

**CITY OF KANNAPOLIS
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

CITY OF KANNAPOLIS NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

Prepared by:
Finance Department

Finance Director
Wendi Heglar

CITY OF KANNAPOLIS, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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October 23, 2020

To the Honorable Mayor, Members of the Governing Council
and Citizens of the City of Kannapolis:

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to formally transmit and issue the Comprehensive Annual Financial Report (CAFR) of the City of Kannapolis, North Carolina, for the fiscal year ending June 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that the City has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. 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, Certified Public Accountants, P.A., and issued an unmodified, free of material misstatement opinion on the City of Kannapolis's financial statements for the year ended June 30, 2020. 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'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.

Management has provided 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 GOVERNMENT

The City of Kannapolis, incorporated in December 11, 1984, is located in the north central portion of Cabarrus County and the south- central portion of Rowan County, North Carolina. These counties are located in the east central part of the state, which is one of the top growth areas in the state. It currently covers approximately 34 square miles and serves a population of 52,053 and the assessed valuation for property tax purposes is \$4,378,483,132. The City of Kannapolis is one of six incorporated municipalities in Cabarrus County and one of ten incorporated municipalities in Rowan County.

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

The City provides its citizens with a wide range of services that include law enforcement, fire protection, planning and zoning, recreation, street and storm drainage maintenance, water and sewer service, a bus transit system, street lighting, traffic engineering, recyclables collection, solid waste disposal, code enforcement, and community development assistance. In addition, the City owns a 15 million gallon per day water treatment plant and water distribution lines throughout the City. The City also owns sewer collection lines throughout the City with sewage treatment being provided by the Water and Sewer Authority of Cabarrus County. This report includes all the City's activities related to the City's services.

North Carolina General Statutes require formal budgetary accounting for all funds. The departments of the City are required to submit requests for appropriations to the City Manager no later than April 30 each year. These requests are used as a starting point for developing a proposed budget. The City Manager presents the proposed budget no later than June 1. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30. Budgets are legally enacted by adoption by the governing board of an Annual Budget Ordinance or a Project Ordinance. The Annual Budget Ordinance and Project Ordinances may be formally amended as required by the governing board within the guidelines of the Local Government Budget and Fiscal Control Act. Changes of function 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 approve 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 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 can expire and must again be appropriated by City Council in the subsequent year.

LOCAL ECONOMY

The City of Kannapolis is a multi-faceted community that combines the stability of long term residents and a steady growth of new subdivisions and multi-family options with an array of businesses and corporations along both major corridors which lead to the newly revitalized downtown area. Enjoying the same growth rates as Durham and Charlotte, Kannapolis is the 21st largest city in North Carolina.

The City has contracted with the non-profit Development Finance Initiative (DFI), at the UNC-CH School of Government to assist in the revitalization of downtown Kannapolis. DFI has assisted the City in adopting a long-range strategic plan for the Center City. Currently, the City has entered into a public-private partnership with LMG & Associates to redevelop and revitalize three downtown blocks. The initial project, Project Vida, along with the three subsequent projects all focus on mixed-uses including a 285 multi-family apartment complex soon to be occupied, more than 40,000 square feet of retail and restaurant space, of which most are leased and currently being upfitted, along with a 485 space parking deck. The downtown area of Kannapolis has proven to be prime real estate and a major economic development factor. This Demonstration project alone will infuse the downtown revitalization with \$60 million of capital investment.



The new 5,000 seat, \$52 million Sports and Entertainment Venue (SEV) was completed in May. This facility will host other types of civic events, as it is planned to be open 365 days a year. To support all this new development, the City completed a replacement and upgrade of all its below ground infrastructure throughout the Downtown area totaling \$24 million. The highlight of this project is the creation of a new Street Scape, road design, and a Linear park totaling another \$4 million in public investment.



Growth and development in the City has been strong. Currently there are over 40 residential subdivisions in the City with plans to build approximately 7,500 new homes and apartments within the next decade. Amazon is now the City's largest private employer, with about 1,200 employees. Its \$85 million, one million square foot distribution facility opened in 2018. Shoe Show is the City's second largest private employer, with about 750 employees. Stanley Black & Decker, Wayne Brothers, Stewart-Haas Racing, and Gordon Food Service are also significant private sector employers in Kannapolis. During the beginning of 2020, Prime Beverage and Reynolds upfitted existing shell buildings and will soon be bringing in more jobs.

The growing population of the City and Cabarrus and Rowan Counties provides a steady flow of workers into the job market. Unemployment rates stayed steady at or below 4% for both Counties, even thru the COVID-19 pandemic. Job training is made possible by the vocational education programs in public schools and by three neighboring community colleges and technical schools.

