172
Picnic shelters	15	15	15	15	15	15	15	15	15	15
Softball fields	3	3	3	4	4	4	4	4	4	4
Playgrounds	5	6	6	7	7	7	7	7	7	7
Soccer fields	1	1	1	1	1	1	1	1	1	1
Fire Protection:										
Stations	5	5	5	5	5	5	5	5	5	5
Fire trucks (pumper)	10	10	10	10	9	8	8	8	9	9
Fire trucks (ladder)	2	2	2	2	2	2	2	2	3	3
Police:										
Patrol cars	66	69	65	56	57	59	60	66	66	66
Total police vehicles	106	107	102	104	103	104	109	114	114	114
Streets:										
Miles of streets	224	225	226	226	227	227	227	232	232	232
Water:										
Miles of water mains	326	325	330	329	320	324	324	335	335	335
Wastewater:										
Miles of sanitary sewers	315	325	318	317	325	316	317	325	325	325
Treatment capacity ⁽¹⁾	15	15	15	15	27	25	26	27	27	27

Sources: Various City departments.

⁽¹⁾ Data is by Million Gallons (MG)

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Compliance Section

- 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*
 - Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance In Accordance With Uniform Guidance And The State Single Audit Implementation Act
 - Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance In Accordance With Uniform Guidance And The State Single Audit Implementation Act
 - Schedule of Findings, Responses, and Questioned Costs
 - Schedule of Prior Year 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

Independent Auditor's Report

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

We have audited, in accordance with the 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kannapolis' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kannapolis' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kannapolis' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kannapolis' financial statements are free from material misstatement, we performed tests of its compliance 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 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 21, 2019

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Kannapolis, North Carolina's compliance with the types of compliance requirements described in the OMB *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 the City of Kannapolis' major federal programs for the year ended June 30, 2019. The City of Kannapolis' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kannapolis' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kannapolis' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Kannapolis complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Kannapolis is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kannapolis' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 of Kannapolis' 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, in internal control over compliance, such that there is 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 21, 2019

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Kannapolis, North Carolina's compliance with the types of compliance requirements described in 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 the City of Kannapolis' major state programs for the year ended June 30, 2019. The City of Kannapolis' major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kannapolis' major state programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 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 on compliance for each major state program. However, our audit does not provide a legal determination of the City of Kannapolis' compliance.

Opinion on Each Major State Program

In our opinion, the City of Kannapolis complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Kannapolis is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kannapolis' internal control over compliance with the types of requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 of Kannapolis' 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 21, 2019

CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
---------------------	---------------

Highway Planning and Construction	20.205
-----------------------------------	--------

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee? Yes

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

1. Summary of Auditor's Results (continued):

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance
for major state programs Unmodified

Any audit findings disclosed that are required
to be reported in accordance with the State Single
Audit Implementation Act? No

Identification of major state programs:

Program Name

Kannapolis Logistics Center - DOT-18

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

1. Financial Statements Findings

None reported.

2. Federal Award Findings and Questioned Costs

None reported.

3. State Award Findings and Questioned Costs

None reported.

CITY OF KANNAPOLIS, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients Expenditures
U.S. Department of Housing and Urban Development:					
Office of Community Planning and Development					
Direct Program:					
CDBG Entitlement Grants Cluster					
2014 Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-37-0017	\$ 75,747	\$ -	\$ -
2016 Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-37-0017	69,999	-	2,955
2017 Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-37-0017	76,589	-	-
2018 Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-37-0017	69,737	-	2,366
2019 Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-37-0017	106,416	-	43,581
Total CDBG Entitlement Grants Cluster			<u>398,488</u>	<u>-</u>	<u>48,902</u>
Passed Through City of Concord					
2014 Home Investment Partnership Program	14.239	M-14-DC-370209	6,460	-	-
2016 Home Investment Partnership Program	14.239	M-16-DC-370209	36,314	-	-
2017 Home Investment Partnership Program	14.239	M-17-DC-370209	100,799	-	-
2018 Home Investment Partnership Program	14.239	M-18-DC-370209	122,413	-	-
2019 Home Investment Partnership Program	14.239	M-19-DC-370209	29,263	-	-
2019 Home Investment Partnership Program - Program Income	14.239	M-19-DC-370209	6,025	-	-
Total Home Investment Partnership Program			<u>301,274</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>699,762</u>	<u>-</u>	<u>48,902</u>
U.S. Department of Justice:					
Equitable Sharing Program	16.922		8,970	-	-
Total U.S. Department of Justice			<u>8,970</u>	<u>-</u>	<u>-</u>
U.S. Department of Transportation:					
Federal Highway Administration:					
Passed Through NC Department of Transportation:					
Highway Planning and Construction Cluster					
Congestion Mitigation and Air Quality	20.205	41124.3.FD1	629,254	-	-
Total Highway Planning and Construction Cluster			<u>629,254</u>	<u>-</u>	<u>-</u>
Total Assistance - Federal Awards			<u>1,337,986</u>	<u>-</u>	<u>-</u>
State Awards:					
N.C. Department of Transportation:					
Powell Bill			-	573,493	-
N.C. Housing Finance Agency					
Urgent Repair Program Grant			-	102,981	-
N.C. Department of Commerce					
N. C. Biotechnology Center		2019-EDA-3705	-	80,000	-
N.C. Department of Transportation					
Last Mile Connectivity		WBS:32218	-	42,389	-
Kannapolis Logistics Center - DOT 18		TIP# U-6098	-	2,394,007	2,394,007
Total N.C. Department of Transportation			<u>-</u>	<u>2,436,396</u>	<u>2,394,007</u>
Total Assistance - State Awards			<u>-</u>	<u>3,192,870</u>	<u>2,394,007</u>
Total Federal and State Awards			<u>\$ 1,337,986</u>	<u>\$ 3,192,870</u>	<u>\$ 2,442,909</u>

Notes to the Schedule of Federal and State Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Kannapolis under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Kannapolis, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Kannapolis.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

City of Kannapolis has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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