

**CITY OF KANNAPOLIS
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

**CITY OF KANNAPOLIS
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

Prepared by:
Finance Department

Finance Director
Eric Davis

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CITY OF KANNAPOLIS, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

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Introductory Section

- Letter of Transmittal
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 - Organizational Chart
 - List of Principal Officials
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KANNAPOLIS

Finance

November 21, 2014

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, 2014, 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 2014.

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, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Kannapolis's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE CITY

The City of Kannapolis is located in the north central portion of Cabarrus County, North Carolina and south central portion of Rowan County. These Counties are located in the east central part of the Metrolina Urban Region. The City, incorporated on December 11, 1984, covers an area of approximately 31 square miles. The approximate population is 43,000 and the assessed valuation for property tax purposes of \$3,568,616,854. The City is located approximately twelve miles northeast of the City of Charlotte, North Carolina, and abuts the City of Concord, North Carolina and is one of six incorporated municipalities in Cabarrus County and one of ten incorporated municipalities in Rowan County.

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

The City provides its citizens with a wide range of services that include law enforcement, fire protection, planning and zoning, recreation, street and storm drainage maintenance, water and sewer, a bus transit system, street lighting, traffic engineering, 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 request for appropriations to the City Manager no later than April 30 each year. These requests are used as a starting point for developing a proposed budget. The City Manager presents the proposed budget no later than June 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30. Budgets are legally enacted by adoption by the governing board of an Annual Budget Ordinance or a Project Ordinance. The Annual Budget Ordinance and Project Ordinances may be formally amended as required by the governing board within the guidelines of the Local Government Budget and Fiscal Control Act. Changes of functions and total budgets of any fund require approval of the governing board. The City Manager is authorized to reallocate functional or departmental appropriations, as he considers necessary, and to affect interdepartmental transfers within a fund. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. A Project Ordinance is used to establish a budget for a project that extends over more than one fiscal year. Project length budget to actual comparisons for each governmental fund for which a project length budget has been adopted is also included in this report.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

The North Carolina Research Campus "*NCRC*" is the vision of David H. Murdock who owns a diversified conglomerate of businesses, including Dole Food Company, Inc., Flexi-Van Leasing, Inc. and Castle & Cooke Building Materials, LLC. Mr. Murdock owns a significant amount of property in the City dating back to his ownership of Cannon Mills (which he sold) in the early 1980's. The NCRC is being developed largely through Castle & Cooke North Carolina, LLC, wholly-owned and managed by Castle & Cooke Holdings, Inc. and owned by Mr. Murdock. Mr. Murdock has created a multi-purpose campus that houses state-of-the-art research equipment, research space and laboratory space that brings together researchers and scientists from the public and private sector to collaborate on advancements in biotechnology, nutrition and health. Three facilities are open and operating on the NCRC, including the David H. Murdock Core Laboratory (the "*Core Lab*"), the Plants for Human Health Building and the Nutrition Research Building. The Core Lab is the centerpiece of the NCRC and houses the David H. Murdock

Research Institute as a provider of advanced research technologies to academic, government and industry scientists, including specialized high-tech equipment such as a 950-megahertz nuclear magnetic resonance spectrometer that has the highest commercially available magnetic field strength currently available in the world. Duke University is managing the M.U.R.D.O.C.K. Study (a large-scale project studying the long-term health of County citizens). The Plants for Human Health Building houses researchers and staff of Dole Foods, North Carolina State University and Appalachian State University. The Nutrition Research Building houses researchers and staff of The University of North Carolina at Chapel Hill, The University of North Carolina at Greensboro, North Carolina A&T State University and North Carolina Central University. Private sector partners include Angiogen, Anatomics, Bio-Marker group, Dole Nutrition Institute, General Mills, Monsanto, RedHat, and Sensory Spectrum. In 2012, the US Food and Drug Administration began operations on the campus. The NCRC is considered an area of approximately 283 acres located in the downtown area of the City. There are a number of additional public and private investments either completed, or planned on the NCRC in the future. First, a 60,000 square foot medical office building opened in the spring of 2013, offering medical services to patients of the Carolinas Medical Center (CMC) system. Second, in the summer of 2013, a 50,000 square foot data storage center was formalized to be built on the north end of the NCRC, with construction starting in November of 2013. These projects will continue to re-establish the aggressive development plans for the NCRC that were stalled during the now recovering downturn in the economy.

To assist with the development of the NCRC campus, the City of Kannapolis issued \$35 million in Limited Obligation Bonds in December of 2010. The proceeds of the 2010 Bonds have been used to finance numerous infrastructure projects such as water, sewer, and storm water lines, as well as various street improvements and the construction of a multi-tiered parking deck. Citizens can also see improvements such as a pedestrian tunnel that links the research campus to the City of Kannapolis' premier recreational space; Village Park. The funds were also used to construct and equip a new, state-of-the-art, 63,000 square foot public health facility located adjacent to the research campus on Dale Earnhardt Boulevard. This facility is operated by the Cabarrus Health Alliance, and serves as a model of service delivery for other health departments across the country. On Memorial Day of 2013, the City opened a renovated and upgraded veterans' memorial park on the grounds of the research campus. This park; containing a beautiful water feature and eternal flame, honors all residents of Cabarrus and Rowan County who died during active military service.

In October of 2013, the City of Kannapolis broke ground on a 100,000 square foot; \$32 million dollar; City Hall/Police Headquarters. This new building is being funded by a combination of \$5 million dollars of Limited Obligation Bonds issued in 2010 and \$27 million of Limited Obligation Bonds that were issued in the spring of 2014. The City Hall/Police Headquarters will be a 100 year building outfitted with the latest technology to serve its citizens into the foreseeable future. The building will also include approximately 10,000 square feet of public meeting space; available to citizens and companies in Kannapolis. The building design will be modeled after other campus-style buildings already located on the NCRC, such as the Core Lab.

Despite the economic slowdown in the Nation's economy, the City of Kannapolis is poised for continued growth and development as evidenced by the construction of the North Carolina Research Campus and the development and /or expansion of over 40 residential sub-divisions in

the City with plans to build approximately 6500 new homes and apartments in Kannapolis within the next decade.

LONG TERM FINANCIAL PLANNING

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kannapolis, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2013. 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

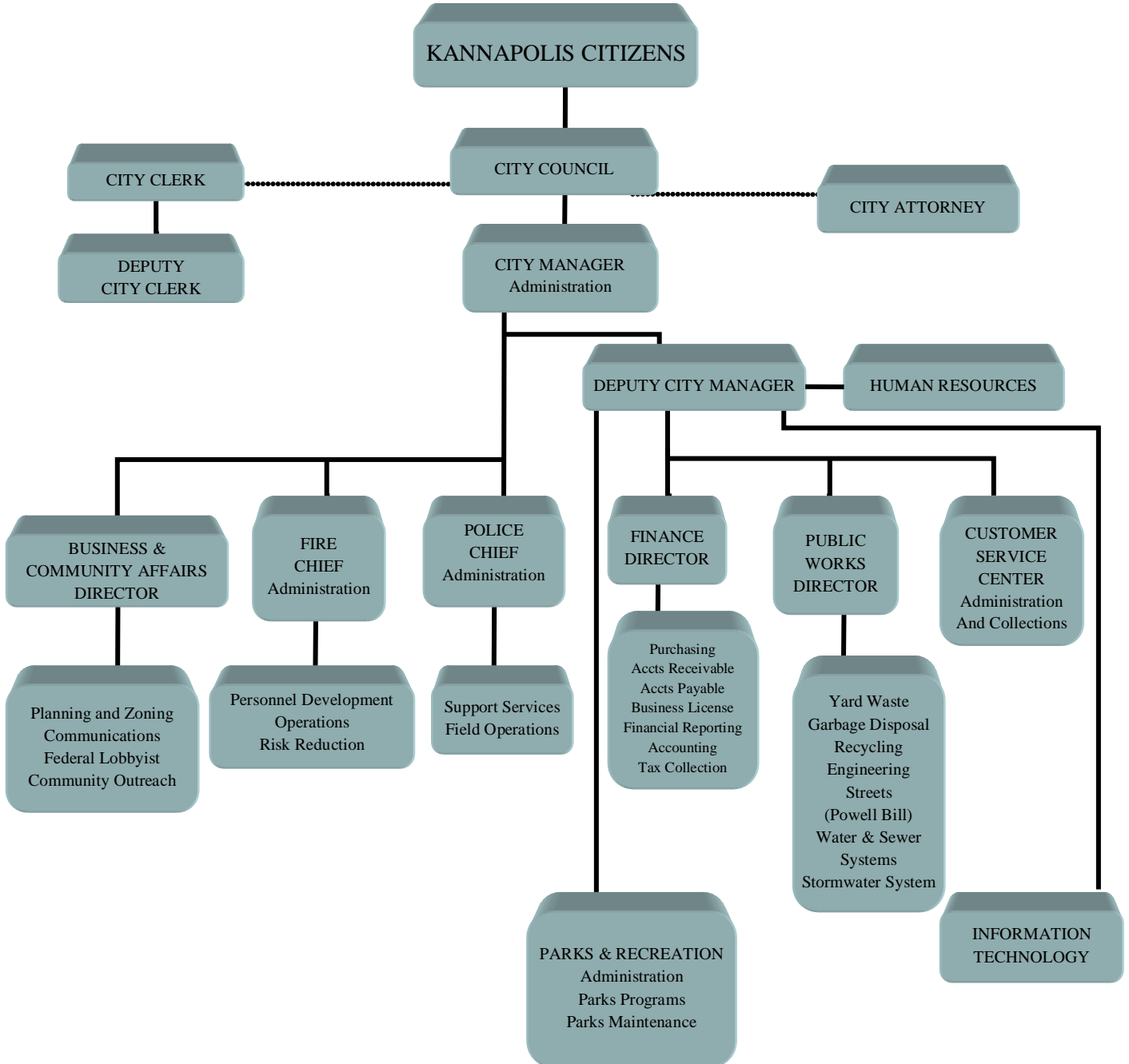
**City of Kannapolis
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Kannapolis, North Carolina Organizational Chart



**CITY OF KANNAPOLIS
NORTH CAROLINA**

MAYOR AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

M. Darrell Hinnant – Mayor

Roger D. Haas – Mayor Pro-tem

Ryan G. Dayvault – Council Member Tom Kincaid – Council Member

Dianne Berry – Council Member Darrell Jackson – Council Member

Doug Wilson – 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 Resource 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, 2014, 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 of 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 *Governmental Auditing Standards*, issued by the Comptroller 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express 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, 2014, 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 Law Enforcement Officers', and the Other Post-Employment Benefits and Special Separation Allowance Schedules of Funding Progress and Employer Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 United States Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* 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 November 21, 2014 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 to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kannapolis' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 21, 2014

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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, 2014. We encourage readers to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Kannapolis exceeded its liabilities at the close of the fiscal year by \$179,953,796 (*net position*).
- The government's total net position increased by \$7,021,269, due to increases in both the governmental activities 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 \$19,517,897, with a net change of \$180,165 in fund balance. Approximately 98% of this total amount, or \$19,109,190, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,069,182.
- The City of Kannapolis' total debt increased \$12,593,287, or 18%, during the current fiscal year. The key factor in this increase was the water and sewer revenue bonds to fund four different projects: Albemarle Water Line Project, Meter Exchange Project, Water Intake and Clear Well, and Irish Buffalo Creek Sewer Project.
- The City holds the following underlying bond ratings:

Water and Sewer Revenue Bonds

Moody's	A2
Standard & Poor's	A+

Limited Obligation Bonds

Moody's	Aa3
Standard & Poor's	A+

Issuer Credit Rating

Standard & Poor's	AA-
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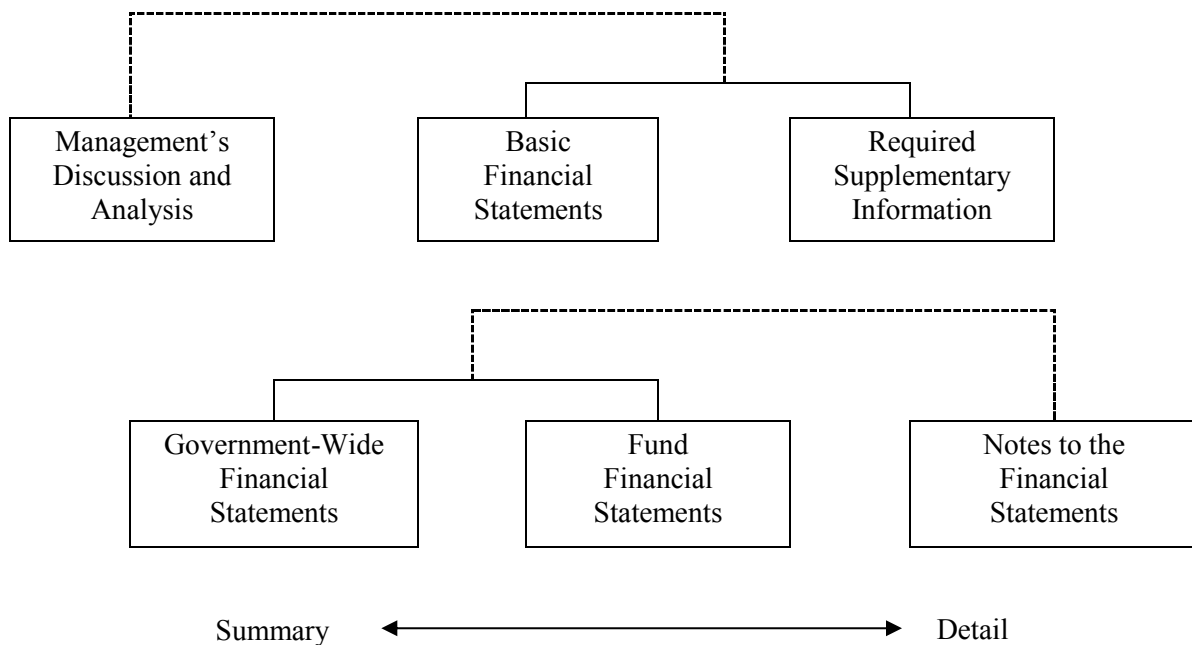
- Since the City approved a variety of financial policies in the spring of 2012, Kannapolis has worked hard to follow these policies in order to ensure financial success and good standing. Fiscal year 2013 was the first year of the newly implemented 10-year financial plan. This plan included several revenue increases that are vital to the successful implementation of this plan. Each increased revenue stream can be directly tied to specific capital investments in Kannapolis' future. Some of the core principals of the financial plan are: the elimination of one-time revenues being used to finance ongoing City operations and the reliance of more user fees instead of property taxes. These fee increases include stormwater and environmental fees. Finally, the City has incorporated a plan in order to achieve a goal of having each enterprise fund be self-supporting from its own rate structure, rather than be reliant on transfers from other funds.

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

The financial statements also include **Notes** that explain some of the information in the financial statements and provide more detailed data. Following the notes is the section of **Required Supplemental Information** and a section of **Supplementary Information** – 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 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 and stormwater operations.

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and the balances left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which 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 eleven 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 Pine Street Assisted Living Facility 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, and recycling operations. 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, environmental services, and stormwater operations and recycling operations, 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.

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

The basic fiduciary fund financial statements are on Exhibits J and K, pages 38 and 39 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 40 through 78 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 79 and 80 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 81 through 103 of this report for the City's governmental funds and on pages 104 through 112 for the City's enterprise funds.

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 (96%) 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 \$9,130,510 and (\$2,529,514), 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	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 23,960,723	\$ 23,887,479	\$ 22,037,655	\$ 9,566,364	\$ 45,998,378	\$ 33,453,843
Capital assets	<u>145,792,272</u>	<u>142,706,679</u>	<u>91,926,332</u>	<u>82,776,481</u>	<u>237,718,604</u>	<u>225,483,160</u>
Total assets	<u>169,752,995</u>	<u>166,594,158</u>	<u>113,963,987</u>	<u>92,342,845</u>	<u>283,716,982</u>	<u>258,937,003</u>
Liabilities:						
Long-term liabilities						
outstanding	49,397,500	49,960,535	40,316,971	24,528,845	89,714,471	74,489,380
Other liabilities	<u>7,242,455</u>	<u>7,223,644</u>	<u>6,786,040</u>	<u>4,249,831</u>	<u>14,028,495</u>	<u>11,473,475</u>
Total liabilities	<u>56,639,955</u>	<u>57,184,179</u>	<u>47,103,011</u>	<u>28,778,676</u>	<u>103,742,966</u>	<u>85,962,855</u>
Deferred Inflows of Resources						
	<u>20,220</u>	<u>41,621</u>	-	-	<u>20,220</u>	<u>41,621</u>
Net Position:						
Net investment						
in capital assets	113,042,845	105,486,089	60,309,954	58,647,480	173,352,799	164,133,569
Restricted	9,130,511	3,242,761	-	-	9,130,511	3,242,761
Unrestricted	<u>(9,080,536)</u>	<u>639,508</u>	<u>6,551,022</u>	<u>4,916,689</u>	<u>(2,529,514)</u>	<u>5,556,197</u>
Total net position	<u>\$ 113,092,820</u>	<u>\$ 109,368,358</u>	<u>\$ 66,860,976</u>	<u>\$ 63,564,169</u>	<u>\$ 179,953,796</u>	<u>\$ 172,932,527</u>

The City's total net position increased by 7,021,269, while unrestricted net position decreased this fiscal year by \$8,085,711. This was due to an increase in restricted net position and net investment in capital assets. Several particular aspects of the City's financial operations positively influenced the total net position:

- The City received a land donation valued at \$4,023,000 to build a new City hall and public safety headquarters.
- The City's due from other governments increased \$2,820,440, primarily due to \$2,772,218 in grants receivable for the Pine Street Assisted Living Facility Fund. This increased the Restricted – Stabilization for State Statue in both the General Fund and Pine Street Assisted Living Facility Fund.
- The City closed the NCRC Project Development Financing Bonds Series 2010 Fund. This transferred the \$3,580,482 Debt Service Fund to the General Fund. This also increased the restricted net position balance.