Amid the COVID-19 pandemic, The City of Kannapolis cautiously prepared itself by delaying expenditures to guard against fund balance use and closed public access to city hall to protect its employees and its citizens. Sales tax collections were expected to decrease up to 30% but fortunately that was not the case. Sales tax revenue actually increased \$96,330 from fiscal year 19. In addition, property tax collection rate decreased only .36% from the previous year. In all, hits to revenues were expected to be much worse, but with preemptive protective measures and a healthy growth rate, The City of Kannapolis continues to persevere.

A major initiative in the City over the last decade has been the development of the North Carolina Research Campus (the "NCRC"). Multiple facilities are open and operating on the NCRC, including the David H. Murdock Core Laboratory (the "Core Lab"), the Plants for Human Health Building and the Nutrition Research Building. Rowan Cabarrus Community College's original NC Research Campus building houses their science and nursing programs in a 62,000 square foot facility. Their 55,000 square foot Advanced Technology Center opened in 2019 and is home to the College's Associate in Engineering, Information Technology programs and houses a ground floor flex lab that allows the college to collaborate with industry partners, for example in robotics and the mechatronics. NCRC's private and institutional partners include Atrium Health, Cabarrus Health Alliance, Sensory Spectrum, Standard Process, and NorthState. The North Carolina Food Innovation Lab opened late 2019 as a pilot plant that assists companies with product research, development, and getting new products to market.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kannapolis, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2019. 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 City of Kannapolis also receives the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 30, 2019. To qualify for the Distinguished Budget Presentation Award, the City of Kannapolis budget document had to be judged proficient as a policy document, a financial plan, an operating guide and a communication device.

The timely presentation of this report could not have been accomplished without the assistance and education of the entire staff of the Finance Department. 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,

A handwritten signature in blue ink, appearing to read 'Wendi Heglar', is written over the typed name.