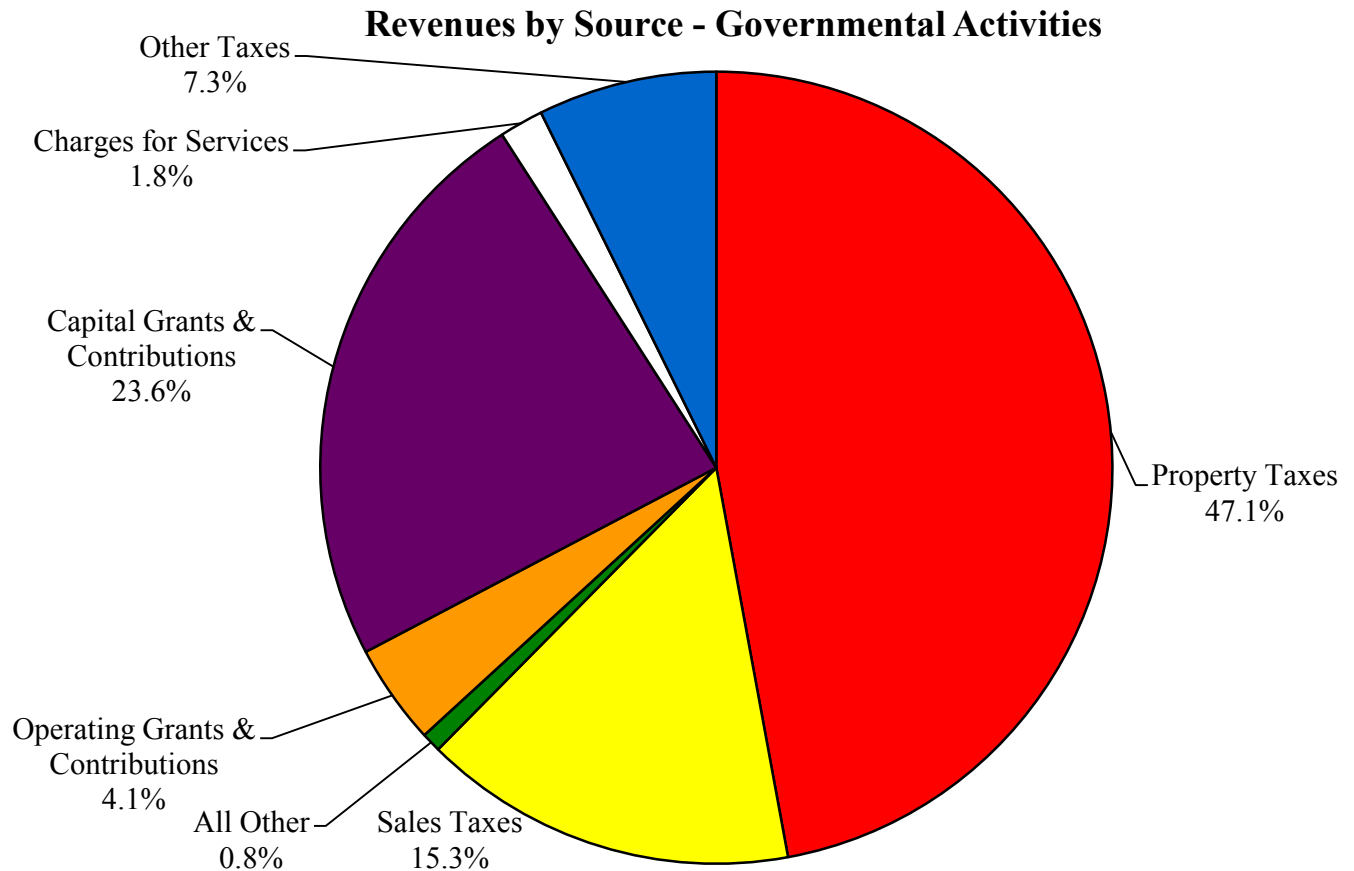
City of Kannapolis' Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 780,041	\$ 1,488,883	\$ 17,545,955	\$ 16,597,322	\$ 18,325,996	\$ 18,086,205
Operating grants and contributions	1,724,272	1,035,916	-	-	1,724,272	1,035,916
Capital grants and contributions	9,991,341	3,659,991	1,655,040	236,706	11,646,381	3,896,697
General revenues:						
Property taxes	19,934,915	19,273,552	-	-	19,934,915	19,273,552
Other taxes	9,580,896	8,996,916	-	-	9,580,896	8,996,916
Other revenues	320,348	299,737	45,109	2,851	365,457	302,588
Total revenues	42,331,813	34,754,995	19,246,104	16,836,879	61,577,917	51,591,874
Expenses:						
General government	9,674,443	6,589,051	-	-	9,674,443	6,589,051
Public safety	15,707,714	15,028,400	-	-	15,707,714	15,028,400
Public works	5,639,307	5,491,725	-	-	5,639,307	5,491,725
Community development	1,760,114	1,754,181	-	-	1,760,114	1,754,181
Parks and recreation	2,100,876	2,171,625	-	-	2,100,876	2,171,625
Water and sewer	-	-	12,569,394	11,427,458	12,569,394	11,427,458
Stormwater	-	-	1,544,649	1,691,032	1,544,649	1,691,032
Environmental services	-	-	3,355,254	3,314,268	3,355,254	3,314,268
Other	2,204,897	2,282,790	-	-	2,204,897	2,282,790
Total expenses	37,087,351	33,317,772	17,469,297	16,432,758	54,556,648	49,750,530
Increase (decrease) in net position before transfers						
	5,244,462	1,437,223	1,776,807	404,121	7,021,269	1,841,344
Transfers	(1,520,000)	547,755	1,520,000	(547,755)	-	-
Increase (decrease) in net position	3,724,462	1,984,978	3,296,807	(143,634)	7,021,269	1,841,344
Net Position:						
Beginning of year - July 1	109,368,358	107,383,380	63,564,169	63,707,803	172,932,527	171,091,183
End of year - June 30	\$ 113,092,820	\$ 109,368,358	\$ 66,860,976	\$ 63,564,169	\$ 179,953,796	\$ 172,932,527

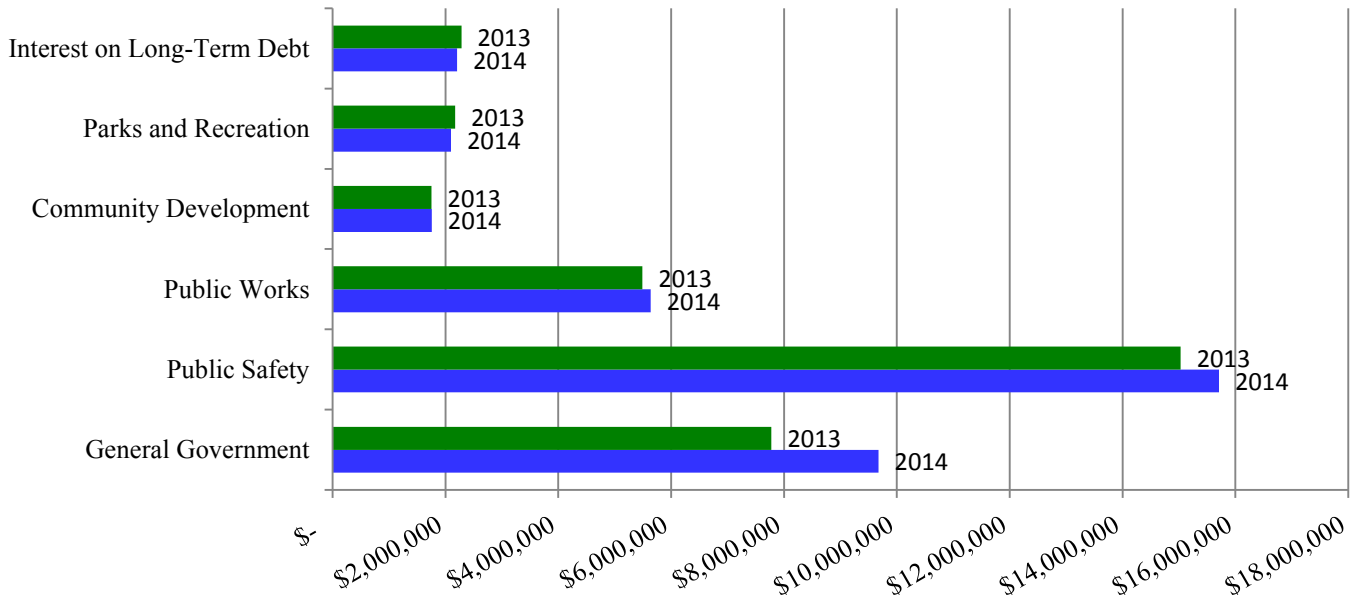
Governmental Activities. Net position increased in the City’s governmental activities this fiscal year by \$3,724,462. Key elements of this increase are as follows:

- Property tax revenues increased \$1,210,683 from fiscal year 2013. This was due to the new Tax and Tag Program implemented by the State.
- Sales tax collected increased \$274,000. This is a 4.4% increase from fiscal year 2013.
- The City continues to hold down expenses for the General Fund. Overall revenues exceed the General Fund budget by \$2,159,582, while expenditures were under budget by \$4,065,993.



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 \$20,242,776, while sales taxes total \$6,486,487. The third largest source of revenue is through capital grants and contributions. The City received grants from the State of North Carolina, the United States Department of Housing and Urban Development, the United States Department of Transportation, the United States Environmental Protection Agency, the United States Department of Energy, the United States Department of Homeland Security, the Federal Emergency Management Agency, and the United States Department of Justice. The City also received property donations totaling \$4,299,840. This donated property came from developers donating \$63,000 in sidewalks and \$213,840 in streets. It also includes \$4,023,000 in land contributions for the new City hall and public safety headquarters.

Government Activities Expenses

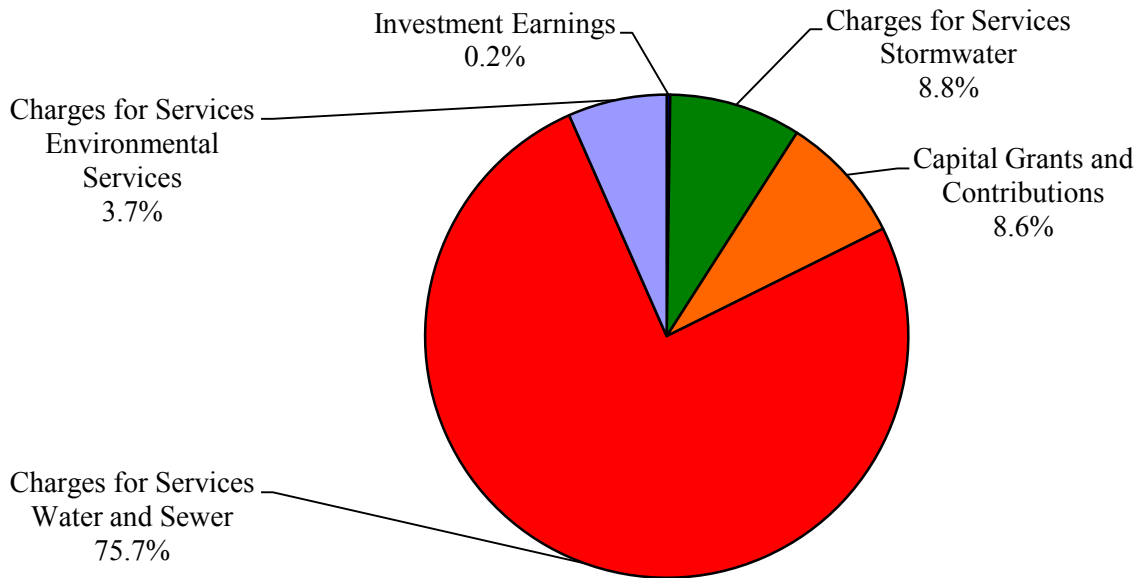


Explanations for the changes in public safety and general government, as shown above, were included earlier in the key elements for governmental activities.

Business-Type Activities. Business-type activities increased the City of Kannapolis' net position by \$3,296,807. Key elements of this increase are as follows:

- Water and sewer revenue increased \$1,511,824 due to a rate increase. The base fee for water increased by \$0.95, and the variable rate also increased by tiers.
- Stormwater fees also increased 9% for each tier.
- Capital contributions increased \$1,418,706. The property came from developers donating water and sewer lines.

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 \$3,069,182, while total fund balance reached \$14,134,908. The City currently has an available fund balance of 29% of General Fund expenditures, while total fund balance represents 42% of the same amount. As mentioned earlier, the City Council adopted a fund balance policy stipulating an acceptable range between 25% and 33% of General Fund expenditures in case of unforeseen needs or opportunities, as well as meeting the cash flow needs of the City. The City plans to continue to budget and spend conservatively to maintain its fund balance.

At June 30, 2014, the governmental funds of the City of Kannapolis reported a combined fund balance of \$19,517,897, with a net increase in fund balance of \$108,165. Included in this change in fund balance was a \$5,691,569 decrease in fund balance in the NCRC Project Development Financing Series 2010 Fund. This fund was closed in this fiscal year. Funds were transferred to the General Fund and the City Hall and Public Safety Headquarters Fund.

General Fund Budgetary Highlights

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

Total amendments to the General Fund increased revenues and expenditures by \$4,876,807, or 14.9%. The largest amendment to the General Fund was to close the NCRC Project Development Financing Bonds Series 2010 Fund, which increased the General Fund budget by \$3,560,926. All other budget amendments were minor.

The total variance from the final budget numbers to the actual results for revenues that the City received was \$2,159,582, or 6.5%, more than the budgeted amount. Property tax revenue and sales tax revenue were over budget by \$892,451 and \$263,487, respectively. Total revenue increased by 1.8% from fiscal year 2013.

The total variance from the final budget numbers to the actual results for expenditures totaled \$4,065,993, or 11.6%, of the final budget. When the NCRC Project Development Financing Bonds Series 2010 Fund closed, it increased expenditures by \$3,560,926. The funds were not spent in 2014.

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, 2014 was \$6,551,022, compared to \$4,916,689 at June 30, 2013. See the detailed explanation of this increase 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, 2014 totaled \$237,718,604 (net of accumulated depreciation). This is an increase from June 30, 2013 of \$12,235,444. These assets include land, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset transactions during the year included the following:

- \$4,023,000 for land donation for the City Hall and Public Safety Headquarters Project
- \$3,763,660 for the construction of the Albemarle Water Line Project
- \$5,223,884 for the Meter Exchange Project

City of Kannapolis' Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 13,848,807	\$ 9,825,807	\$ 730,342	\$ 730,342	\$ 14,579,149	\$ 9,864,716
Construction in progress	2,387,018	18,665,323	10,811,783	1,185,484	13,198,801	12,366,865
Rowan County water rights	-	-	2,411,100	2,411,100	2,411,100	2,411,100
Buildings and systems	33,934,516	16,950,130	22,876,982	22,859,487	56,811,498	35,046,601
Improvements other than buildings	7,133,214	7,133,214	-	-	7,133,214	2,856,764
Machinery and equipment	15,618,972	15,329,621	2,999,728	2,989,679	18,618,700	17,531,793
Infrastructure	150,335,895	148,910,057	93,067,025	91,066,596	243,402,920	233,939,107
Total	223,258,422	216,814,152	132,896,960	121,242,688	356,155,382	314,016,946
Less accumulated depreciation and amortization	77,466,150	74,107,473	40,970,628	38,466,207	118,436,778	101,219,008
Capital assets, net	\$ 145,792,272	\$ 132,298,672	\$ 91,926,332	\$ 80,499,266	\$ 237,718,604	\$ 212,797,938

For additional information on the City's capital assets, see pages 53 through 55 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Kannapolis had total debt outstanding of \$83,829,707. Of this amount, \$33,224,348 represents bonds secured solely by water and sewer revenues. (i.e. revenue bonds). The City also had \$18,920,359 in outstanding installment obligations and \$31,685,000 in outstanding limited obligation bonds. Through an intergovernmental agreement, Cabarrus County makes contributions for approximately 40% for the limited obligation bonds annually.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment obligations	\$ 10,990,452	\$ 12,600,133	\$ 7,929,907	\$ 9,144,385	\$ 18,920,359	\$ 21,744,518
Revenue bonds	-	-	33,224,348	16,366,902	33,224,348	16,366,902
Limited obligation bonds	31,685,000	33,125,000	-	-	31,685,000	33,125,000
Total	\$ 42,675,452	\$ 45,725,133	\$ 41,154,255	\$ 25,511,287	\$ 83,829,707	\$ 71,236,420

In October 2013, the City issued \$18,245,000 in revenue bonds to fund four different projects: Albemarle Water Line Project, Meter Exchange Project, Water Intake and Clear Well Project, and Irish Buffalo Creek Sewer Project.

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, 2014, the legal debt limit for the City totaled \$285,489,348. As mentioned previously, the City Council adopted a debt management policy in May of 2012. According to this policy, the net debt (tax supported) should not exceed 2% of the total assessed value of taxable property.

Additional information on the City of Kannapolis' long-term debt can be found in Note 2(B) on pages 64 through 74 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Cabarrus County in June 2014 was 6.0%, which is a decrease from a rate of 7.9% in June 2013. A portion of the City (18%) is located in Rowan County. The unemployment rate in Rowan County decreased to 6.5% in June 2014, compared to 8.8% in June 2013.
- Population in the City has increased from 39,187 in 2005 to 43,782 in 2014.

All of these factors were considered in preparing the City of Kannapolis' budget for fiscal year 2015. The City Council increased the tax rate 4 cents to 60 cents per \$100 as planned in the ten-year financial plan. The funds were used to pay for the city hall and public safety headquarters and 16 firefighters. The overall General Fund budget increased \$1,198,478, or 3.7%, from the current year budget.

The proposed fiscal year 2015 Water and Sewer Budget increased 1.1%, or \$162,985, from the currently year budget. In fiscal year 2014, the water and sewer budget increased 10.3%, or \$1,376,836, from the previous fiscal year due to a rate increase for capital expenditures.

The Stormwater Fund budget for fiscal year 2015 totaled \$1,991,536, which represents a 0.9%, or \$18,464, decrease from the current year budget. This fund includes cost appropriations related to a federally mandated educational program and annual maintenance of the City's storm drainage system.

The proposed fiscal year 2015 Environmental Fund experienced a 0.1%, or \$5,177, increase from the current year budget. Fiscal year 2013 was the first year the City consolidated its environmental services (yard waste and curbside garbage collection programs) into a stand-alone fund.

The City continues to put significant investment in economic development. Nearly \$600,000 of direct expenditures and approximately \$200,000 of personnel and operating investments were budgeted in the 2015 budget.

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, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,714,530	\$ 5,639,537	\$ 12,354,067
Taxes receivable	865,862	-	865,862
Accounts receivable, net	273,437	4,650,014	4,923,451
Due from other governments	4,838,896	421,360	5,260,256
Cash and cash equivalents, restricted	11,215,343	11,326,744	22,542,087
Prepaid items	52,655	-	52,655
Total current assets	<u>23,960,723</u>	<u>22,037,655</u>	<u>45,998,378</u>
Non-current assets:			
Intangible asset, net of amortization	-	1,832,436	1,832,436
Non-depreciable assets	16,235,825	11,542,125	27,777,950
Other capital assets, net of depreciation	129,556,447	78,551,771	208,108,218
Total non-current assets	<u>145,792,272</u>	<u>91,926,332</u>	<u>237,718,604</u>
Total assets	<u>169,752,995</u>	<u>113,963,987</u>	<u>283,716,982</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,742,222	752,081	2,494,303
Accrued expenses	1,287,927	52,180	1,340,107
Accrued interest	698,310	419,706	1,118,016
Current compensated absences	661,667	101,423	763,090
Current maturities of long-term debt	2,852,329	3,025,155	5,877,484
Liabilities to be paid from restricted assets	-	2,435,495	2,435,495
Total current liabilities	<u>7,242,455</u>	<u>6,786,040</u>	<u>14,028,495</u>
Non-current liabilities:			
Non-current compensated absences	208,948	32,028	240,976
Other post-employment benefits obligation	8,082,520	2,155,843	10,238,363
Unfunded pension obligation	1,282,909	-	1,282,909
Long-term debt	39,823,123	38,129,100	77,952,223
Total non-current liabilities	<u>49,397,500</u>	<u>40,316,971</u>	<u>89,714,471</u>
Total liabilities	<u>56,639,955</u>	<u>47,103,011</u>	<u>103,742,966</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Deferred Inflows of Resources:			
Prepaid taxes	20,220	-	20,220
Net Position:			
Net investment in capital assets	113,042,845	60,309,954	173,352,799
Restricted - stabilization for State statute	7,304,239	-	7,304,239
Restricted - streets	640,002	-	640,002
Restricted - public safety	81,561	-	81,561
Restricted - community development	1,104,709	-	1,104,709
Unrestricted	<u>(9,080,536)</u>	<u>6,551,022</u>	<u>(2,529,514)</u>
Total net position	<u>\$ 113,092,820</u>	<u>\$ 66,860,976</u>	<u>\$ 179,953,796</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, 2014**

	<u>Program Revenues</u>			
	<u>Expenses</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	\$ 9,674,443	\$ 87,531	\$ 932,869	\$ 5,499,335
Public safety	15,707,714	133,410	791,403	2,722,219
Public works	5,639,307	12,811	-	1,263,456
Community development	1,760,114	290,494	-	506,331
Parks and recreation	2,100,876	255,795	-	-
Interest on long-term debt	2,204,897	-	-	-
Total governmental activities	<u>37,087,351</u>	<u>780,041</u>	<u>1,724,272</u>	<u>9,991,341</u>
Business-Type Activities:				
Water and sewer	12,569,394	14,573,136	-	1,655,040
Stormwater	1,544,649	1,699,329	-	-
Environmental services	3,355,254	1,273,490	-	-
Total business-type activities	<u>17,469,297</u>	<u>17,545,955</u>	<u>-</u>	<u>1,655,040</u>
Total primary government	<u>\$ 54,556,648</u>	<u>\$ 18,325,996</u>	<u>\$ 1,724,272</u>	<u>\$ 11,646,381</u>

General Revenues:

Taxes:

Ad valorem taxes

Sales tax

Other taxes and licenses

Franchise tax

Unrestricted intergovernmental revenues

Investment earnings

Total general revenues not including transfers

Transfers

Total general revenues and transfers

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (3,154,708)	\$ -	\$ (3,154,708)
(12,060,682)	-	(12,060,682)
(4,363,040)	-	(4,363,040)
(963,289)	-	(963,289)
(1,845,081)	-	(1,845,081)
(2,204,897)	-	(2,204,897)
<u>(24,591,697)</u>	<u>-</u>	<u>(24,591,697)</u>
-	3,658,782	3,658,782
-	154,680	154,680
<u>-</u>	<u>(2,081,764)</u>	<u>(2,081,764)</u>
<u>-</u>	<u>1,731,698</u>	<u>1,731,698</u>
<u>(24,591,697)</u>	<u>1,731,698</u>	<u>(22,859,999)</u>
19,934,915	-	19,934,915
6,486,487	-	6,486,487
1,188,993	-	1,188,993
1,905,416	-	1,905,416
194,864	-	194,864
125,484	45,109	170,593
29,836,159	45,109	29,881,268
(1,520,000)	1,520,000	-
<u>28,316,159</u>	<u>1,565,109</u>	<u>29,881,268</u>
3,724,462	3,296,807	7,021,269
<u>109,368,358</u>	<u>63,564,169</u>	<u>172,932,527</u>
<u>\$ 113,092,820</u>	<u>\$ 66,860,976</u>	<u>\$ 179,953,796</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Pine Street Assisted Living Facility	Other Governmental Funds	
Assets:				
Cash and cash equivalents	\$ 5,304,423	\$ -	\$ 1,410,107	\$ 6,714,530
Taxes receivable	865,862	-	-	865,862
Accounts receivable	59,267	-	214,170	273,437
Due from other governments	2,014,696	2,722,219	101,981	4,838,896
Due from other funds	2,718,501	-	-	2,718,501
Cash and cash equivalents - restricted	6,451,471	-	4,763,872	11,215,343
Prepaid items	52,655	-	-	52,655
Total assets	<u>\$ 17,466,875</u>	<u>\$ 2,722,219</u>	<u>\$ 6,490,130</u>	<u>\$ 26,679,224</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 845,533	\$ 5,413	\$ 891,276	\$ 1,742,222
Accrued liabilities	1,287,927	-	-	1,287,927
Due to other funds	-	2,718,501	-	2,718,501
Total liabilities	<u>2,133,460</u>	<u>2,723,914</u>	<u>891,276</u>	<u>5,748,650</u>
Deferred Inflows of Resources:				
Prepaid taxes	20,220	-	-	20,220
Property taxes receivable	865,862	-	-	865,862
Other unavailable revenue	312,425	-	214,170	526,595
Total deferred inflows of resources	<u>1,198,507</u>	<u>-</u>	<u>214,170</u>	<u>1,412,677</u>
Fund Balances:				
Non-spendable:				
Prepaid items	52,655	-	-	52,655
Restricted:				
Stabilization for State statute	4,480,039	2,722,219	101,981	7,304,239
Restricted for community development	5,811,469	-	5,219,265	11,030,734
Restricted for streets	640,002	-	-	640,002
Restricted for public safety	81,561	-	-	81,561
Committed	-	-	93,370	93,370
Unassigned	3,069,182	(2,723,914)	(29,932)	315,336
Total fund balances	<u>14,134,908</u>	<u>(1,695)</u>	<u>5,384,684</u>	<u>19,517,897</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,466,875</u>	<u>\$ 2,722,219</u>	<u>\$ 6,490,130</u>	

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Total Governmental Funds
	<u> </u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	145,792,272
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.	1,392,457
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	(42,675,452)
Unfunded LEO	(1,282,909)
Other post-employment benefits	(8,082,520)
Accrued interest	(698,310)
Compensated absences	<u>(870,615)</u>
Net position of governmental activities	<u>\$ 113,092,820</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, 2014

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Pine Street Assisted Living Facility	Other Governmental Funds	
Revenues:				
Ad valorem taxes	\$ 20,242,776	\$ -	\$ -	\$ 20,242,776
Other taxes and licenses	7,451,819	-	223,661	7,675,480
Unrestricted intergovernmental	2,100,280	-	-	2,100,280
Restricted intergovernmental	3,529,762	2,722,219	531,680	6,783,661
Sales and services	780,048	-	-	780,048
Investment earnings	125,484	-	-	125,484
Miscellaneous	932,862	-	-	932,862
Total revenues	<u>35,163,031</u>	<u>2,722,219</u>	<u>755,341</u>	<u>38,640,591</u>
Expenditures:				
Current:				
General government	6,533,676	-	-	6,533,676
Public safety	13,461,115	-	-	13,461,115
Public works	3,448,943	-	-	3,448,943
Community development	769,765	-	990,349	1,760,114
Capital outlay	-	2,723,914	2,040,709	4,764,623
Parks and recreation	1,665,590	-	-	1,665,590
Debt service:				
Principal retirement	2,870,681	-	179,000	3,049,681
Interest and fees	2,244,184	-	12,500	2,256,684
Total expenditures	<u>30,993,954</u>	<u>2,723,914</u>	<u>3,222,558</u>	<u>36,940,426</u>
Revenues over (under) expenditures	<u>4,169,077</u>	<u>(1,695)</u>	<u>(2,467,217)</u>	<u>1,700,165</u>
Other Financing Sources (Uses):				
Transfers (out)	(2,635,909)	-	(5,512,372)	(8,148,281)
Transfers in	3,560,927	-	3,067,354	6,628,281
Total other financing sources (uses)	<u>925,018</u>	<u>-</u>	<u>(2,445,018)</u>	<u>(1,520,000)</u>
Net change in fund balances	5,094,095	(1,695)	(4,912,235)	180,165
Fund Balances:				
Beginning of year - July 1	<u>9,040,813</u>	<u>-</u>	<u>10,296,919</u>	<u>19,337,732</u>
End of year - June 30	<u>\$ 14,134,908</u>	<u>\$ (1,695)</u>	<u>\$ 5,384,684</u>	<u>\$ 19,517,897</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, 2014**

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)	\$ 180,165
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.	3,025,135
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,949,579)
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.	(12,963)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(279,991)
Expenses related to accrued interest, compensated absences, Law Enforcement Officers' Separation Allowance, and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(2,310,986)
Contribution of assets not reported in the fund financial statements	4,023,000
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense; rather, they are a decrease in liabilities.	<u>3,049,681</u>
Total change in net position of governmental activities (Exhibit B)	<u>\$ 3,724,462</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 19,177,768	\$ 19,350,325	\$ 20,242,776	\$ 892,451
Other taxes and licenses	6,828,500	6,828,500	7,451,819	623,319
Unrestricted intergovernmental	2,010,000	2,010,000	2,100,280	90,280
Restricted intergovernmental	3,315,956	3,376,686	3,529,762	153,076
Sales and services	549,338	549,338	780,048	230,710
Investment earnings	105,000	105,000	125,484	20,484
Miscellaneous	727,746	783,600	932,862	149,262
Total revenues	<u>32,714,308</u>	<u>33,003,449</u>	<u>35,163,031</u>	<u>2,159,582</u>
Expenditures:				
Current:				
General government	6,147,288	10,438,302	6,533,676	3,904,626
Public safety	13,175,600	13,599,330	13,461,115	138,215
Public works	3,874,304	3,383,904	3,448,943	(65,039)
Community development	759,345	772,345	769,765	2,580
Parks and recreation	1,729,161	1,726,504	1,665,590	60,914
Debt service:				
Principal retirement	2,788,481	2,870,681	2,870,681	-
Interest and fees	<u>2,371,081</u>	<u>2,268,881</u>	<u>2,244,184</u>	<u>24,697</u>
Total expenditures	<u>30,845,260</u>	<u>35,059,947</u>	<u>30,993,954</u>	<u>4,065,993</u>
Revenues over (under) expenditures	<u>1,869,048</u>	<u>(2,056,498)</u>	<u>4,169,077</u>	<u>6,225,575</u>
Other Financing Sources (Uses):				
Transfers in	-	3,560,926	3,560,927	1
Transfers (out)	(1,973,789)	(2,635,909)	(2,635,909)	-
Appropriated fund balance	<u>104,741</u>	<u>1,131,481</u>	<u>-</u>	<u>(1,131,481)</u>
Total other financing sources (uses)	<u>(1,869,048)</u>	<u>2,056,498</u>	<u>925,018</u>	<u>(1,131,480)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,094,095</u>	<u>\$ 5,094,095</u>
Fund Balance:				
Beginning of year - July 1			<u>9,040,813</u>	
End of year - June 30			<u>\$ 14,134,908</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, 2014

	Business-Type Activities			
	Major Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	
Assets:				
Current assets:				
Cash and investments	\$ 4,773,023	\$ 436,820	\$ 429,694	\$ 5,639,537
Accounts receivable, net	3,966,936	377,713	305,365	4,650,014
Due from other governments	407,769	12,048	1,543	421,360
Cash and investments, restricted	10,877,340	449,404	-	11,326,744
Total current assets	<u>20,025,068</u>	<u>1,275,985</u>	<u>736,602</u>	<u>22,037,655</u>
Non-current assets:				
Intangible asset, net of amortization	1,832,436	-	-	1,832,436
Non-depreciable assets	10,708,069	834,056	-	11,542,125
Other capital assets net of depreciation	74,448,593	4,103,178	-	78,551,771
Total capital assets	<u>85,156,662</u>	<u>4,937,234</u>	<u>-</u>	<u>90,093,896</u>
Total assets	<u>107,014,166</u>	<u>6,213,219</u>	<u>736,602</u>	<u>113,963,987</u>
Liabilities:				
Current liabilities:				
Accounts payable	433,453	38,586	280,042	752,081
Accrued expenses	41,600	10,580	-	52,180
Accrued interest	407,750	11,956	-	419,706
Current portion of compensated absences	84,651	16,772	-	101,423
Current maturities of long-term debt	2,280,394	575,046	169,715	3,025,155
Liabilities to be paid from restricted assets	2,435,495	-	-	2,435,495
Total current liabilities	<u>5,683,343</u>	<u>652,940</u>	<u>449,757</u>	<u>6,786,040</u>
Non-current liabilities:				
Compensated absences	26,732	5,296	-	32,028
Other post-employment benefits obligation	1,664,346	473,804	17,693	2,155,843
Long-term debt	34,009,558	3,946,029	173,513	38,129,100
Total non-current liabilities	<u>35,700,636</u>	<u>4,425,129</u>	<u>191,206</u>	<u>40,316,971</u>
Total liabilities	<u>41,383,979</u>	<u>5,078,069</u>	<u>640,963</u>	<u>47,103,011</u>
Net Position:				
Net investment in capital assets	59,444,391	865,563	-	60,309,954
Unrestricted	6,185,796	269,587	95,639	6,551,022
Total net position	<u>\$ 65,630,187</u>	<u>\$ 1,135,150</u>	<u>\$ 95,639</u>	<u>\$ 66,860,976</u>

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, 2014

	Business-Type Activities			Total Business-Type Activities
	Major Enterprise Funds			
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	
Operating Revenues:				
Charges for services	\$ 13,645,457	\$ 1,699,209	\$ 1,273,490	\$ 16,618,156
Water and sewer taps	519,788	-	-	519,788
Other operating revenues	407,891	120	-	408,011
Total operating revenues	<u>14,573,136</u>	<u>1,699,329</u>	<u>1,273,490</u>	<u>17,545,955</u>
Operating Expenses:				
Administration	559,750	-	-	559,750
Distribution	2,487,629	-	-	2,487,629
Filter plant	1,870,671	-	-	1,870,671
General services	1,050,000	-	-	1,050,000
Sewage treatment	2,965,022	-	-	2,965,022
Stormwater	-	1,326,363	-	1,326,363
Environmental services	-	-	3,345,325	3,345,325
Depreciation and amortization	2,379,867	124,554	-	2,504,421
Total operating expenses	<u>11,312,939</u>	<u>1,450,917</u>	<u>3,345,325</u>	<u>16,109,181</u>
Operating income (loss)	<u>3,260,197</u>	<u>248,412</u>	<u>(2,071,835)</u>	<u>1,436,774</u>
Non-Operating Revenues (Expenses):				
Interest earned on investments	45,109	-	-	45,109
Interest and fees on long-term debt	(1,256,455)	(93,732)	(9,929)	(1,360,116)
Total non-operating revenues (expenses)	<u>(1,211,346)</u>	<u>(93,732)</u>	<u>(9,929)</u>	<u>(1,315,007)</u>
Income (loss) before capital contributions and transfers	<u>2,048,851</u>	<u>154,680</u>	<u>(2,081,764)</u>	<u>121,767</u>
Capital Contributions	<u>1,655,040</u>	<u>-</u>	<u>-</u>	<u>1,655,040</u>
Transfers:				
Transfers (out)	(1,100,000)	-	-	(1,100,000)
Transfers in	-	250,000	2,370,000	2,620,000
Total transfers	<u>(1,100,000)</u>	<u>250,000</u>	<u>2,370,000</u>	<u>1,520,000</u>
Change in net position	2,603,891	404,680	288,236	3,296,807
Net Position:				
Beginning of year - July 1	<u>63,026,296</u>	<u>730,470</u>	<u>(192,597)</u>	<u>63,564,169</u>
End of year - June 30	<u>\$ 65,630,187</u>	<u>\$ 1,135,150</u>	<u>\$ 95,639</u>	<u>\$ 66,860,976</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, 2014

	Business-Type Activities			
	Major Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 14,085,724	\$ 1,653,515	\$ 1,159,878	\$ 16,899,117
Cash paid for goods and services	(4,198,168)	(838,447)	(3,281,153)	(8,317,768)
Cash paid to employees	(2,334,602)	(398,781)	(50,358)	(2,783,741)
Net cash provided (used) by operating activities	<u>7,552,954</u>	<u>416,287</u>	<u>(2,171,633)</u>	<u>5,797,608</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to) from other funds	(1,100,000)	250,000	2,370,000	1,520,000
Net cash provided (used) by non-capital financing activities	<u>(1,100,000)</u>	<u>250,000</u>	<u>2,370,000</u>	<u>1,520,000</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of long-term debt	18,245,000	-	-	18,245,000
Acquisition of capital assets and capital projects	(9,593,739)	(405,493)	-	(9,999,232)
Principal paid on long-term debt	(1,855,461)	(580,572)	(165,999)	(2,602,032)
Interest and fees paid on long-term debt	(1,072,662)	(100,065)	(9,929)	(1,182,656)
Net cash provided (used) by capital and related financing activities	<u>5,723,138</u>	<u>(1,086,130)</u>	<u>(175,928)</u>	<u>4,461,080</u>
Cash Flows from Investing Activities:				
Interest on investments	45,109	-	-	45,109
Net increase (decrease) in cash and cash equivalents	12,221,201	(419,843)	22,439	11,823,797
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>3,429,162</u>	<u>1,306,067</u>	<u>407,255</u>	<u>5,142,484</u>
End of year - June 30	<u>\$ 15,650,363</u>	<u>\$ 886,224</u>	<u>\$ 429,694</u>	<u>\$ 16,966,281</u>
Reconciliation of Operating Income (Loss) to Provided (Used) By Operating Activities:				
Operating income (loss)	\$ 3,260,197	\$ 248,412	\$ (2,071,835)	\$ 1,436,774
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	2,379,867	124,554	-	2,504,421
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(488,068)	(45,814)	(113,612)	(647,494)
Increase (decrease) in accounts payable and accrued liabilities	1,956,258	(28,673)	4,752	1,932,337
Increase (decrease) in other post-employment benefits	444,044	117,808	9,062	570,914
Increase (decrease) in customer deposits	656	-	-	656
Net cash provided (used) by operating activities	<u>\$ 7,552,954</u>	<u>\$ 416,287</u>	<u>\$ (2,171,633)</u>	<u>\$ 5,797,608</u>
Summary of Non-Cash Activities:				
Capital asset contributions	<u>\$ 1,655,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,655,040</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014**

	<u>Separation Pay Fund</u>
Assets:	
Cash and investments	\$ 30,289
Liabilities:	
Accounts payable	<u>4,409</u>
Net Position:	
Assets held in trust for pension benefits and other purposes	<u>\$ 25,880</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Separation Pay Fund</u>
Additions:	
Employer contributions	\$ 282,000
Deductions:	
Separation pay	<u>287,034</u>
Change in net position	(5,034)
Net Position:	
Beginning of year - July 1	<u>30,914</u>
End of year - June 30	<u><u>\$ 25,880</u></u>

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, 2014

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, except for fiduciary activities. Eliminations, except for interfund services provided and used, have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

Pine Street Assisted Living Facility. This fund is used to account for the purchase of the Pine Street Assisted Living Facility with grant funds.

The City reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

City Office/Public Safety Building. This fund is used to account for the construction of a City office building and police station.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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: Shiloh Church Road Extension Fund, Revenue Bonds 2014 Fund, Highway 73 (Exit 55) Water Line Fund, and Mooresville Road Water Main 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 the 8th Street Culvert Replacement Fund as a separate stormwater capital project fund for accounting purposes. For financial reporting purposes, this fund has been consolidated into the Stormwater Fund.

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

The City reports the following fund types:

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

Fiduciary funds include the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

D. Budgetary Data

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

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

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 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 of America or obligations fully guaranteed both as to principal and interest by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Cash and Cash Equivalents

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

Restricted Assets

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

Unspent debt proceeds restricted for capital outlay	\$ 3,580,482
Unspent debt proceeds restricted for debt service	2,230,987
Powell Bill	<u>640,002</u>
Total	<u>6,451,471</u>

Other Governmental Funds:

Unspent debt proceeds restricted for capital outlay	4,114,556
HUD Section 108 - debt payment reserve	<u>649,316</u>
Total	<u>4,763,872</u>

Enterprise Funds:

Unspent debt proceeds restricted for capital outlay	11,027,085
Customer deposits	<u>299,659</u>
Total	<u>11,326,744</u>

Total restricted cash	<u>\$ 22,542,087</u>
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Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with State laws (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the City has established a schedule of discounts that applies to taxes that are paid prior to the due date. In the General Fund, ad valorem tax revenues are reported net of such discounts.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Allowance for Doubtful Accounts

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

Interfund Receivables/Payables

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

Prepaid Items

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$250,000 for general infrastructure and \$5,000 for other capital asset classifications. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The City has elected not to capitalize monuments and works of art that are held for public exhibition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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
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, 2014

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

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 does not have an item that meets this criterion. 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 three items that meet the criterion for this category – prepaid taxes, other unavailable revenues, and property taxes receivable.

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. Bond issuance costs are expensed in the reporting period in which they are incurred except for prepaid insurance, which is 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Restricted fund balance at June 30, 2014 is as follows:

Purpose	General Fund	Other Governmental Funds
Restricted, All Other:		
Streets	\$ 640,002	\$ -
Public safety	81,561	-
Community development	<u>5,811,469</u>	<u>5,219,265</u>
Total	<u>\$ 6,533,032</u>	<u>\$ 5,219,265</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$9,926,025 as of June 30, 2014.

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Committed for Capital Projects – portion of fund balance committed by the City Council to be used for capital project expenditures related to the City Office/Public Safety Building Fund.

Committed fund balance at June 30, 2014 is as follows:

Purpose	Other Governmental Funds
Community development	\$ 3,370
Capital projects	<u>90,000</u>
Total	<u>\$ 93,370</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

The City has not officially adopted a fund balance policy.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 14,134,908
Less:	
Prepaid items	(52,655)
Stabilization by State statute	<u>(4,480,039)</u>
Fund balance available for appropriation	<u>\$ 9,602,214</u>

Revenues, Expenditures, and Expenses

Other Resources

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

Management Estimates

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

At June 30, 2014, the City's deposits had a carrying amount of \$195,912 and a bank balance of \$849,367. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$599,367 was covered by collateral held under the Pooling Method. At June 30, 2014, the City's petty cash fund totaled \$3,420.

Investments

At June 30, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
NC Capital Management Trust - Cash Portfolio	\$ 4,702,081	\$ 4,702,081
NC Capital Management Trust - Term Portfolio	7,196,001	7,196,001
U.S. Government Obligations	22,829,029	22,829,029
Total	<u>\$ 34,727,111</u>	<u>\$ 34,727,111</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City had no formal policy on managing credit risk. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2014. 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.

Receivables

Receivables at the government-wide level at June 30, 2014 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 59,267	\$ 1,261,779	\$ 2,014,696	\$ 3,335,742
Governmental	214,170	-	2,824,200	3,038,370
Total receivables	273,437	1,261,779	4,838,896	6,374,112
Allowance for doubtful accounts	-	(395,917)	-	(395,917)
Total	<u>\$ 273,437</u>	<u>\$ 865,862</u>	<u>\$ 4,838,896</u>	<u>\$ 5,978,195</u>
Business-Type Activities:				
Water and sewer	\$ 4,725,342	\$ -	\$ 407,769	\$ 5,133,111
Stormwater	422,458	-	12,048	434,506
Environmental services	316,551	-	1,543	318,094
Allowance for doubtful accounts	(814,337)	-	-	(814,337)
Total	<u>\$ 4,650,014</u>	<u>\$ -</u>	<u>\$ 421,360</u>	<u>\$ 5,071,374</u>

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

Local option sales tax	\$ 1,121,534
Grants	3,105,730
Other	1,032,992
Total	<u>\$ 5,260,256</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Non-Depreciable Capital Assets:				
Land	\$ 9,825,807	\$ 4,023,000	\$ -	\$ 13,848,807
Construction in progress	<u>18,665,323</u>	<u>2,080,743</u>	<u>(18,359,048)</u>	<u>2,387,018</u>
Total non-depreciable capital assets	<u>28,491,130</u>	<u>6,103,743</u>	<u>(18,359,048)</u>	<u>16,235,825</u>
Depreciable Capital Assets:				
Buildings and improvements	16,950,130	224,336	16,760,050	33,934,516
Other improvements	7,133,214	-	-	7,133,214
Machinery and equipment	15,329,621	443,216	(153,865)	15,618,972
Infrastructure	<u>148,910,057</u>	<u>276,840</u>	<u>1,148,998</u>	<u>150,335,895</u>
Total depreciable capital assets	<u>188,323,022</u>	<u>944,392</u>	<u>17,755,183</u>	<u>207,022,597</u>
Less Accumulated Depreciation:				
Building and improvements	3,202,961	404,879	(437,037)	3,170,803
Other improvements	927,751	155,900	-	1,083,651
Machinery and equipment	11,568,628	1,039,399	(153,865)	12,454,162
Infrastructure	<u>58,408,133</u>	<u>2,349,401</u>	<u>-</u>	<u>60,757,534</u>
Total accumulated depreciation	<u>74,107,473</u>	<u>3,949,579</u>	<u>(590,902)</u>	<u>77,466,150</u>
Total depreciable capital assets, net	<u>114,215,549</u>	<u>\$ (3,005,187)</u>	<u>\$ (12,963)</u>	<u>129,556,447</u>
Total capital assets, net	<u>\$ 142,706,679</u>			<u>\$ 145,792,272</u>

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

General government	\$ 288,347
Public safety	770,340
Public works	2,331,272
Parks and recreation	<u>559,620</u>
Total depreciation expense	<u>\$ 3,949,579</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2014.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 730,342	\$ -	\$ -	\$ 730,342
Construction in progress	756,921	9,220,806	-	9,977,727
Total non-depreciable capital assets	<u>1,487,263</u>	<u>9,220,806</u>	<u>-</u>	<u>10,708,069</u>
Depreciable Capital Assets:				
Buildings	22,859,487	17,495	-	22,876,982
Distribution systems	84,770,413	2,000,429	-	86,770,842
Machinery and equipment	2,272,480	10,049	-	2,282,529
Total depreciable capital assets	<u>109,902,380</u>	<u>2,027,973</u>	<u>-</u>	<u>111,930,353</u>
Less Accumulated Depreciation:				
Buildings	7,329,690	544,712	-	7,874,402
Distribution systems	26,015,555	1,730,640	-	27,746,195
Machinery and equipment	1,804,870	56,293	-	1,861,163
Total accumulated depreciation	<u>35,150,115</u>	<u>\$ 2,331,645</u>	<u>\$ -</u>	<u>37,481,760</u>
Total depreciable capital assets, net	<u>74,752,265</u>			<u>74,448,593</u>
Total Water and Sewer Fund capital assets, net	<u>76,239,528</u>			<u>85,156,662</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Stormwater Fund:				
Non-Depreciable Capital Assets:				
Construction in progress	428,563	\$ 405,493	\$ -	834,056
Total non-depreciable capital assets	<u>428,563</u>	<u>405,493</u>	<u>-</u>	<u>834,056</u>
Depreciable Capital Assets:				
Machinery and equipment	717,199	-	-	717,199
Infrastructure	6,296,183	-	-	6,296,183
Total depreciable capital assets	<u>7,013,382</u>	<u>-</u>	<u>-</u>	<u>7,013,382</u>
Less Accumulated Depreciation:				
Machinery and equipment	457,057	30,984	-	488,041
Infrastructure	2,328,593	93,570	-	2,422,163
Total accumulated depreciation	<u>2,785,650</u>	<u>\$ 124,554</u>	<u>\$ -</u>	<u>2,910,204</u>
Total depreciable capital assets, net	<u>4,227,732</u>			<u>4,103,178</u>
Total Stormwater Fund capital assets, net	<u>4,656,295</u>			<u>4,937,234</u>
Total business-type capital assets, net	<u>\$ 80,895,823</u>			<u>\$ 90,093,896</u>

Proprietary Intangible Assets

The intangible assets of the Water and Sewer Fund at June 30, 2014 were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Intangible Assets:				
Rowan County water rights	\$ 2,411,100	\$ -	\$ -	\$ 2,411,100
Less accumulated amortization	<u>(530,442)</u>	<u>(48,222)</u>	<u>-</u>	<u>(578,664)</u>
Intangible assets, net	<u>\$ 1,880,658</u>	<u>\$ (48,222)</u>	<u>\$ -</u>	<u>\$ 1,832,436</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Construction Commitments

The City has active construction projects as of June 30, 2014. 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>
City office/public safety building	\$ 558,196	\$ 5,213,452	\$ 5,771,648
Water and sewer bond projects	2,489,556	4,191,665	6,681,221
Solid Waste 8th Street Culvert Project	920,408	51,706	972,114

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2014 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 845,533	\$ 1,287,927	\$ 2,133,460
Other governmental	896,689	-	896,689
Total payables	<u>\$ 1,742,222</u>	<u>\$ 1,287,927</u>	<u>\$ 3,030,149</u>
Business-Type Activities:			
Water and sewer	\$ 433,453	\$ 41,600	\$ 475,053
Stormwater	38,586	10,580	49,166
Environmental services	280,042	-	280,042
Total payables	<u>\$ 752,081</u>	<u>\$ 52,180</u>	<u>\$ 804,261</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City contributes to the State-wide Local Governmental Employee's Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Kannapolis are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$992,732, \$868,100, and \$858,929, respectively. The contributions made by the City equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified full-time employees. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the City's report as a Pension Trust Fund. A separate report was not issued for the plan. All full-time employees of the City are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	22
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>309</u>
Total	<u>331</u>

Summary of Significant Accounting Policies

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits to law enforcement officers and has elected to cover all City employees. The City has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$282,000, or 2% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.5% to 7.85% per year for law enforcement officers and ranging from 4.25% to 8.55% per year for firefighters and 4.25% to 7.75% for general employees. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was the market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount of pay on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

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

Employer annual required contribution	\$	505,582
Interest on net pension obligation		54,688
Adjustment to annual required contribution		<u>(89,111)</u>
Annual pension cost		471,159
Employer contributions made		
for fiscal year ended June 30, 2014		<u>282,000</u>
Increase (decrease) in net pension obligation		189,159
Net pension obligation:		
Beginning of year - July 1		<u>1,093,750</u>
End of year - June 30		<u>\$ 1,282,909</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 366,765	74.66%	\$ 980,099
2013	383,651	70.38%	1,093,750
2014	471,159	59.85%	1,282,909

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 0.83% funded. The actuarial accrued liability for benefits was \$3,981,564, and the actuarial value of assets was \$33,075, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,948,489. The covered payroll (annual payroll of active employees covered by the plan) was \$13,224,784, and the ratio of the UAAL to the covered payroll was 29.86 percent.

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

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, 2014 were \$274,072, which consisted of \$190,225 from the City and \$83,847 from the law enforcement officers.

Firefighter's and Rescue Squad Workers' Relief Fund

Plan Description. The State of North Carolina contributes, on behalf of the City, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible firefighters that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Deferred Compensation Plan

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

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, 2014, the City contributed \$7,029 to this account.

Other Post-Employment Benefits

Plan Description. The City has established a policy as a single-employer defined benefit plan providing group medical and dental benefits to employees eligible to retire under the requirements of the Local Government Employees' Retirement System noted above. Currently, eighty-three (83) 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.

<u>Years of Service with City at Retirement</u>	<u>City Contribution</u>
20 or more	75%
10 to 19	50%
5 to 9	0%

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Membership of the Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General	Law	
	Employees	Enforcement	
	<u> </u>	<u>Officers</u>	<u>Firefighters</u>
Retirees and dependents receiving benefits	61	-	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-	-
Active plan members	<u>125</u>	<u>80</u>	<u>84</u>
Total	<u>186</u>	<u>80</u>	<u>84</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.

The current ARC rate is 21% of annual covered payroll. For the current year, the City contributed \$138,490, or 1% of annual covered payroll. Retirees pay 100%, 50%, or 25% of the premiums, based on their creditable years of retirement service. Employee health coverage is self-insured and administered through a third-party insurer. The City's obligation to contribute to the plan is established and may be amended by the City Council.

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Annual required contribution	\$ 2,789,218
Interest on net OPEB obligation	302,964
Adjustments to annual required contribution	<u>(289,425)</u>
Annual OPEB cost (expense)	2,802,757
Contributions made	<u>(138,490)</u>
Increase (decrease) in net OPEB obligation	2,664,267
Net OPEB obligation:	
Beginning of year - July 1	<u>7,574,096</u>
End of year - June 30	<u>\$ 10,238,363</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,872,944	42.7%	\$ 5,079,602
2013	2,798,298	10.9%	7,574,096
2014	2,802,757	4.9%	10,238,363

Funding Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$28,628,936. The covered payroll (annual payroll of active employees covered by the plan) was \$13,000,134, and the ratio of the UAAL to the covered payroll was 220.2 percent.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included (a) a 4% investment rate of return, which included an inflation component of 3% and (b) a 8.5%-5.0% pre-Medicare trend rate and 6.25%-5.0% post-Medicare trend rate, with 2018 as the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The UAAL is being amortized as a level percentage of projected pay on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

As of June 30, 2014, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit must be between \$25,000 and \$50,000. 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, 2014**

Deferred Inflows of Resources

The balances in deferred inflows of resources in the governmental funds statement and in the Statement of Net Position are comprised of the following elements:

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>
General Fund:		
Prepaid taxes	\$ -	\$ 20,220
Taxes receivable	865,862	-
Cabarrus County contribution - fire station	312,425	-
Other Governmental Funds:		
CDBG loan receivable	<u>214,170</u>	<u>-</u>
Total	<u>\$ 1,392,457</u>	<u>\$ 20,220</u>

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, net pension obligation and other post-employment benefits typically have been liquidated in the General Fund.

Changes in Long-Term Debt – Governmental Funds

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Notes payable	\$ 11,594,133	\$ -	\$ 1,430,681	\$ 10,163,452	\$ 1,083,329
U.S. government obligations	1,006,000	-	179,000	827,000	184,000
Limited obligation bonds	33,125,000	-	1,440,000	31,685,000	1,585,000
Compensated absences	842,141	514,303	485,829	870,615	661,667
Other post-employment benefits	5,989,167	2,202,167	108,814	8,082,520	-
Net pension obligation	<u>1,093,750</u>	<u>471,159</u>	<u>282,000</u>	<u>1,282,909</u>	<u>-</u>
Total	<u>\$ 53,650,191</u>	<u>\$ 3,187,629</u>	<u>\$ 3,926,324</u>	<u>\$ 52,911,496</u>	<u>\$ 3,513,996</u>

Total debt used in the calculation of net investment in capital assets for governmental activities is reduced by unexpended debt proceeds of \$9,926,025.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Governmental Activities – Notes Payable

Various notes payable secured by personal property. See schedule below for terms and portion funded by the Enterprise Fund and a portion funded by the General Fund.	\$ 896,798
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	1,463,724
2.0% note, payable in semi-annual installments of \$26,133, excluding interest beginning October 2012 through June 2021; secured by park building	365,867
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	4,499,563
0% note, payable to County in annual installments of \$62,500, beginning April 2014 through April 2061, secured by the stadium	<u>2,937,500</u>
Total	<u>\$ 10,163,452</u>

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

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

<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Annual Payments</u>		<u>Balance June 30, 2014</u>	
			<u>General Fund</u>	<u>Enterprise Fund</u>	<u>General Fund</u>	<u>Enterprise Fund</u>
Feb 2010	3.17%	Feb 2017	\$ 129,845	\$ -	\$ 390,955	\$ -
June 2011	2.22%	June 2016	-	158,809	-	343,228
June 2011	4.05%	June 2025	<u>42,154</u>	<u>94,090</u>	<u>505,843</u>	<u>1,129,075</u>
Total			<u>\$ 171,999</u>	<u>\$ 252,899</u>	<u>\$ 896,798</u>	<u>\$ 1,472,303</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,083,329	\$ 153,407	\$ 1,236,736
2016	1,077,442	130,442	1,207,884
2017	1,021,289	107,735	1,129,024
2018	909,391	88,556	997,947
2019	899,354	70,792	970,146
2020-2024	2,775,840	129,573	2,905,413
2025-2029	396,807	-	396,807
2030-2034	312,500	-	312,500
2035-2039	312,500	-	312,500
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	125,000	-	125,000
Total	<u>\$ 10,163,452</u>	<u>\$ 680,505</u>	<u>\$ 10,843,957</u>

Governmental Activities - U.S. Government Obligations

A Section 108 loan of \$1,658,000 was executed on August 9, 2001 with the Department of Housing and Urban Development. A principal payment of \$120,000 was due August 2014. Principal payments increase in \$5,000 increments yearly until the last year of the loan, 2016, when the balance is due. Interest is due semi-annually at rates from 5.49% to 5.29% on February 1 and August 1, respectively. This obligation is to be used in the construction of Gateway Business Park. The principal balance due at June 30, 2014 was \$428,000.

A Section 108 loan of \$742,000 was executed on August 28, 2006 with the Department of Housing and Urban Development. A principal payment of \$49,000 is due August 2014. Principal payments are \$49,000 until 2015 when they increase to \$50,000. Interest is due semi-annually at rates from 4.96% to 5.57%, on February 1 and August 1, respectively. This obligation is to be used in the construction of Gateway Business Park. The principal balance due at June 30, 2014 was \$399,000.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 184,000	\$ 23,568	\$ 207,568
2016	190,000	19,950	209,950
2017	203,000	15,815	218,815
2018	50,000	12,280	62,280
2019	50,000	9,610	59,610
2020-2022	<u>150,000</u>	<u>12,458</u>	<u>162,458</u>
Total	<u>\$ 827,000</u>	<u>\$ 93,681</u>	<u>\$ 920,681</u>

Limited Obligation Bonds

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

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 generally include, but are not limited to, water, sewer, and stormwater infrastructure improvements; street, sidewalk, and streetscape improvements; and park and recreation improvements. As the development of the NCRC continues in the future, the City will consider financing additional infrastructure projects as may be necessary to support such development.

The City's limited obligation bonds payable at June 30, 2014 are comprised of the following individual issues:

- Series 2010A Limited Obligation Bonds, \$12,375,000
- Series 2010B Limited Obligation Bonds, \$19,310,000

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

\$ 31,685,000

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
2015	\$ 1,585,000	\$ 2,008,668	\$ 3,593,668
2016	1,655,000	1,945,268	3,600,268
2017	1,735,000	1,862,518	3,597,518
2018	1,825,000	1,775,768	3,600,768
2019	1,915,000	1,684,518	3,599,518
2020-2024	12,900,000	6,241,052	19,141,052
2025-2027	10,070,000	1,624,896	11,694,896
Total	<u>\$ 31,685,000</u>	<u>\$ 17,142,688</u>	<u>\$ 48,827,688</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Current Maturities</u>
Water and Sewer Fund:					
Revenue bonds	\$ 16,366,902	\$ 18,245,000	\$ 1,387,554	\$ 33,224,348	\$ 1,899,189
Notes payable	3,533,511	-	467,907	3,065,604	381,205
Other post-employment benefits	1,220,302	467,126	23,082	1,664,346	-
Compensated absences	108,977	87,605	85,199	111,383	84,651
Total	<u>21,229,692</u>	<u>18,799,731</u>	<u>1,963,742</u>	<u>38,065,681</u>	<u>2,365,045</u>
Stormwater Fund:					
Notes payable	5,101,647	-	580,572	4,521,075	575,046
Other post-employment benefits	355,996	123,931	6,123	473,804	-
Compensated absences	19,829	29,240	27,001	22,068	16,772
Total	<u>5,477,472</u>	<u>153,171</u>	<u>613,696</u>	<u>5,016,947</u>	<u>591,818</u>
Environmental Services Fund:					
Notes payable	509,227	-	165,999	343,228	169,715
Other post-employment benefits	8,631	9,533	471	17,693	-
Total	<u>517,858</u>	<u>9,533</u>	<u>166,470</u>	<u>360,921</u>	<u>169,715</u>
Business-Type Activities:					
Revenue bonds	16,366,902	18,245,000	1,387,554	33,224,348	1,899,189
Notes payable	9,144,385	-	1,214,478	7,929,907	1,125,966
Other post-employment benefits	1,584,929	600,590	29,676	2,155,843	-
Compensated absences	128,806	116,845	112,200	133,451	101,423
Total	<u>\$ 27,225,022</u>	<u>\$ 18,962,435</u>	<u>\$ 2,743,908</u>	<u>\$ 43,443,549</u>	<u>\$ 3,126,578</u>

Total debt used in the calculation of the net investment in capital assets, for business-type activities is reduced by unexpended debt proceeds of \$10,577,681 for the Water and Sewer Fund and \$449,404 for the Stormwater Fund.

At June 30, 2014, the City had no authorized, but unissued, debt and a legal debt margin of approximately \$234,884,000.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

\$5,324,000 Enterprise System Revenue Bonds, Series 2002, with an interest-only payment in February of 2003, and equal payments of \$235,922 semi-annually August 1 and February 1, starting in 2003 until 2018; interest rate is 3.89%	\$ 1,732,348
\$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%	13,247,000
\$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>18,245,000</u>
Total	<u>\$ 33,224,348</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,899,189	\$ 1,207,457	\$ 3,106,646
2016	1,959,530	1,148,223	3,107,753
2017	2,032,301	1,082,225	3,114,526
2018	2,098,028	1,013,742	3,111,770
2019	1,691,300	947,559	2,638,859
2020-2024	9,469,000	3,891,522	13,360,522
2025-2029	5,130,000	2,519,250	7,649,250
2030-2034	4,530,000	1,654,994	6,184,994
2035-2038	4,415,000	533,702	4,948,702
Total	<u>\$ 33,224,348</u>	<u>\$ 13,998,674</u>	<u>\$ 47,223,022</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, Series 2011, and Series 2013 since their adoption. Section 6.6 of the Bond Order requires the debt service parity coverage ratio to be no less than 120% and 110% and the total debt service coverage ratio to be no less than 100%. Additional indebtedness constituted by the Series 2002 and Series 2011 revenue bonds is to be considered in the calculation of the debt service parity coverage ratio.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The debt service parity coverage ratio calculation for the year ended June 30, 2014 is as follows:

2015 budgeted revenues	\$ 14,909,821
50% of surplus fund at June 30, 2014	588,626
2015 budgeted expenses *	<u>(9,071,016)</u>
Operating income	<u>\$ 6,427,431</u>
Debt service on parity indebtedness	\$ 3,727,975
Debt service on subordinate indebtedness	<u>481,481</u>
Total	<u>\$ 4,209,456</u>
Debt service parity coverage ratio	<u>153%</u>
2015 budgeted revenues	\$ 14,909,821
2015 budgeted expenses *	<u>(9,071,016)</u>
Operating income	<u>\$ 5,838,805</u>
Debt service on parity indebtedness	\$ 3,417,311
Debt service on subordinate indebtedness	<u>481,481</u>
Total	<u>\$ 3,898,792</u>
Debt service parity coverage ratio	<u>150%</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 \$39,969,300 in water and sewer system revenue bonds issued in 2002, 2011, and 2013. 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 \$47,223,022. Principal and interest paid for in the current year and total customer net revenues were \$1,387,555 and \$14,618,245, respectively.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Business-Type Activities – Notes Payable:

5.85% note, payable in annual installments of \$86,800, due in May with interest payable semi-annually, beginning May 1995 through November 2016; secured by water and sewer distribution assets. Note was issued by the State Clean Water Program.	\$ 195,300
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	613,067
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	487,730
2.48% note, payable in annual installments of \$15,000 beginning May 2013 through May 2032 with interest payable semi-annually, beginning November 2012 through May 2032; secured by water pump station. The note was issued by NCDENR.	273,091
1.98% note, payable in semi-annual installments ranging \$13,904 to \$52,703 including interest beginning June 2013 through June 2023; secured by street and stormwater improvements	578,082
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	1,154,276
1.98% note, payable in semi-annual installments ranging from \$75,478 to \$286,104, including interest beginning June, 2013 through June, 2023; secured by street and stormwater improvements	3,156,058
Various notes payable secured by personal property. See schedule above for terms and portion funded by the enterprise funds and a portion funded by the General Fund.	<u>1,472,303</u>
Total	<u>\$ 7,929,907</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,125,966	\$ 198,446	\$ 1,324,412
2016	1,122,878	170,914	1,293,792
2017	878,068	145,227	1,023,295
2018	849,128	123,490	972,618
2019	592,532	103,960	696,492
2020-2024	3,101,830	223,443	3,325,273
2025-2029	259,505	14,466	273,971
Total	\$ 7,929,907	\$ 979,946	\$ 8,909,853

Operating Leases

The City is committed under operating leases for office space, equipment, and other facilities. For the year ended June 30, 2014, lease expenditures amounted to \$379,323. Future minimum payments under these leases are as follows:

Year Ending June 30	Amount
2015	\$ 135,159
2016	132,711
2017	1,512
Total	\$ 269,382

3. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2014 consist of the following:

Due To/From Fund	Receivable (Payable) Amount	Purpose
General	\$ 2,718,501	
Nonmajor governmental funds:		
Capital Projects - Pine Street Assisted Living	\$ (2,718,501)	Advance for capital projects

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Interfund transfers for the fiscal year ended June 30, 2014 consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 865,909		
Nonmajor governmental funds:			
Transit Fund		\$ 503,789	Operating expenditures
Dale Earnhardt Boulevard sidewalk		222,120	Capital expenditures
Oak Avenue sidewalk		90,000	Capital expenditures
Rogers Lake Road - railroad crossing		50,000	Capital expenditures
Water and sewer	1,100,000		
Environmental Services Fund		600,000	Operating expenditures
Stormwater Fund		250,000	Operating expenditures
City office/public safety building		250,000	Operating expenditures
General Fund	1,770,000		
Environmental Services Fund		1,770,000	Operating expenditures
NCRC project development financing	5,512,372		
Financing General Fund		3,560,927	Close out projects
City office/public safety building		1,951,445	Capital expenditures
Total	<u>\$ 9,248,281</u>	<u>\$ 9,248,281</u>	

4. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$8,430 for the 75 firefighters in the City's Fire Department. The employees elected to be members of the Firefighter's and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

5. Jointly Governed Organizations

The City, in conjunction with 8 counties and 50 other municipalities, established the Centralina Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$10,230 to the Council during the fiscal year ended June 30, 2014.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The City, Cabarrus County, and three other municipalities established the Water and Sewer Authority of Cabarrus County (WSACC). WSACC was established to provide water and sewer services to the citizens of Cabarrus County. The City appoints two members to the ten-member Board. The City purchased sewer transportation services amounting to \$2,965,022 from WSACC for the year ended June 30, 2014.

6. 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.

7. 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	\$84,869,488 property, inland marine - equipment \$2,128,101; computer equipment/media, \$2,062,154, fine arts \$342,675; and portable equipment \$1,158,049
Police Official's Liability	\$1,000,000 per occurrence, \$3,000,000 aggregate
Public Official's Liability	\$1,000,000 per occurrence, \$3,000,000 aggregate
General Liability	\$5,000,000 per occurrence, \$5,000,000 aggregate
Automobile Liability	\$5,000,000
Workers' Compensation	Legal limits, \$500,000 retention
Employee Crime/Dishonesty	\$250,000 per occurrence
Employee Practices	\$1,000,000 per occurrence, \$3,000,000 aggregate
Finance Director Bond	\$50,000
Tax Collector	\$10,000
Employee Benefits Liability	\$1,000,000 per occurrence, \$1,000,000 aggregate
Liquor	\$1,000,000 per occurrence, \$1,000,000 aggregate

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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:

Unpaid claims:	
Beginning of year - July 1	\$ 153,347
Incurred claims	2,172,159
Claim payments	<u>(2,182,163)</u>
End of year - June 30	<u>\$ 143,343</u>

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

Unpaid claims:	
Beginning of year - July 1	\$ 61,554
Incurred claims	323,801
Claim payments	<u>(184,212)</u>
End of year - June 30	<u>\$ 201,143</u>

Claims typically have been liquidated in the General Fund.

8. Claims and Judgments

At June 30, 2014, 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, 2014

9. 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.

10. Significant Effects of Subsequent Events

The City issued \$25,220,000 in limited obligation bonds on August 21, 2014. The funds will be used to build the City Hall and public safety headquarters.

11. Net Investment in Capital Assets

The City's net investment in capital assets at June 30, 2014 is calculated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net capital assets	\$ 145,792,272	\$ 90,093,896
Total debt, gross	42,675,452	40,811,027
Less:		
Unexpended proceeds	<u>9,926,025</u>	<u>11,027,085</u>
Total capital debt	<u>32,749,427</u>	<u>29,783,942</u>
Net investment in capital assets	<u>\$ 113,042,845</u>	<u>\$ 60,309,954</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 Funding Progress and
Schedule of Employer Contributions

Other Post-Employment Benefits –

Schedule of Funding Progress and
Schedule of Employer Contributions

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CITY OF KANNAPOLIS, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / c
12/31/2008	\$ 163,079	\$ 2,801,646	\$ 2,638,567	5.82%	\$ 11,668,966	22.61%
12/31/2009	56,994	3,737,469	3,680,475	1.52%	12,177,773	30.22%
12/31/2010	1,128	3,492,402	3,491,274	0.03%	11,939,634	29.24%
12/31/2011	-	3,637,669	3,637,669	0.00%	12,285,668	29.61%
12/31/2012	170,783	3,975,556	3,804,773	4.30%	13,411,478	28.37%
12/31/2013	33,075	3,981,564	3,948,489	0.83%	13,224,784	29.86%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed by Employer	Percentage of ARC Contributed
2009	\$ 216,059	\$ 232,900	107.79%
2010	240,007	232,900	97.04%
2011	296,307	301,000	101.58%
2012	375,331	273,829	72.96%
2013	395,639	270,000	68.24%
2014	505,582	282,000	55.78%

Notes to the Required Schedules:

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

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	5.00%
Projected salary increases *	
Law enforcement officers	4.25 - 7.85%
Firefighters	4.25 - 8.55%
General employees	4.25 - 7.75%
* Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF KANNAPOLIS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 16,443,235	\$ 16,443,235	0.00%	\$ 10,015,403	164.2%
12/31/2009	-	19,485,853	19,485,853	0.00%	12,177,773	160.0%
12/31/2012	-	28,628,936	28,628,936	0.00%	13,000,134	220.2%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 1,595,265	8.6%
2010	1,595,265	27.0%
2011	1,858,549	26.3%
2012	1,858,549	43.1%
2013	2,789,218	10.9%
2014	2,789,218	5.0%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rates:	
Pre-Medicare trend rate	8.5% - 5.0%
Post-Medicare trend rate	6.25% - 5.0%
Year of Ultimate trend rate	2018

* Includes inflation at 3.0%

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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year, net of refund	\$ 18,842,768	\$ 19,692,657	\$ 849,889
Prior year, net of refunds	<u>507,557</u>	<u>550,119</u>	<u>42,562</u>
Total	<u>19,350,325</u>	<u>20,242,776</u>	<u>892,451</u>
Other Taxes and Licenses:			
ABC mixed beverages	52,000	86,595	34,595
Vehicle licenses	300,000	435,322	135,322
Privilege licenses	220,000	411,799	191,799
Local option sales tax	6,223,000	6,486,487	263,487
Other taxes and licenses	<u>33,500</u>	<u>31,616</u>	<u>(1,884)</u>
Total	<u>6,828,500</u>	<u>7,451,819</u>	<u>623,319</u>
Unrestricted Intergovernmental:			
Franchise tax	1,800,000	1,905,416	105,416
Beer and wine	195,000	189,455	(5,545)
Food stamp reimbursement	<u>15,000</u>	<u>5,409</u>	<u>(9,591)</u>
Total	<u>2,010,000</u>	<u>2,100,280</u>	<u>90,280</u>
Restricted Intergovernmental:			
"State Street-Aid" allocation	1,249,000	1,262,024	13,024
Federal Emergency Management Agency	661,882	791,403	129,521
TIF contribution Cabarrus County	<u>1,465,804</u>	<u>1,476,335</u>	<u>10,531</u>
Total	<u>3,376,686</u>	<u>3,529,762</u>	<u>153,076</u>
Sales and Services:			
Public safety fees	119,338	133,410	14,072
Rents	93,000	87,538	(5,462)
Other fees	<u>337,000</u>	<u>559,100</u>	<u>222,100</u>
Total	<u>549,338</u>	<u>780,048</u>	<u>230,710</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Investment Earnings	105,000	125,484	20,484
Miscellaneous	783,600	932,862	149,262
Total revenues	<u>33,003,449</u>	<u>35,163,031</u>	<u>2,159,582</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	78,940	67,882	11,058
Operating expenditures	81,283	79,677	1,606
Total	<u>160,223</u>	<u>147,559</u>	<u>12,664</u>
City Manager:			
Salaries and employee benefits	644,330	648,596	(4,266)
Operating expenditures	768,258	702,843	65,415
Total	<u>1,412,588</u>	<u>1,351,439</u>	<u>61,149</u>
Human Resources:			
Salaries and employee benefits	228,256	228,042	214
Operating expenditures	89,410	52,313	37,097
Total	<u>317,666</u>	<u>280,355</u>	<u>37,311</u>
Attorney:			
Salaries and employee benefits	208,323	206,223	2,100
Operating expenditures	95,550	95,794	(244)
Total	<u>303,873</u>	<u>302,017</u>	<u>1,856</u>
Finance:			
Salaries and employee benefits	440,940	444,006	(3,066)
Operating expenditures	303,431	329,700	(26,269)
Capital outlay	100,003	45,077	54,926
Total	<u>844,374</u>	<u>818,783</u>	<u>25,591</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Information Technology:			
Contract services	318,051	320,738	(2,687)
Operating expenditures	<u>152,246</u>	<u>141,078</u>	<u>11,168</u>
Total	<u>470,297</u>	<u>461,816</u>	<u>8,481</u>
General Services:			
Operating expenditures	<u>489,300</u>	<u>474,582</u>	<u>14,718</u>
Total	<u>489,300</u>	<u>474,582</u>	<u>14,718</u>
Non-Departmental:			
Operating expenditures	6,240,707	2,497,789	3,742,918
Capital Outlay	<u>199,274</u>	<u>199,336</u>	<u>(62)</u>
Total	<u>6,439,981</u>	<u>2,697,125</u>	<u>3,742,856</u>
Total general government	<u>10,438,302</u>	<u>6,533,676</u>	<u>3,904,626</u>
Public Safety:			
Police:			
Salaries and employee benefits	5,389,312	5,411,635	(22,323)
Operating expenditures	1,767,097	1,644,995	122,102
Capital outlay	<u>338,560</u>	<u>320,853</u>	<u>17,707</u>
Total	<u>7,494,969</u>	<u>7,377,483</u>	<u>117,486</u>
Fire:			
Salaries and employee benefits	4,896,635	4,932,447	(35,812)
Operating expenditures	1,134,926	1,082,644	52,282
Capital outlay	<u>72,800</u>	<u>68,541</u>	<u>4,259</u>
Total	<u>6,104,361</u>	<u>6,083,632</u>	<u>20,729</u>
Total public safety	<u>13,599,330</u>	<u>13,461,115</u>	<u>138,215</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Public Works:			
Engineering:			
Salaries and employee benefits	386,601	386,604	(3)
Operating expenditures	47,000	51,243	(4,243)
Contract services	<u>674,000</u>	<u>655,591</u>	<u>18,409</u>
Total	<u>1,107,601</u>	<u>1,093,438</u>	<u>14,163</u>
Streets and Highways:			
Salaries and employee benefits	139,237	138,736	501
Operating expenditures	<u>888,066</u>	<u>931,058</u>	<u>(42,992)</u>
Total	<u>888,066</u>	<u>931,058</u>	<u>(42,992)</u>
Powell Bill:			
Salaries and employee benefits	326,447	286,483	39,964
Operating expenditures	<u>922,553</u>	<u>999,228</u>	<u>(76,675)</u>
Total	<u>1,249,000</u>	<u>1,285,711</u>	<u>(36,711)</u>
Total public works	<u>3,383,904</u>	<u>3,448,943</u>	<u>(65,039)</u>
Community Development:			
Planning:			
Operating expenditures	16,200	15,087	1,113
Contract services	<u>558,170</u>	<u>556,815</u>	<u>1,355</u>
Total	<u>574,370</u>	<u>571,902</u>	<u>2,468</u>
Code Enforcement:			
Contract services	<u>197,975</u>	<u>197,863</u>	<u>112</u>
Total community development	<u>772,345</u>	<u>769,765</u>	<u>2,580</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Parks and Recreation:			
Parks and recreation programs:			
Salaries and employee benefits	775,361	785,402	(10,041)
Operating expenditures	812,443	746,168	66,275
Capital outlay	8,700	8,744	(44)
Total	<u>1,596,504</u>	<u>1,540,314</u>	<u>56,190</u>
Stadium:			
Operating expenditures	105,000	100,276	4,724
Capital outlay	25,000	25,000	-
Total	<u>130,000</u>	<u>125,276</u>	<u>4,724</u>
Total parks and recreation	<u>1,726,504</u>	<u>1,665,590</u>	<u>60,914</u>
Debt Service:			
Principal retirement	2,870,681	2,870,681	-
Interest and fees	2,268,881	2,244,184	24,697
Total debt service	<u>5,139,562</u>	<u>5,114,865</u>	<u>24,697</u>
Total expenditures	<u>35,059,947</u>	<u>30,993,954</u>	<u>4,065,993</u>
Total revenues over (under) expenditures	<u>(2,056,498)</u>	<u>4,169,077</u>	<u>6,225,575</u>
Other Financing Sources (Uses):			
Transfers in	3,560,926	3,560,927	1
Transfers out	(2,635,909)	(2,635,909)	-
Appropriated fund balance	1,131,481	-	(1,131,481)
Total other financing sources (uses)	<u>2,056,498</u>	<u>925,018</u>	<u>(1,131,480)</u>
Net change in fund balance	<u>\$ -</u>	<u>5,094,095</u>	<u>\$ 5,094,095</u>
Fund Balance:			
Beginning of year - July 1		<u>9,040,813</u>	
End of year - June 30		<u>\$ 14,134,908</u>	

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Major Capital Project Fund

Pine Street Assisted Living Facility - This fund is used to account for the acquisition of property on Pine Street to facilitate relocation of a flood-prone assisted living facility.

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CITY OF KANNAPOLIS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - PINE STREET ASSISTED LIVING FACILITY
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 3,100,294	\$ -	\$ 2,722,219	\$ 2,722,219
Total revenues	<u>3,100,294</u>	<u>-</u>	<u>2,722,219</u>	<u>2,722,219</u>
Expenditures:				
Contracted services	3,100,294	-	2,723,914	2,723,914
Total expenditures	<u>3,100,294</u>	<u>-</u>	<u>2,723,914</u>	<u>2,723,914</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,695)</u>	<u>\$ (1,695)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	<i>Schedule C-1</i> Special Revenue Funds	<i>Schedule D-1</i> Capital Project Funds	Total
Assets:			
Cash and investments	\$ 332,211	\$ 1,077,896	\$ 1,410,107
Accounts receivable	214,170	-	214,170
Due from other governments	23,073	78,908	101,981
Cash and cash equivalents, restricted	<u>649,316</u>	<u>4,114,556</u>	<u>4,763,872</u>
 Total assets	 <u>\$ 1,218,770</u>	 <u>\$ 5,271,360</u>	 <u>\$ 6,490,130</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 134,763	\$ 756,513	\$ 891,276
Total liabilities	<u>134,763</u>	<u>756,513</u>	<u>891,276</u>
 Deferred Inflows of Resources:			
Loan receivable	<u>214,170</u>	<u>-</u>	<u>214,170</u>
 Fund Balances:			
Restricted:			
Stabilization for State statute	23,073	78,908	101,981
Restricted, all other	876,696	4,342,569	5,219,265
Committed	-	93,370	93,370
Unassigned	<u>(29,932)</u>	<u>-</u>	<u>(29,932)</u>
Total fund balances	<u>869,837</u>	<u>4,514,847</u>	<u>5,384,684</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 1,218,770</u>	 <u>\$ 5,271,360</u>	 <u>\$ 6,490,130</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, 2014**

	<i>Schedule C-2</i> Special Revenue Funds	<i>Schedule D-2</i> Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Other taxes and licenses	\$ 223,661	\$ -	\$ 223,661
Restricted intergovernmental	471,386	60,294	531,680
Total revenues	<u>695,047</u>	<u>60,294</u>	<u>755,341</u>
Expenditures:			
Economic development	1,169,349	-	1,169,349
Departmental supplies	-	375	375
Contracted services	-	1,632,816	1,632,816
Capital outlay	-	407,518	407,518
Debt service:			
Interest and fees	-	12,500	12,500
Total expenditures	<u>1,169,349</u>	<u>2,053,209</u>	<u>3,222,558</u>
Revenues over (under) expenditures	<u>(474,302)</u>	<u>(1,992,915)</u>	<u>(2,467,217)</u>
Other Financing Sources (Uses):			
Transfers in	<u>503,789</u>	<u>2,563,565</u>	<u>3,067,354</u>
Total other financing sources (uses)	<u>503,789</u>	<u>(2,948,807)</u>	<u>(2,445,018)</u>
Net change in fund balances	29,487	(4,941,722)	(4,912,235)
Fund Balances:			
Beginning of year - July 1	<u>840,350</u>	<u>9,456,569</u>	<u>10,296,919</u>
End of year - June 30	<u>\$ 869,837</u>	<u>\$ 4,514,847</u>	<u>\$ 5,384,684</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014

	Community Development Block Grant	Transit Tax Fund	Total
Assets:			
Cash and investments	\$ 52,731	\$ 279,480	\$ 332,211
Accounts receivable	214,170	-	214,170
Due from other governments	23,063	10	23,073
Restricted cash	<u>649,316</u>	<u>-</u>	<u>649,316</u>
Total assets	<u>\$ 939,280</u>	<u>\$ 279,490</u>	<u>\$ 1,218,770</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	<u>\$ 82,663</u>	<u>\$ 52,100</u>	<u>\$ 134,763</u>
Deferred Inflows of Resources:			
Loan receivable	<u>214,170</u>	<u>-</u>	<u>214,170</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	23,063	10	23,073
Restricted, all other	649,316	227,380	876,696
Unassigned	<u>(29,932)</u>	<u>-</u>	<u>(29,932)</u>
Total fund balances	<u>642,447</u>	<u>227,390</u>	<u>869,837</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 939,280</u>	<u>\$ 279,490</u>	<u>\$ 1,218,770</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, 2014**

	Community Development Block Grant	Transit Tax Fund	Total
Revenues:			
Other taxes and licenses	\$ -	\$ 223,661	\$ 223,661
Restricted intergovernmental	<u>471,386</u>	<u>-</u>	<u>471,386</u>
Total revenues	<u>471,386</u>	<u>223,661</u>	<u>695,047</u>
Expenditures:			
Current:			
Community development	<u>586,404</u>	<u>582,945</u>	<u>1,169,349</u>
Revenues over (under) expenditures	(115,018)	(359,284)	(474,302)
Other Financing Sources (Uses):			
Transfers in (out)	<u>-</u>	<u>503,789</u>	<u>503,789</u>
Net change in fund balances	(115,018)	144,505	29,487
Fund Balances:			
Beginning of year - July 1	<u>757,465</u>	<u>82,885</u>	<u>840,350</u>
End of year - June 30	<u>\$ 642,447</u>	<u>\$ 227,390</u>	<u>\$ 869,837</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

COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual		
		Prior Years	Actual	Total To Date
Revenues:				
CDBG 2013	\$ 352,879	\$ -	\$ 66,167	\$ 66,167
CDBG 2012	354,220	65,458	288,762	354,220
CDBG 2011	322,391	322,391	-	322,391
CDBG 2006	1,177,546	-	-	-
2009 HOME Program Grant	132,819	132,819	-	132,819
2011 HOME Program Grant	124,946	40,721	2,253	42,974
2012 HOME Program Grant	104,660	-	2,609	2,609
2013 HOME Program Grant	104,483	-	-	-
2009 Consortium HOME Program Income	183,942	183,942	-	183,942
2011 Consortium HOME Program Income	96,834	96,834	-	96,834
2012 Consortium HOME Program Income	13,386	13,386	-	13,386
2013 Consortium HOME Program Income	98,209	-	98,209	98,209
2014 Consortium HOME Program Income	-	-	13,386	13,386
Sales and services	-	2,010,347	-	2,010,347
Miscellaneous revenue	-	715	-	715
Investment income	-	128,935	-	128,935
Total revenues	<u>3,066,315</u>	<u>2,995,548</u>	<u>471,386</u>	<u>3,466,934</u>
Expenditures:				
CDBG 2013:				
Administration	70,575	-	53,874	53,874
Park improvements	78,696	-	78,695	78,695
Public service	50,000	-	43,055	43,055
Section 108 loan payments	71,426	-	-	-
Urgent Repair Program	52,182	-	-	-
Demolition	30,000	-	-	-
Total	<u>352,879</u>	<u>-</u>	<u>175,624</u>	<u>175,624</u>
CDBG 2012:				
Administration	70,000	64,474	5,526	70,000
Park improvements	20,000	73	(31)	42
Public service	45,831	40,815	5,016	45,831
Section 108 loan payments	71,683	-	71,427	71,427
Urgent Repair Program	96,706	-	69,450	69,450
Demolition	50,000	-	8,750	8,750
Total	<u>354,220</u>	<u>105,362</u>	<u>160,138</u>	<u>265,500</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, 2014**

	Project Authorization	Prior Years	Actual	
			Actual	Total To Date
CDBG 2011:				
Administration	46,516	46,516	-	46,516
Public service	47,225	47,225	-	47,225
Section 108 loan payments	78,611	75,129	-	75,129
Urgent Repair Program	100,039	95,845	4,194	100,039
Demolition	50,000	21,594	5,800	27,394
Total	322,391	286,309	9,994	296,303
CDBG 2006:				
Section 108 loan payments	1,177,546	1,009,941	134,353	1,144,294
Total	1,177,546	1,009,941	134,353	1,144,294
2009 HOME Program Grant:				
Administration	20,846	20,846	-	20,846
Construction	466	466	-	466
Transitional housing	165,219	165,219	-	165,219
Program rehabilitation	80,230	80,230	-	80,230
Downpayment assistance	50,000	45,000	5,000	50,000
Total	316,761	311,761	5,000	316,761
2011 HOME Program Grant:				
Administration	15,372	15,372	(6,825)	8,547
Construction	50,000	32,131	17,869	50,000
Transitional housing	136,408	116,993	(26,667)	90,326
Program rehabilitation	-	-	-	-
Downpayment assistance	20,000	10,000	(10,000)	-
Total	221,780	174,496	(25,623)	148,873
2012 HOME Program Grant:				
Administration	5,924	155	3,115	3,270
Property purchase	57,122	-	6,226	6,226
Program rehabilitation	30,000	240	-	240
Downpayment assistance	25,000	-	13,146	13,146
Total	118,046	395	22,487	22,882

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, 2014**

	Project Authorization	Prior Years	Actual	
			Actual	Total To Date
2013 HOME Program Grant:				
Administration	5,915	-	-	-
Property purchase	18,568	-	-	-
Program rehabilitation	60,000	-	6,222	6,222
Downpayment assistance	20,000	-	-	-
Total	<u>104,483</u>	<u>-</u>	<u>6,222</u>	<u>6,222</u>
2013 HOME Program Income:				
Administration	9,820	-	9,820	9,820
Program rehabilitation	88,389	-	88,389	88,389
Total	<u>98,209</u>	<u>-</u>	<u>98,209</u>	<u>98,209</u>
Total expenditures	<u>3,066,315</u>	<u>1,888,264</u>	<u>586,404</u>	<u>2,474,668</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,107,284</u>	<u>\$ (115,018)</u>	<u>\$ 992,266</u>

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Vehicle license tax	\$ 167,137	\$ 223,661	\$ 56,524
Expenditures:			
Contracted services	670,926	582,945	87,981
Revenues over (under) expenditures	(503,789)	(359,284)	144,505
Other Financing Sources (Uses):			
Transfers in (out)	503,789	503,789	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 144,505</u>	<u>\$ 144,505</u>

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 seven Capital Project Funds.

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

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

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

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

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

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

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	NCRC Project Development Financing Bonds Series 2010	James Street Area Plan	Irish Buffalo Creek Greenway	Dale Earnhardt Blvd Sidewalk	Rogers Lake Road - RR Crossing Improvement	City Office/ Public Safety Building	Oak Avenue Sidewalk	Total
Assets:								
Cash and investments	\$ -	\$ 58	\$ 31,115	\$ 196,898	\$ 3,312	\$ 756,513	\$ 90,000	\$ 1,077,896
Due from other governments	-	-	-	78,851	-	57	-	78,908
Cash and cash equivalents, restricted	-	-	-	-	-	4,114,556	-	4,114,556
Total assets	\$ -	\$ 58	\$ 31,115	\$ 275,749	\$ 3,312	\$ 4,871,126	\$ 90,000	\$ 5,271,360
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 756,513	\$ -	\$ 756,513
Total liabilities	-	-	-	-	-	756,513	-	756,513
Fund Balances:								
Restricted:								
Stabilization for State statute	-	-	-	78,851	-	57	-	78,908
Restricted, all other	-	-	31,115	196,898	-	4,114,556	-	4,342,569
Committed	-	58	-	-	3,312	-	90,000	93,370
Total fund balances	-	58	31,115	275,749	3,312	4,114,613	90,000	4,514,847
Total liabilities and fund balances	\$ -	\$ 58	\$ 31,115	\$ 275,749	\$ 3,312	\$ 4,871,126	\$ 90,000	\$ 5,271,360

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, 2014**

	NCRC Project Development Financing Bonds 2010	James Street Area Plan	Irish Buffalo Creek Greenway	Dale Earnhardt Blvd Sidewalk	Rogers Lake Road - RR Crossing Improvement	City Office/ Public Safety Building	Oak Avenue Sidewalk	Total
Revenues:								
Restricted intergovernmental	\$ 58,862	\$ -	\$ -	\$ 1,432	\$ -	\$ -	\$ -	\$ 60,294
Total revenues	58,862	-	-	1,432	-	-	-	60,294
Expenditures:								
Current:								
Departmental supplies	-	375	-	-	-	-	-	375
Contracted services	-	50	-	-	-	1,632,766	-	1,632,816
Capital outlay	238,059	-	-	1,790	54,425	113,244	-	407,518
Debt service:								
Interest and fees	-	-	-	-	-	12,500	-	12,500
Total expenditures	238,059	425	-	1,790	54,425	1,758,510	-	2,053,209
Revenues over (under) expenditures	(179,197)	(425)	-	(358)	(54,425)	(1,758,510)	-	(1,992,915)
Other Financing Sources (Uses):								
Transfers in	-	-	-	222,120	50,000	2,201,445	90,000	2,563,565
Transfers out	(5,512,372)	-	-	-	-	-	-	(5,512,372)
Total other financing sources (uses)	(5,512,372)	-	-	222,120	50,000	2,201,445	90,000	(2,948,807)
Net change in fund balances	(5,691,569)	(425)	-	221,762	(4,425)	442,935	90,000	(4,941,722)
Fund Balances:								
Beginning of year - July 1	5,691,569	483	31,115	53,987	7,737	3,671,678	-	9,456,569
End of year - June 30	\$ -	\$ 58	\$ 31,115	\$ 275,749	\$ 3,312	\$ 4,114,613	\$ 90,000	\$ 4,514,847

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND
NCRC PROJECT DEVELOPMENT FINANCING BONDS (SERIES 2010)
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Donations	\$ 204,240	\$ 145,378	\$ 58,862	\$ 204,240
Investment earnings	89,543	89,542	-	89,542
Miscellaneous revenue	82,205	82,204	-	82,204
Total revenues	<u>375,988</u>	<u>317,124</u>	<u>58,862</u>	<u>375,986</u>
Expenditures:				
DOT tunnel	609,741	609,742	-	609,742
Veterans' Park	2,875,861	2,637,802	238,059	2,875,861
N. Main Street	116,377	116,377	-	116,377
N. Loop Road	29,758	29,758	-	29,758
Phase I streets	427,484	427,483	-	427,483
NCRC Phase II-A	510	510	-	510
Castle and Cooke projects	6,041,726	6,041,726	-	6,041,726
Health Alliance Building	13,508,476	13,508,475	-	13,508,475
Debt service:				
Interest and fees	2,175,904	2,175,902	-	2,175,902
Total expenditures	<u>25,785,837</u>	<u>25,547,775</u>	<u>238,059</u>	<u>25,785,834</u>
Revenues over (under) expenditures	<u>(25,409,849)</u>	<u>(25,230,651)</u>	<u>(179,197)</u>	<u>(25,409,848)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	36,071,848	36,071,848	-	36,071,848
Payments to bondholders	(1,349,936)	(1,349,937)	-	(1,349,937)
Transfer (out)	(9,312,371)	(3,800,000)	(5,512,372)	(9,312,372)
Transfers in	308	309	-	309
Total other financing sources (uses)	<u>25,409,849</u>	<u>30,922,220</u>	<u>(5,512,372)</u>	<u>25,409,848</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,691,569</u>	<u>\$ (5,691,569)</u>	<u>\$ -</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - JAMES STREET AREA PLAN

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Contributions	\$ 37,500	\$ 35,000	\$ -	\$ 35,000
Expenditures:				
Contracted services	20,342	200	50	250
Departmental supplies	54,658	55,181	375	55,556
Total expenditures	75,000	55,381	425	55,806
Revenues over (under) expenditures	(37,500)	(20,381)	(425)	(20,806)
Other Financing Sources (Uses):				
Transfers in	37,500	20,864	-	20,864
Net change in fund balance	\$ -	\$ 483	\$ (425)	\$ 58

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, 2014

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - DALE EARNHARDT BLVD SIDEWALK
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Proceeds from grants	\$ 312,200	\$ 96,255	\$ 1,432	\$ 97,687
Expenditures:				
Capital outlay	659,849	117,099	1,790	118,889
Salaries and benefits	2,521	3,219	-	3,219
Total expenditures	<u>662,370</u>	<u>120,318</u>	<u>1,790</u>	<u>122,108</u>
Revenues over (under) expenditures	<u>(350,170)</u>	<u>(24,063)</u>	<u>(358)</u>	<u>(24,421)</u>
Other Financing Sources (Uses):				
Transfers in	<u>350,170</u>	<u>78,050</u>	<u>222,120</u>	<u>300,170</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 53,987</u>	<u>\$ 221,762</u>	<u>\$ 275,749</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - ROGERS LAKE ROAD - RR CROSSING IMPROVEMENT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Capital outlay	\$ 475,000	\$ 202,263	\$ 54,425	\$ 256,688
Revenues over (under) expenditures	<u>(475,000)</u>	<u>(202,263)</u>	<u>(54,425)</u>	<u>(256,688)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	265,000	-	-	-
Transfers in	<u>210,000</u>	<u>210,000</u>	<u>50,000</u>	<u>260,000</u>
Total other financing sources (uses)	<u>475,000</u>	<u>210,000</u>	<u>50,000</u>	<u>260,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,737</u>	<u>\$ (4,425)</u>	<u>\$ 3,312</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - CITY OFFICE/PUBLIC SAFETY BUILDING
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Contributions	\$ 6,491	\$ 6,491	\$ -	\$ 6,491
Expenditures:				
Contracted services	3,933,892	184,813	1,632,766	1,817,579
Capital outlay	27,373,039	-	113,244	113,244
Debt service:				
Interest and fees	-	-	12,500	12,500
Total expenditures	<u>31,306,931</u>	<u>184,813</u>	<u>1,758,510</u>	<u>1,943,323</u>
Revenues over (under) expenditures	<u>(31,300,440)</u>	<u>(178,322)</u>	<u>(1,758,510)</u>	<u>(1,936,832)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	25,248,995	-	-	-
Transfers in	<u>6,051,445</u>	<u>3,850,000</u>	<u>2,201,445</u>	<u>6,051,445</u>
Total other financing sources (uses)	<u>31,300,440</u>	<u>3,850,000</u>	<u>2,201,445</u>	<u>6,051,445</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,671,678</u>	<u>\$ 442,935</u>	<u>\$ 4,114,613</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, 2014

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Proceeds from grants	\$ 630,000	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	820,000	-	-	-
Revenues over (under) expenditures	(190,000)	-	-	-
Other Financing Sources (Uses):				
Transfers in	190,000	-	90,000	90,000
Net change in fund balance	\$ -	\$ -	\$ 90,000	\$ 90,000

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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 three Enterprise Funds:

Water and Sewer Fund
Stormwater Fund
Environmental Services Fund

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

Shiloh Church Road Extension Fund
Revenue Bonds 2014 Fund
Highway 73 (Exit 55) Water Line Fund
Mooreville Road Water Main Fund

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

8th Street Culvert Replacement Fund

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CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water and sewer charges	\$ 13,796,836	\$ 13,645,457	\$ (151,379)
Water and sewer taps	550,000	519,788	(30,212)
Penalties	375,000	394,868	19,868
Other	10,000	13,023	3,023
Total operating revenues	<u>14,731,836</u>	<u>14,573,136</u>	<u>(158,700)</u>
Non-Operating Revenues:			
Interest on investments	15,000	-	(15,000)
Total non-operating revenues	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Total revenues	<u>14,746,836</u>	<u>14,573,136</u>	<u>(173,700)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	387,038	283,550	103,488
Operating expenditures	218,850	213,490	5,360
Repairs and maintenance	1,500	1,180	320
Total	<u>607,388</u>	<u>498,220</u>	<u>109,168</u>
Distribution:			
Salaries and employee benefits	1,259,890	1,382,301	(122,411)
Operating expenditures	613,405	561,389	52,016
Repairs and maintenance	253,768	243,982	9,786
Capital outlay	840,350	163,076	677,274
Total	<u>2,967,413</u>	<u>2,350,748</u>	<u>616,665</u>
Filter Plant:			
Salaries and employee benefits	474,783	391,534	83,249
Operating expenditures	1,456,251	1,329,767	126,484
Repairs and maintenance	115,550	64,407	51,143
Capital outlay	288,000	209,857	78,143
Total	<u>2,334,584</u>	<u>1,995,565</u>	<u>339,019</u>
General Services	<u>1,050,000</u>	<u>1,050,000</u>	<u>-</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Sewage Treatment	3,012,919	2,965,022	47,897
Debt Service:			
Principal	2,418,381	1,855,461	562,920
Interest and fees	1,156,151	1,072,662	83,489
Total debt service	<u>3,574,532</u>	<u>2,928,123</u>	<u>646,409</u>
Total expenditures	<u>13,546,836</u>	<u>11,787,678</u>	<u>1,759,158</u>
Revenues over (under) expenditures	<u>1,200,000</u>	<u>2,785,458</u>	<u>1,585,458</u>
Other Financing Sources (Uses):			
Transfers out	<u>(1,200,000)</u>	<u>(1,100,000)</u>	<u>100,000</u>
Total other financing sources (uses)	<u>(1,200,000)</u>	<u>(1,100,000)</u>	<u>100,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	1,685,458	<u>\$ 1,685,458</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Depreciation and amortization		(2,379,867)	
Capital outlay		372,933	
Payment of debt principal		1,855,461	
Change in accrued interest		(183,793)	
Change in other post-employment benefits		(444,044)	
Change in compensated absences		(2,406)	
Interest from capital projects		45,109	
Contribution from developer		<u>1,655,040</u>	
Change in net position		<u>\$ 2,603,891</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - SHILOH CHURCH ROAD EXTENSION FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Capital outlay	\$ 1,042,000	\$ 249,131	\$ -	\$ 249,131
Revenues over (under) expenditures	<u>(1,042,000)</u>	<u>(249,131)</u>	<u>-</u>	<u>(249,131)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	1,042,000	-	-	-
Transfers in	<u>-</u>	<u>249,131</u>	<u>-</u>	<u>249,131</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Interest income	\$ -	\$ -	\$ 45,109	\$ 45,109
Expenditures:				
Capital outlay:				
Albemarle water line	11,034,545	507,791	3,763,660	4,271,451
Meter exchange project	5,963,228	-	5,223,844	5,223,844
Water intake and clear well	706,388	-	114,650	114,650
Irish Buffalo Creek sewer project	916,080	-	-	-
Debt issuance costs	519,319	-	76,170	76,170
Total expenditures	19,139,560	507,791	9,178,324	9,686,115
Revenues over (under) expenditures	(19,139,560)	(507,791)	(9,133,215)	(9,641,006)
Other Financing Sources (Uses):				
Transfers in	539,560	204,910	-	204,910
Debt issued	18,600,000	-	18,245,000	18,245,000
Total other financing sources (uses)	19,139,560	204,910	18,245,000	18,449,910
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (302,881)	\$ 9,111,785	\$ 8,808,904

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - HIGHWAY 73 (EXIT 55) WATER LINE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Capital outlay	\$ 147,000	\$ -	\$ -	\$ -
Revenues over (under) expenditures	(147,000)	-	-	-
Other Financing Sources (Uses):				
Transfer in (out)	147,000	146,114	-	146,114
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 146,114	\$ -	\$ 146,114

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, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Capital outlay	\$ 3,000,000	\$ -	\$ 42,482	\$ 42,482
Revenues over (under) expenditures	<u>(3,000,000)</u>	<u>-</u>	<u>(42,482)</u>	<u>(42,482)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,482)</u>	<u>\$ (42,482)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 1,760,000	\$ 1,699,209	\$ (60,791)
Miscellaneous revenue	-	120	120
Total revenues	<u>1,760,000</u>	<u>1,699,329</u>	<u>(60,671)</u>
Expenditures:			
Salaries and employee benefits	513,792	368,177	145,615
Operating expenditures	617,831	690,225	(72,394)
General services	<u>197,219</u>	<u>147,914</u>	<u>49,305</u>
Total	<u>1,328,842</u>	<u>1,206,316</u>	<u>122,526</u>
Debt Service:			
Principal	580,572	580,572	-
Interest	<u>100,586</u>	<u>100,065</u>	<u>521</u>
Total	<u>681,158</u>	<u>680,637</u>	<u>521</u>
Total expenditures	<u>2,010,000</u>	<u>1,886,953</u>	<u>123,047</u>
Revenues over (under) expenditures	<u>(250,000)</u>	<u>(187,624)</u>	<u>62,376</u>
Other Financing Sources (Uses):			
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>62,376</u>	<u>\$ 62,376</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Depreciation and amortization		(124,554)	
Change in interest accrued		6,333	
Change in other post-employment benefits		(117,808)	
Change in compensated absences		(2,239)	
Payment of debt principal		<u>580,572</u>	
Total		<u>342,304</u>	
Change in net position		<u>\$ 404,680</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER CAPITAL PROJECT - 8TH STREET CULVERT REPLACEMENT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Engineering/consultants	\$ 265,000	\$ 180,843	\$ 60,812	\$ 241,655
Capital outlay	<u>995,000</u>	<u>247,720</u>	<u>344,681</u>	<u>592,401</u>
Total expenditures	<u>1,260,000</u>	<u>428,563</u>	<u>405,493</u>	<u>834,056</u>
Revenues over (under) expenditures	<u>(1,260,000)</u>	<u>(428,563)</u>	<u>(405,493)</u>	<u>(834,056)</u>
Other Financing Sources (Uses):				
Debt issued	<u>1,260,000</u>	<u>1,260,000</u>	<u>-</u>	<u>1,260,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 831,437</u>	<u>\$ (405,493)</u>	<u>\$ 425,944</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 1,290,000	\$ 1,273,490	\$ (16,510)
Total revenues	<u>1,290,000</u>	<u>1,273,490</u>	<u>(16,510)</u>
Expenditures:			
Salaries and employee benefits	50,549	50,358	191
Operating expenditures	156,863	42,931	113,932
Contracted services	<u>3,276,659</u>	<u>3,242,974</u>	<u>33,685</u>
Total	<u>3,484,071</u>	<u>3,336,263</u>	<u>147,808</u>
Debt Service:			
Principal	165,999	165,999	-
Interest	<u>9,930</u>	<u>9,929</u>	<u>1</u>
Total	<u>175,929</u>	<u>175,928</u>	<u>1</u>
Total expenditures	<u>3,660,000</u>	<u>3,512,191</u>	<u>147,809</u>
Revenues over (under) expenditures	<u>(2,370,000)</u>	<u>(2,238,701)</u>	<u>131,299</u>
Other Financing Sources (Uses):			
Transfers in	<u>2,370,000</u>	<u>2,370,000</u>	<u>-</u>
Total other financing sources (uses)	<u>2,370,000</u>	<u>2,370,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>131,299</u>	<u>\$ 131,299</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Other post-employment benefits		(9,062)	
Payment of debt principal		<u>165,999</u>	
Total		<u>156,937</u>	
Change in net position		<u>\$ 288,236</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, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013 - 2014	\$ -	\$ 20,016,717	\$ 19,430,246	\$ 586,471
2012 - 2013	709,812	-	469,411	240,401
2011 - 2012	234,108	-	83,966	150,142
2010 - 2011	149,341	-	31,226	118,115
2009 - 2010	102,744	-	40,248	62,496
2008 - 2009	254,536	-	223,820	30,716
2007 - 2008	21,856	-	1,310	20,546
2006 - 2007	17,697	-	1,344	16,353
2005 - 2006	20,845	-	1,106	19,739
2004 - 2005	18,535	-	1,735	16,800
2003 - 2004	19,143	-	19,143	-
	\$ 1,548,617	\$ 20,016,717	\$ 20,303,555	1,261,779
				395,917
				\$ 865,862
				\$ 20,242,776
				(184,907)
				234,227
				4,425
				17,976
				1,167
				(12,109)
				\$ 20,303,555

Less: Allowance for uncollectible accounts

Ad valorem taxes receivable - net

Reconciliation with Revenues:

Ad valorem taxes - General Fund

Reconciling items:

Penalties and interest

Prior years' taxes released

Discounts

Taxes written off - State statute

Taxes over ten years old collected

Miscellaneous adjustment

Total collections and credits

CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 3,469,301,838	0.5600	\$ 19,428,090	\$ 18,043,333	\$ 1,384,757
Property taxed at prior year's rate	101,673,605	0.5600	569,372	-	569,372
Penalties	-		15,336	15,336	-
Total	<u>3,570,975,443</u>		<u>20,012,798</u>	<u>18,058,669</u>	<u>1,954,129</u>
Discoveries:					
Current year taxes	2,565,014	0.5600	14,364	6,792	7,572
Prior year taxes	9,966,582	0.5600	55,813	52,140	3,673
Penalties	-		17,127	17,127	-
Total	<u>12,531,596</u>		<u>87,304</u>	<u>76,059</u>	<u>11,245</u>
Abatements:					
Property taxed at current year's rate	(12,989,829)	0.5600	(72,743)	(34,378)	(38,365)
Property taxed at prior year's rate	<u>(1,900,357)</u>	0.5600	<u>(10,642)</u>	<u>(1,978)</u>	<u>(8,664)</u>
Total	<u>(14,890,186)</u>		<u>(83,385)</u>	<u>(36,356)</u>	<u>(47,029)</u>
Total property valuation	<u>\$ 3,568,616,853</u>				
Net Levy			20,016,717	18,098,372	1,918,345
Less uncollected taxes at June 30, 2014			<u>586,471</u>	<u>492,989</u>	<u>93,482</u>
Current Year's Taxes Collected			<u>\$ 19,430,246</u>	<u>\$ 17,605,383</u>	<u>\$ 1,824,863</u>
Percent Current Year Collected			<u>97.07%</u>	<u>97.28%</u>	<u>95.13%</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
SECONDARY MARKET DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2014**

Assessed Valuation:

Assessment Ratio (1)	<u>100.00%</u>
Real property	\$ 3,031,530,138
Personal property	468,707,456
Public service companies (2)	<u>68,379,259</u>
Total assessed valuation	<u>\$ 3,568,616,853</u>
Tax Rate per \$100	<u>0.5600</u>
Levy (includes discoveries, releases, penalties, and abatements)	<u>\$ 20,016,717</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, 2014

<u>Business</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Castle & Cooke NCRC	Real estate	\$ 200,237,070	5.61%
Castle & Cooke LLC	Real estate	85,701,916	2.40%
Atlantic American Properties, Inc./ Club at Irish Creek, LLC	Real estate	52,121,397	1.46%
Trinity of Cabarrus LTD/Shoe Show	Shoe distribution	47,805,924	1.34%
Afton Ridge Joint Venture LLC/ CK Afton Ridge Shopping Center	Real estate	37,077,430	1.04%
Duke Energy Corporation	Utility	34,698,315	0.97%
Wachovia Development Corp	Warehousing	33,779,270	0.95%
Integra Springs LLC	Real estate	26,222,780	0.73%
The Grand in Kannapolis LLC	Real estate	21,431,010	0.60%
Public Service Company of NC, Inc.	Utility	<u>16,010,896</u>	<u>0.45%</u>
Total		<u>\$ 555,086,008</u>	<u>15.55%</u>

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

Statistical Section

- 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 19

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

Full-Time Equivalent City Government	
Employees by Function/Program	Table 16
Operating Indicators by Functional Area	Table 17
Capital Asset Statistics by Function/Program	Table 18
Property Values & Construction	Table 19

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	\$ 98,692	\$ 108,313	\$ 111,062	\$ 112,059	\$ 111,834	\$ 112,112	\$ 103,739	\$ 104,875	\$ 105,486	\$ 113,042,845
Restricted	3,395	93	100	638	359	650	3,555	3,643	3,242	9,131
Unrestricted	4,977	6,576	8,240	8,821	7,108	6,242	1,424	(1,135)	640	(9,080,536)
Total governmental activities net position	\$ 107,064	\$ 114,982	\$ 119,402	\$ 121,518	\$ 119,301	\$ 119,004	\$ 108,718	\$ 107,383	\$ 109,368	\$ 103,971,440
Business-type activities										
Invested in capital assets, net of related debt	\$ 34,330	\$ 35,047	\$ 39,611	\$ 44,953	\$ 46,667	\$ 47,302	\$ 54,488	\$ 57,456	\$ 58,647	\$ 60,310
Restricted	3,400	-	-	-	-	738	3,791	-	-	-
Unrestricted	(3,118)	2,495	6,104	7,486	6,751	8,151	3,018	6,252	4,917	6,551
Total business-type activities net position	\$ 34,612	\$ 37,542	\$ 45,715	\$ 52,439	\$ 53,418	\$ 56,191	\$ 61,297	\$ 63,708	\$ 63,564	\$ 66,861
Primary government										
Invested in capital assets, net of related debt	\$ 133,022	\$ 143,360	\$ 150,673	\$ 157,012	\$ 158,501	\$ 159,414	\$ 158,227	\$ 162,331	\$ 164,133	\$ 171,122
Restricted	6,795	93	100	638	359	1,388	7,346	3,643	3,242	9,131
Unrestricted	1,859	9,071	14,344	16,307	13,859	14,393	4,442	5,117	5,557	(299)
Total primary government net position	\$ 141,676	\$ 152,524	\$ 165,117	\$ 173,957	\$ 172,719	\$ 175,195	\$ 170,015	\$ 171,091	\$ 172,932	\$ 179,954

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)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 2,721	\$ 5,955	\$ 4,065	\$ 5,481	\$ 5,217	\$ 6,573	\$ 2,876	\$ 8,103	\$ 6,589	\$ 9,674
Public safety	9,157	9,732	9,771	8,057	10,107	11,275	13,398	12,522	15,028	15,708
Public works	6,891	7,394	4,232	2,918	8,604	6,943	8,711	7,668	5,492	5,639
Community development	1,490	2,259	5,009	8,978	8,453	4,359	14,578	1,533	1,754	1,760
Parks and recreation	934	1,208	1,278	1,326	1,268	1,545	1,941	1,931	2,172	2,101
Interest on long-term debt	177	233	327	491	607	551	1,868	2,276	2,283	2,205
Total governmental activities	<u>21,370</u>	<u>26,781</u>	<u>24,682</u>	<u>27,251</u>	<u>34,256</u>	<u>31,246</u>	<u>43,372</u>	<u>34,033</u>	<u>33,318</u>	<u>37,087</u>
Business-type activities:										
Water and sewer	9,809	10,193	11,132	11,916	11,711	11,260	11,185	13,045	11,427	12,569
Stormwater	-	-	97	1,011	1,485	1,405	1,270	1,436	1,691	1,545
Environmental services	-	-	-	-	-	-	-	427	3,314	3,355
Total business-type activities	<u>9,809</u>	<u>10,193</u>	<u>11,229</u>	<u>12,927</u>	<u>13,196</u>	<u>12,665</u>	<u>12,455</u>	<u>14,908</u>	<u>16,432</u>	<u>17,469</u>
Total primary government expenses	<u>\$ 31,179</u>	<u>\$ 36,974</u>	<u>\$ 35,911</u>	<u>\$ 40,178</u>	<u>\$ 47,452</u>	<u>\$ 43,911</u>	<u>\$ 55,827</u>	<u>\$ 48,941</u>	<u>\$ 49,750</u>	<u>\$ 54,556</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,157	\$ 241	\$ 523	\$ 1,669	\$ 1,157	\$ 1,183	\$ 2,310	\$ 2,422	\$ 930	\$ 87
Public safety	34	106	85	139	124	152	135	135	118	133
Public works	124	194	93	189	56	8	98	44	25	13
Community development	174	1,274	832	113	184	110	59	33	136	291
Parks and recreation	45	79	138	258	249	260	258	275	279	256
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions:										
General government	238	9	90	243	95	33	204	27	65	933
Public safety	-	1	12	135	88	28	602	29	970	791
Public works	1	1,283	1,266	23	-	-	-	-	-	-
Community development	593	-	-	1,250	200	-	-	-	-	-
Parks and recreation	72	26	16	-	8	-	-	-	-	-
Capital grants and contributions:										
General government	-	-	-	258	1,206	590	366	3	1,536	5,499
Public safety	1,282	-	-	202	18	128	176	382	299	2,722
Public works	-	-	2,475	1,557	1,935	1,508	1,481	1,731	1,468	1,264
Community development	-	13,074	573	1,054	1,004	345	958	445	358	506
Parks and recreation	699	-	408	426	777	32	-	-	-	-
Total governmental activities program revenues	<u>4,419</u>	<u>16,287</u>	<u>6,511</u>	<u>7,516</u>	<u>7,101</u>	<u>4,377</u>	<u>6,647</u>	<u>5,526</u>	<u>6,184</u>	<u>12,495</u>

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CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 2 (Continued)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues (Continued):										
Business-type activities										
Charges for services:										
Water and sewer	10,200	11,154	13,463	14,003	12,050	12,146	13,135	13,627	13,661	14,573
Stormwater	-	-	218	1,441	1,389	1,398	1,472	1,504	1,671	1,699
Environmental services	-	-	-	-	-	-	35	631	1,264	1,274
Capital grants and contributions:										
Water and sewer	1,286	1,380	5,451	4,014	609	2,084	2,775	1,137	237	1,655
Environmental services	-	-	-	-	-	-	-	67	3	-
Total business-type activities program revenues	11,486	12,534	19,132	19,458	14,048	15,628	17,417	16,966	16,836	19,201
Total primary government program revenues	\$ 15,905	\$ 28,821	\$ 25,643	\$ 26,974	\$ 21,149	\$ 20,005	\$ 24,064	\$ 22,492	\$ 23,020	\$ 31,696
Net (Expense)/Revenue										
Governmental activities	\$ (16,952)	\$ (10,493)	\$ (18,170)	\$ (19,735)	\$ (27,154)	\$ (26,869)	\$ (36,725)	\$ (28,505)	\$ (27,132)	\$ (24,592)
Business-type activities	1,677	2,341	7,903	6,531	851	2,963	4,962	2,058	401	1,732
Total primary government net (expense)/revenue	\$ (15,275)	\$ (8,152)	\$ (10,267)	\$ (13,204)	\$ (26,303)	\$ (23,906)	\$ (31,763)	\$ (26,447)	\$ (26,731)	\$ (22,860)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Ad valorem taxes	\$ 10,563	\$ 11,240	\$ 12,011	\$ 13,213	\$ 17,165	\$ 18,252	\$ 18,379	\$ 18,585	\$ 19,274	\$ 19,935
Sales tax	4,901	4,954	5,221	5,412	4,979	5,309	5,218	5,698	6,212	6,486
Other taxes and licenses	448	452	530	711	701	797	752	786	944	1,189
Franchise tax	1,311	1,311	1,311	1,576	1,724	1,779	1,830	1,825	1,840	1,906
Unrestricted intergovernmental revenues	332	456	543	502	209	69	228	515	186	195
Investment earnings	234	380	399	366	76	35	32	78	113	125
Gain on sale of capital assets	-	-	2,568	-	-	-	-	-	-	-
Miscellaneous	39	-	-	-	-	-	-	-	-	-
Transfers	(2,264)	(382)	9	68	83	331	-	(316)	548	(1,520)
Total general revenues and transfers	15,564	18,411	22,592	21,848	24,937	26,572	26,439	27,171	29,117	28,316
Business-type activities:										
Investment earnings	268	219	278	261	211	140	144	36	3	45
Transfers	2,264	371	(9)	(68)	(83)	(331)	-	316	(548)	1,520
Total business-type activities	\$ 2,532	\$ 590	\$ 269	\$ 193	\$ 128	\$ (191)	\$ 144	\$ 352	\$ (545)	\$ 1,565
Change in Net Position										
Governmental activities	\$ (1,388)	\$ 7,918	\$ 4,422	\$ 2,113	\$ (2,217)	\$ (297)	\$ (10,286)	\$ (1,334)	\$ 1,985	\$ 3,724
Business-type activities	4,209	2,931	8,172	6,724	979	2,772	5,106	2,410	(144)	3,297
Total primary government	\$ 2,821	\$ 10,849	\$ 12,594	\$ 8,837	\$ (1,238)	\$ 2,475	\$ (5,180)	\$ 1,076	\$ 1,841	\$ 7,021

CITY OF KANNAPOLIS, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	\$ 3,134	\$ 3,159	\$ 2,075	\$ 3,099	\$ 1,905	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,490	1,789	4,193	3,353	3,730	-	-	-	-	-
Non-spendable	-	-	-	-	-	403	453	35	50	53
Restricted	-	-	-	-	-	2,100	2,990	2,518	2,285	11,013
Unassigned	-	-	-	-	-	3,874	2,677	4,135	6,706	3,069
Total General Fund	\$ 6,624	\$ 4,948	\$ 6,268	\$ 6,452	\$ 5,635	\$ 6,377	\$ 6,120	\$ 6,688	\$ 9,041	\$ 14,135
NCRC Project Development										
Financing 2010 Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	21,431	11,336	5,692	-
Total NCRC Financing 2010 Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,431	\$ 11,336	\$ 5,692	\$ -
Pine Street Assisted Living Facility										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,722
Unassigned	-	-	-	-	-	-	-	-	-	(2,724)
Total Pine Street Assisted Living Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2)
All Other Governmental Funds										
Reserved	\$ 2,395	-	\$ 216	\$ 73	\$ 275	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved report in:										
Special revenue funds	172	1,333	1,625	1,496	1,597	-	-	-	-	-
Capital project funds	1,368	49	1,366	3,986	1,054	-	-	-	-	-
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	1,999	1,036	1,124	954	5,321
Committed	-	-	-	-	-	-	1,250	308	3,680	93
Assigned	-	-	-	-	-	-	(396)	(224)	(29)	(29)
Total all other governmental funds	\$ 3,935	\$ 1,382	\$ 3,207	\$ 5,555	\$ 2,926	\$ 1,999	\$ 1,890	\$ 1,208	\$ 4,605	\$ 5,385

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Ad valorem taxes	\$ 10,783	\$ 11,283	\$12,121	\$13,273	\$17,589	\$17,907	\$18,235	\$18,600	\$19,032	\$ 20,243
Other taxes and licenses	5,349	5,405	5,751	6,124	5,680	6,106	5,971	6,484	7,156	7,675
Unrestricted intergovernmental revenues	1,644	1,767	1,854	2,078	1,933	1,848	2,058	2,340	2,028	2,100
Restricted intergovernmental revenues	2,871	3,167	2,439	3,874	3,676	2,322	3,635	2,129	4,247	6,784
Sales and services	524	1,661	1,418	1,162	1,306	1,195	912	2,101	1,767	780
Investment earnings	234	379	399	366	75	35	32	78	113	125
Miscellaneous	2,105	233	1,048	2,479	739	1,254	2,038	808	909	933
Total revenues	23,510	23,895	25,030	29,356	30,998	30,667	32,881	32,540	35,252	38,640
Expenditures:										
General Government	2,794	3,665	4,145	4,491	4,933	6,579	7,399	7,141	8,358	6,534
Public safety	8,623	9,058	9,637	10,022	11,608	10,949	11,988	11,676	13,865	13,461
Public works	4,947	5,955	5,704	6,112	6,203	5,337	6,489	5,831	3,088	3,449
Community development	569	640	617	711	778	731	731	1,679	1,702	1,760
Parks and recreation	881	1,113	1,235	1,326	1,502	1,340	1,444	4,474	1,549	1,665
Nondepartmental	-	-	-	-	-	-	-	-	-	-
Capital Outlay	3,358	7,891	7,397	10,364	7,913	3,808	13,947	10,294	3,527	4,764
Debt service:										
Principal	1,647	1,745	2,738	2,346	3,049	3,206	2,456	2,405	8,803	3,050
Interest and fees	177	233	378	391	626	574	1,838	1,735	2,368	2,257
Total expenditures	22,996	30,300	31,851	35,763	36,612	32,524	46,292	45,235	43,260	36,940
Excess of revenues over (under) expenditures	514	(6,405)	(6,821)	(6,407)	(5,614)	(1,857)	(13,411)	(12,695)	(8,008)	1,700
Other Financing Sources (Uses)										
Transfers from other funds	899	1,549	1,521	1,401	664	2,071	1,080	704	6,863	6,628
Transfers to other funds	(3,163)	(1,930)	(1,511)	(1,334)	(581)	(1,740)	(1,080)	(373)	(6,315)	(8,148)
Proceeds of installment financing	4,162	2,557	5,469	8,872	2,087	1,340	971	3,000	7,566	-
Debt service reserve	-	-	-	-	-	-	-	(19)	-	-
Capitalized interest	-	-	-	-	-	-	(140)	(826)	-	-
Payments to bondholders	-	-	-	-	-	-	(1,330)	-	-	-
Premium on long-term debt	-	-	-	-	-	-	789	-	-	-
Proceeds of limited obligation bonds	-	-	-	-	-	-	34,185	-	-	-
Total other financing sources (uses)	1,898	2,176	5,479	8,939	2,170	1,671	34,475	2,486	8,114	(1,520)
Net change in fund balances	\$ 2,412	\$ (4,229)	\$ (1,342)	\$ 2,532	\$ (3,444)	\$ (186)	\$ 21,064	\$ (10,209)	\$ 106	\$ 180
Debt service as a percentage of noncapital expenditures	9.29%	8.83%	12.74%	-0.03%	-0.06%	-0.14%	-0.07%	-0.04%	-0.11%	14.37%

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 of activities and the statement of revenues, expenditures, and changes in fund balance.

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 5

ASSESSED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Public Service Companies ⁽²⁾		Total Assessed Value		Total Direct Tax Rate ⁽³⁾	
2005 ⁽¹⁾	\$	1,841,972,357	\$	283,165,906	\$	46,964,110	\$	2,172,102,373	\$	0.497
2006		1,905,159,875		317,140,627		47,761,872		2,270,062,374		0.497
2007		2,025,621,228		320,862,906		54,259,528		2,400,743,662		0.497
2008 ⁽¹⁾		2,235,917,274		354,951,354		55,510,648		2,646,379,276		0.497
2009 ⁽¹⁾		3,244,822,362		246,649,354		57,180,279		3,548,651,995		0.490
2010		3,462,272,048		189,031,359		55,691,820		3,706,995,227		0.490
2011		3,486,066,202		195,285,505		56,141,913		3,737,493,620		0.490
2012 ⁽¹⁾		3,535,916,122		191,820,297		64,092,442		3,791,828,861		0.490
2013 ⁽¹⁾		3,090,633,951		207,389,228		64,386,561		3,362,409,740		0.560
2014		3,031,530,139		468,707,556		68,379,259		3,568,616,954		0.560

Notes: ⁽¹⁾ Increases in FY 2005, FY 2009 and FY 2013 include Cabarrus County revaluation. Increase in FY 2008 and FY 2012 includes Rowan County revaluation

⁽²⁾ Public service companies valuations are provided to the City by the North Carolina Department of Revenue.

These amounts included both real and personal property

⁽³⁾ Tax rates are per \$100 of assessed value.

CITY OF KANANPOLIS, NORTH CAROLINA

TABLE 6

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate per \$100 of Assessed Value)

	Year Taxes are Payable									
	2005 ⁽¹⁾	2006	2007	2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012 ⁽⁴⁾	2013 ⁽⁵⁾	2014
City of Kannapolis:										
General Fund	\$ 0.4970	\$ 0.4970	\$ 0.4970	\$ 0.4970	\$ 0.4900	\$ 0.4900	\$ 0.4900	\$ 0.4900	\$ 0.5600	\$ 0.5600
County Rates:										
Cabarrus	0.5300	0.6300	0.6289	0.6300	0.6300	0.6300	0.6300	0.6300	0.7000	0.7000
Rowan	0.6300	0.6300	0.6300	0.5950	0.5950	0.5950	0.5950	0.6225	0.6225	0.6225

Note:

- (1) Real property was revalued by Cabarrus County on January 1, 2004
- (2) Real property was revalued by Rowan County on January 1, 2007
- (3) Real property was revalued by Cabarrus County on January 1, 2008
- (4) Real property was revalued by Rowan County on January 1, 2011
- (5) Real property was revalued by Cabarrus County on January 1, 2012

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 7

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2014			Fiscal Year 2005		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Castle & Cooke NCRC	Real Estate	\$ 200,237,070	1	5.61%	\$ -	-	-
Castle & Cooke LLC	Real Estate	85,701,916	2	2.40%	-	-	-
Atlantic American Properties, Inc./ Club at Irish Creek	Real Estate	52,121,397	3	1.46%	24,680,917	1	1.14%
Trinity of Cabarrus LTD /Shoe Show	Shoe Distribution	47,805,924	4	1.34%	24,481,190	2	1.13%
Afton Ridge Joint Venture LLC/ CK Afton Ridge Shopping Center	Real Estate	37,077,430	5	1.04%	-	-	-
Duke Energy Corporation	Utility	34,698,315	6	0.97%	19,371,214	5	0.89%
Wachovia Development Corp	Warehousing	33,779,270	7	0.95%	-	-	-
Integra Springs LLC	Real Estate	26,222,780	8	0.73%	-	-	-
The Grand in Kannapolis LLC	Real Estate	21,431,010	9	0.60%	-	-	-
Public Service Company of NC, Inc.	Utility	16,010,896	10	0.45%	8,507,548	9	0.39%
Fieldcrest/Cannon, Inc	Textiles	-	-	-	21,625,471	8	1.00%
The Stanley Works	Manufacturing	-	-	-	8,690,924	3	0.40%
Concord Telephone Company	Utility	-	-	-	13,845,069	6	0.64%
CIT Group Equipment Financing	Equipment Leasing	-	-	-	21,019,060	4	0.97%
David H. Murdock	Real Estate	-	-	-	11,733,578	7	0.54%
Cloverleaf Shopping Center Assoc.	Real Estate	-	-	-	8,374,558	10	0.39%
Total		\$ 555,086,008		15.55%	\$ 162,329,529		7.47%

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

Source: Cabarrus County and Rowan County Tax Departments

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 8

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Discoveries	Abatements	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2005	\$ 10,813,945	\$ 147,482	\$ (137,539)	\$ 10,823,888	\$ 10,400,581	96.09%	\$ 406,507	\$ 10,807,088	99.84%
2006	11,325,147	57,037	(99,974)	11,282,210	10,911,354	96.71%	351,117	11,262,471	99.83%
2007	11,808,304	274,344	(150,952)	11,931,696	11,630,033	97.47%	285,310	11,915,343	99.86%
2008	13,145,903	138,268	(131,666)	13,152,505	12,849,354	97.70%	282,605	13,131,959	99.84%
2009	17,313,980	329,399	(25,459)	17,617,920	17,177,163	97.50%	410,041	17,587,204	99.83%
2010	18,211,307	171,026	(192,864)	18,189,469	17,471,125	96.05%	655,848	18,126,973	99.66%
2011	18,385,221	80,004	(72,720)	18,392,505	17,638,052	95.90%	636,338	18,274,390	99.36%
2012	18,661,612	115,408	(35,161)	18,741,859	18,053,024	96.32%	538,693	18,591,717	99.20%
2013	19,281,030	197,718	(148,628)	19,330,120	18,620,309	96.33%	469,411	19,089,720	98.76%
2014	20,012,799	87,303	(83,385)	20,016,717	19,430,246	97.07%	-	19,430,246	97.07%

Source: City of Kannapolis Finance Department

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 9

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⁾
2005	\$ 381,936	0.02%	\$ 10
2006	88,499	0.00%	2
2007	-	0.00%	-
2008	-	0.00%	-
2009	-	0.00%	-
2010	-	0.00%	-
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	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.

TABLE 10

CITY OF KANANPOLIS, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Per Capita ⁽¹⁾	Percentage of Personal Income ⁽¹⁾
	Installment Obligations	U.S. Gov. Guaranteed Notes	Limited Obligation Bonds	Installment Obligations	General Obligation Bonds	W/S Revenue Bonds	Limited Obligation Bonds				
2005	\$ 10,103,426	\$ 1,418,000	\$ -	\$ 4,416,226	\$ 381,936	\$ 35,018,869	\$ -	\$ 51,338,457	\$ 1,310	1.24%	
2006	11,005,946	1,328,000	-	3,843,185	88,499	32,980,142	-	49,245,772	1,227	1.11%	
2007	12,995,769	1,975,000	-	4,520,423	-	30,630,074	-	50,121,266	1,214	1.06%	
2008	19,670,078	1,826,000	-	6,360,457	-	28,333,220	-	56,189,755	1,313	1.11%	
2009	18,861,800	1,672,000	-	5,495,178	-	25,954,117	-	51,983,095	1,179	0.96%	
2010	17,154,850	1,513,000	-	6,261,384	-	23,477,283	-	48,406,517	1,078	0.91%	
2011	14,503,541	1,349,000	34,184,500	6,114,144	-	21,607,221	815,500	78,573,906	1,835	1.45%	
2012	11,357,867	1,180,000	34,425,000	8,718,447	-	17,620,006	-	73,301,320	1,695	1.29%	
2013	11,594,133	1,006,000	33,125,000	9,144,385	-	16,366,902	-	71,236,420	1,645	1.16%	
2014	10,163,453	827,000	31,685,000	7,929,905	-	33,224,348	-	83,829,706	1,915	*	

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 2013 personal income not available to calculate fiscal year 2014 percentage of personal income.

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2014

(Dollars in Thousands)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Cabarrus County General Obligation Debt	\$ 91,116	16.24%	\$ 14,797
Cabarrus County COPS	245,865	16.24%	39,928
Cabarrus County Capital Leases	3,156	16.24%	513
Rowan County General Obligation Debt	54,364	4.07%	2,213
Rowan County Installment Financing	22,002	4.07%	895
Subtotal, overlapping debt			58,346
City direct debt			42,675
Total direct and overlapping debt			\$101,021

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.

TABLE 12

CITY OF KANNAPOLIS, NORTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Dollars in Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Value of Property	\$ 2,172,102	\$ 2,270,062	\$ 2,400,743	\$ 2,646,379	\$ 3,548,651	\$ 3,706,995	\$ 3,737,493	\$ 3,791,828	\$ 3,456,237	\$ 3,568,617
Debt Limit, 8% of Assessed Value (Statutory Limitation)	173,768	181,605	192,059	211,710	283,892	296,560	298,999	303,346	276,499	285,489
Debt applicable to debt limitations:										
General obligation bonds	381	88	-	-	-	-	-	-	-	-
Limited obligation bonds	-	-	-	-	-	-	35,000	34,425	33,125	31,685
Installment obligations	15,937	16,177	19,491	27,856	26,028	24,929	21,967	21,256	21,744	18,920
Less: Amount of bonded debt incurred for water purposes	(103)	(23)	-	-	-	-	-	-	-	-
Total net debt applicable to limitations	16,215	16,242	19,491	27,856	26,028	24,929	56,967	55,681	54,869	50,605
Legal debt margin	\$ 157,553	\$ 165,363	\$ 172,568	\$ 183,854	\$ 257,864	\$ 271,631	\$ 242,032	\$ 247,665	\$ 221,630	\$ 234,884
Total net debt applicable to the limit as a percentage of debt limit	9.33%	8.94%	10.15%	13.16%	9.17%	8.41%	19.05%	18.36%	19.84%	17.73%

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.

PLEDGED - REVENUE COVERAGE
Last Ten Fiscal Years

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

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

Utility service charges equal total operating revenues, plus investment earning.

Principal and interest of revenue bonds only are shown here.

Coverage equals net revenues divided by total debt service requirements.

CITY OF KANNAPOLIS, NORTH CAROLINA
 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
2005	39,187	\$ 4,453,542	\$ 3,501,321	\$ 30,500	\$ 26,123	4,673	4.70%	5.70%
2006	40,141	4,803,337	3,689,822	32,111	27,376	4,837	4.10%	5.50%
2007	41,273	5,157,773	3,929,245	33,161	29,001	5,017	4.80%	6.30%
2008	42,806	5,551,258	4,029,907	34,099	29,407	5,177	5.70%	6.30%
2009	44,104	5,946,765	4,278,802	35,280	30,620	5,117	11.70%	13.00%
2010	44,891	5,869,800	4,286,389	34,083	30,444	5,203	10.30%	11.60%
2011	42,828	6,057,692	4,124,902	34,030	29,750	5,239	10.40%	11.60%
2012	43,242	6,453,148	4,111,873	35,561	29,792	5,290	9.30%	10.30%
2013	43,312	7,025,450	4,334,051	38,079	31,365	5,442	7.90%	8.80%
2014	43,782	*	*	*	*	5,554	6.00%	6.50%

* Information not yet available.

- Notes:**
- ⁽¹⁾ The 2005-2008 population numbers were compiled by the City of Kannapolis Planning Department primarily from State and federal government sources and City permitting activity. The source for the 2009-2011 population numbers is the State of N.C. Dept. of Transportation. The 2011 population of 42,828 was determined by the 2010 census.
 - The 2012 population was determined by estimates from the US Census Bureau
 - 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.
 - ⁽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
 - ⁽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.
 2014 unemployment rates for Cabarrus and Rowan County were determined by NC. E.S.C as of June 2014

PRINCIPAL EMPLOYERS

Current and Ten Years Ago

Employer	Fiscal Year 2014			Fiscal Year 2004		
	Employees	Rank	Percentage of Total Cabarrus County and Rowan County Employment	Employees	Rank	Percentage of Total Cabarrus County and Rowan County Employment
Shoe Show	800	1	0.50%	270	5	0.20%
Kannapolis City Schools	750	2	0.47%	640	1	0.47%
Cabarrus County Schools	406	3	0.25%	229	6	0.17%
Wayne Brothers	400	4	0.25%	-	-	-
North Carolina Research Campus	345	5	0.21%	-	-	-
City of Kannapolis	320	6	0.20%	316	2	0.23%
Target	300	7	0.19%	195	9	0.14%
Stewart-Haas Racing LLC	250	8	0.16%	-	-	-
Cabarrus Health Alliance	220	9	0.14%	200	7	0.15%
Stanley Works	219	10	0.14%	300	3	0.22%
Food Lion	-	-	-	199	8	0.15%
Wal-Mart	-	-	-	271 ⁽¹⁾	4	0.20%
Time Warner Cable	-	-	-	143	10	0.11%
Total	4,010		2.50%	2,763		2.05%

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

For 2004, used Labor Force data from 6/30/04 CAFR, Salisbury Post and telephone inquiries

For 2014, used Labor Force data from N.C. ESC, Cabarrus County Economic Development Corporation, and Cabarrus County Schools

Source: Cabarrus County Economic Development Corporation, telephone inquiries, NC ESC industry data and the Salisbury Post

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 16

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	21	22	21	26	30	30	29	29	28	21 ⁽⁵⁾
Public safety	140	143	153	150	166	168	167	165	187	197
Public works admin and engineering	7	7	7	8	6	6	6	6	7	9
Parks and recreation	-	-	-	-	-	-	-	-	-	10 ⁽⁵⁾
Streets and sign shops	19	21	23	11	11	11	11	9	8	11
Stormwater	-	- ⁽³⁾	2	13	13	12	13	13	13	13
Refuse	10	- ⁽¹⁾	-	-	-	-	-	-	-	-
Water - Sewer billing and collections	11	11	11	12	6 ⁽⁴⁾	5	6	6	7	9
Water - Sewer distribution	22	23	22	27	28	27	27	26	27	28
Water treatment plant	9 ⁽²⁾	9	9	10	10	10	10	10	10	10
Total	239	236	248	257	270	269	269	264	287	308

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) Data shows the elimination of Refuse Collection that was outsourced to a private contractor in 2006.

(2) Data shows that in 2004 the City hired Water Treatment Plant employees that were previously employed by Pillowtex.

(3) Data shows that in 2007 the City implemented a new division for Stormwater.

(4) Data shows that in 2009 the City moved the meter readers from WSBC to WSD.

(5) The decrease from the prior period in 2013 was due to parks and recreation employees not included in general government. The parks are recreation employees are included in a separate function/program.

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
Collection rate for city taxes	96.09%	96.71%	97.47%	97.70%	97.50%	96.05%	95.90%	96.32%	96.33%	97.07%
Applications for employment processed	1,000	NA	600	792	1,924	1,521	1,851	1,408	1,554	1,467
Hiring rate	4.90%	NA	8.67%	6.00%	5.30%	5.30%	3.67%	3.27%	4.40%	2.65%
Parks and Recreation:										
Concerts presented by the City	5	6	6	7	14	15	14	12	14	19
Shelter reservations	395	397	486	456	788	973	1029	943	911	1580
Police:										
Homicide and death investigations	18	22	14	16	15	12	7	13	55	53
Assault investigations	28	37	53	67	45	66	66	70	34	39
Fire:										
Response to all in City incidents within six minutes	NA	NA	NA	NA	85%	90%	4849	4274	90%	83.8%
Average response time (minutes) for fire calls	4:60	NA	4:43	4:35	NA	NA	NA	NA	3:49	4:46
Number of fire inspections for businesses	825	871	420	583	902	1,136	1,280	1,550	682	1,420
Storm water:										
Shoulder work and ditches cleared (miles)	NA	NA	NA	15	8.50	4.50	4.00	9.00	3.47	9.75
Drainage structures (repaired & constructed)	NA	NA	331	65	65	28	31	133	121	404
Streets And Sign Shop:										
Reconstruction resurfacing (miles)	0.00	3.75	0.25	4.50	4.89	0.00	0.36	2.83	1.52	3.20
Pavement repairs (including potholes)	1,395	1,173	1,293	1,968	1,917	1,526	1,538	935	1,242	1,654
Street name signs installed or repaired	389	414	444	438	359	154	126	202	760	358
Information signs installed or repaired	366	166	220	268	458	332	268	466	638	1,060
Water Sewer Distribution:										
Water services installed	87	116	472	99	59	32	35	39	54	53
Sewer services installed	70	60	80	71	40	21	4	11	11	55

Continued on next page.

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 17 (CONTINUED)

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Treatment Plant:										
Total water treated (per billion gallons)	1.100	NA	1.350	1.355	1.370	1.270	1.210	1.230	1.305	1.424
Unit cost of treatment (\$/1,000 Gal)	0.903	NA	1.075	1.758	1.753	1.670	1.610	1.670	1.358	1.461
Water Sewer Billing Collections:										
Average number of walk in customers	5,030	5,523	6,505	5,328	6,519	6,543	6,662	6,900	6,221	6,145
Water and Sewer collection percentage	99.35%	99.47%	99.45%	99.08%	98.02%	97.00%	97.30%	98.80%	97.63%	98.76%

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	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Parks and recreation:										
Park facilities	7	7	7	8	8	8	8	8	9	8
Acreage	116	116	114	114	114	114	114	114	114	114
Picnic shelters	11	11	15	15	15	15	15	15	15	15
Softball fields	3	3	3	3	3	3	3	3	4	4
Playgrounds	5	5	5	5	5	5	6	6	7	7
Soccer fields	1	1	1	1	1	1	1	1	1	1
Fire Protection:										
Stations	4	4	4	4	5	5	5	5	5	5
Fire trucks (pumper)	9	9	9	9	10	10	10	10	10	9
Fire trucks (ladder)	1	1	1	1	1	2	2	2	2	2
Police:										
Patrol cars	55	55	64	60	60	66	69	65	56	57
Total police vehicles	89	89	90	93	105	106	107	102	104	103
Streets:										
Miles of streets	209	212	218	222	224	224	225	226	226	227
Water:										
Miles of water mains	231	234	290	300	311	326	325	330	329	320
Wastewater:										
Miles of sanitary sewers	220	300	300	300	315	315	325	318	317	325
Treatment capacity ⁽¹⁾	15	15	15	15	15	15	15	15	15	27

Sources: Various City departments.

⁽¹⁾ Data is by Million Gallons (MG)

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 19

PROPERTY VALUES AND CONSTRUCTION
Last Ten Fiscal Years

Fiscal Year Ended June 30	Commercial Construction		Residential Construction		Total Value Of New Construction	Total Additions And Alterations	Total Value Of New Construction And Additions
	Number of Units	Value	Number of Units	Value			
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
2009	34	17,723,212	405	38,676,547	56,399,759	5,397,414	61,797,173
2008	60	72,772,109	356	42,792,510	115,564,619	8,622,715	124,187,334
2007	57	93,987,826	407	55,850,536	149,838,362	10,548,075	160,386,437
2006	55	96,246,658	419	47,580,619	143,827,277	7,554,074	151,381,351
2005	36	12,127,180	308	33,391,124	45,518,304	3,514,667	49,032,971

Source: Cabarrus County Inspections Department

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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 Governmental Auditing Standards.
 - Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act
 - Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act
 - Schedule of Findings and Questioned Costs
 - Summary Schedule of Prior Audit Findings
 - Schedule of Expenditures of Federal and State Awards
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"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, 2014, and the related notes to the financial statements, which collectively comprise the City of Kannapolis' basic financial statements, and have issued our report thereon dated November 21, 2014.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 21, 2014

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

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; 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, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Kannapolis' major federal programs for the year ended June 30, 2014. The City of Kannapolis' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kannapolis' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 types of compliance 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, 2014.

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 federal program to determine the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a 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 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 significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 21, 2014

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 OMB Circular A-133; 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, 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, 2014. The City of Kannapolis' major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 types of compliance 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, 2014.

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 to determine the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 21, 2014

CITY OF KANNAPOLIS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified, not considered to be material weaknesses? _____ Yes X None reported

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

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified, not considered to be material weaknesses? _____ Yes X 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 Section 510(a) of Circular A-133? _____ Yes X No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Assistance to Firefighters	97.044
Hazard Mitigation Grant	97.039
CDBG Entitlement Grants Cluster	14.218

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

CITY OF KANNAPOLIS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified, not considered to be material weaknesses? _____ Yes X None reported

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

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

Identification of major State programs:

Powell Bill

CITY OF KANNAPOLIS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statements Findings

None reported

3. Federal Award Findings and Questioned Costs

None reported

4. State Award Findings and Questioned Costs

None reported

CITY OF KANNAPOLIS, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

None

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures
Federal Awards:				
U.S. Department of Housing and Urban Development:				
Direct Program:				
CDBG - Entitlement Grants Cluster				
Block Grant - Entitlement Grant	14.218	B-12-MC-37-0017	\$ 170,131	\$ -
Block Grant - Entitlement Grant	14.218	B-13-MC-37-0017	175,624	-
Total CDBG - Entitlement Grants Cluster			345,755	-
Passed Through City of Concord:				
Home Program	14.239	M-12-DC-370209	8,086	-
Home Program -program income	14.239	M-12-DC-370209	98,209	-
Total U.S. Department of Housing and Urban Development			452,050	-
U.S. Department of Transportation:				
Federal Highway Administration:				
Passed Through NC Department of Transportation:				
Highway Planning and Construction Cluster				
Dale Earnhardt Boulevard Sidewalks	20.205-1		1,432	-
Total U.S. Department of Transportation			1,432	-
Federal Emergency Management Agency:				
U.S. Department of Homeland Security:				
Direct Program:				
Assistance to Firefighters:				
Staffing for Adequate Fire and Emergency Response				
	97.044	EMW-2011-FH-00117	732,223	-
Fire Prevention and Safety Grant	97.044	EMW-2011-FP-01173	59,180	-
Pass-Through the NC Department of Emergency Management:				
Hazard Mitigation Grant Program	97.039	HMGP 4019-0024/2A660076	2,041,664	680,555
Total Federal Emergency Management Agency:			2,833,067	680,555
Total Assistance - Federal Awards			3,286,549	680,555
State Awards:				
N.C. Department of Transportation:				
Powell Bill			-	1,283,387
Rail Division		9.9081013	-	-
Total Assistance - State Awards				1,283,387
Total Federal and State Awards			\$ 3,286,549	\$ 1,963,942

Notes to the Schedule of Federal and State Financial Assistance:

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

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