Wendi Heglar, CPA
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, 2019

Christopher P. Morill

Executive Director/CEO

**CITY OF KANNAPOLIS
NORTH CAROLINA**

MAYOR AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

M. Darrell Hinnant – Mayor

Van Rowell – Mayor Pro Tem

Dianne Berry – Council Member

Ryan G. Dayvault – Council Member

Doug Wilson – Council Member

Darrell Jackson – Council Member

Tom Kincaid – Council Member

OFFICIALS

Michael B. Legg
City Manager

Bridgette L. Bell
City Clerk

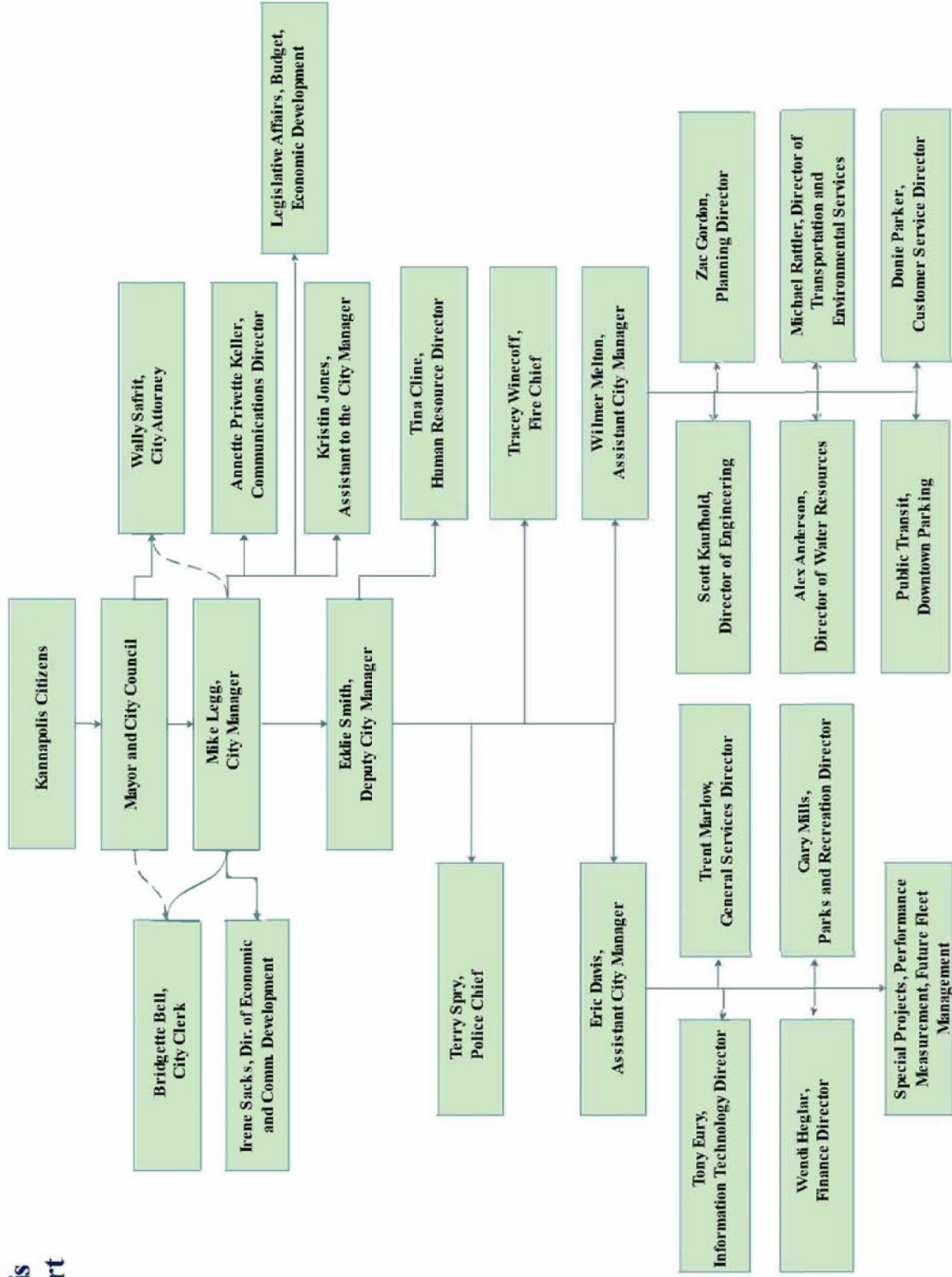
Wendi Heglar
Finance Director

R. Edward Smith
Deputy City Manager

Tina H. Cline
Human Resources Director

Walter M. Safrit, II
City Attorney

City of Kannapolis Organization Chart



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, 2020, and the related notes to the financial statements, which collectively comprise the City of Kannapolis' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kannapolis, North Carolina, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of the City of Kannapolis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kannapolis' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kannapolis' internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 23, 2020

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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, 2020. We encourage readers to read the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of the City of Kannapolis exceeded its liabilities and deferred inflows at the close of the fiscal year by \$179,442,009 (*net position*).
- The government's total net position increased by \$5,920,384, due to an increase in both the governmental and business-type activities net position.
- As of the close of the current fiscal year, the City of Kannapolis' governmental funds reported combined ending fund balances of \$23,349,095, which is a decrease of \$3,156,742 in fund balance. Approximately 33% of this total amount, or \$7,719,013, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,114,299.
 - The City of Kannapolis' total debt decreased \$13,187,892, or 7%, during the current fiscal year. The City issued \$1,380,000 in Limited Obligation Bonds for Irish Buffalo Creek Greenway scheduled to be completed in November 2020. The City also refinanced 2010A and 2010B Limited Obligation Bonds to an installment loan during the year. The main reason for the decrease was scheduled principal payments made throughout the year totaling \$12,441,671.
- The City maintained the following underlying bond ratings:

Water and Sewer Revenue Bonds

Moody's	A1
Standard & Poor's	A+

Limited Obligation Bonds

Moody's	Aa3
Standard & Poor's	A+

Issuer Credit Rating

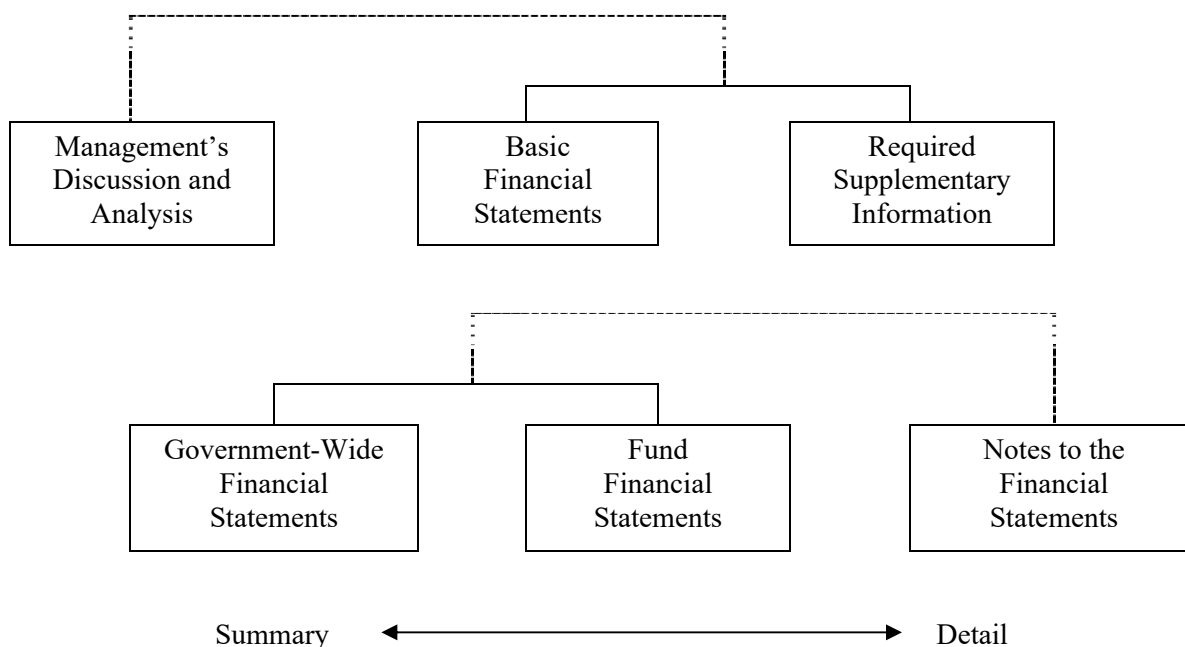
Standard & Poor's	AA-
Moody's	Aa2

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and the balances left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a focus on current financial resources. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine whether there are more or fewer financial resources available to finance the City's programs.

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

The City maintains nine individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, which is considered to be a major fund. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. The budget also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures, and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements can be found on pages 30 through 34 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for water and sewer operations, stormwater operations, environmental services operations, and downtown, which are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 35 through 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 88 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 89 through 93 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 94 through 114 of this report for the City's governmental funds and on pages 115 through 125 for the City's enterprise funds.

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

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

By far, the largest portion of the City's net position (117.0%) 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 \$7,606,538 and (\$38,027,828), 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	
	2020	2019	2020	2019	2020	2019
Assets:						
Current assets	\$ 27,959,376	\$ 31,109,090	\$ 21,847,399	\$ 60,783,410	\$ 49,806,775	\$ 91,892,500
Capital assets	183,302,774	180,923,537	202,062,621	169,342,905	385,365,395	350,266,442
Total assets	<u>211,262,150</u>	<u>212,032,627</u>	<u>223,910,020</u>	<u>230,126,315</u>	<u>435,172,170</u>	<u>442,158,942</u>
Deferred Outflows of Resources	<u>9,156,385</u>	<u>5,656,925</u>	<u>2,179,257</u>	<u>1,332,538</u>	<u>11,335,642</u>	<u>6,989,463</u>
Liabilities:						
Long-term liabilities outstanding	107,430,650	106,196,427	128,863,725	135,132,051	236,294,375	241,328,478
Other liabilities	10,777,581	12,854,856	12,216,290	12,776,783	22,993,871	25,631,639
Total liabilities	<u>118,208,231</u>	<u>119,051,283</u>	<u>141,080,015</u>	<u>147,908,834</u>	<u>259,288,246</u>	<u>266,960,117</u>
Deferred Inflows of Resources	<u>6,282,544</u>	<u>6,986,441</u>	<u>1,495,013</u>	<u>1,680,222</u>	<u>7,777,557</u>	<u>8,666,663</u>
Net Position:						
Net investment in capital assets	126,260,718	117,861,535	83,602,581	80,924,581	209,863,299	198,786,116
Restricted	7,606,538	15,207,639	-	-	7,606,538	15,207,639
Unrestricted	<u>(37,939,496)</u>	<u>(41,417,346)</u>	<u>(88,332)</u>	<u>945,216</u>	<u>(38,027,828)</u>	<u>(40,472,130)</u>
Total net position	<u>\$ 95,927,760</u>	<u>\$ 91,651,828</u>	<u>\$ 83,514,249</u>	<u>\$ 81,869,797</u>	<u>\$ 179,442,009</u>	<u>\$ 173,521,625</u>

The City's total net position increased by \$5,920,384 while unrestricted net position increased this fiscal year by \$2,444,302. Several particular aspects of the City's financial operations influenced the total net position:

- The City refinanced 2010A and 2010B Limited Obligation Bonds to an installment loan during the year. With the refinancing the City used \$6,914,175 in restricted net position the City was holding in a debt service reserve fund to decrease the amount of the loan.
- Non-current assets increased by \$35,098,953 due the completion of several capital projects including the Sports and Entertainment Venue, Downtown Infrastructure and Streetscape

City of Kannapolis' Changes in Net Position

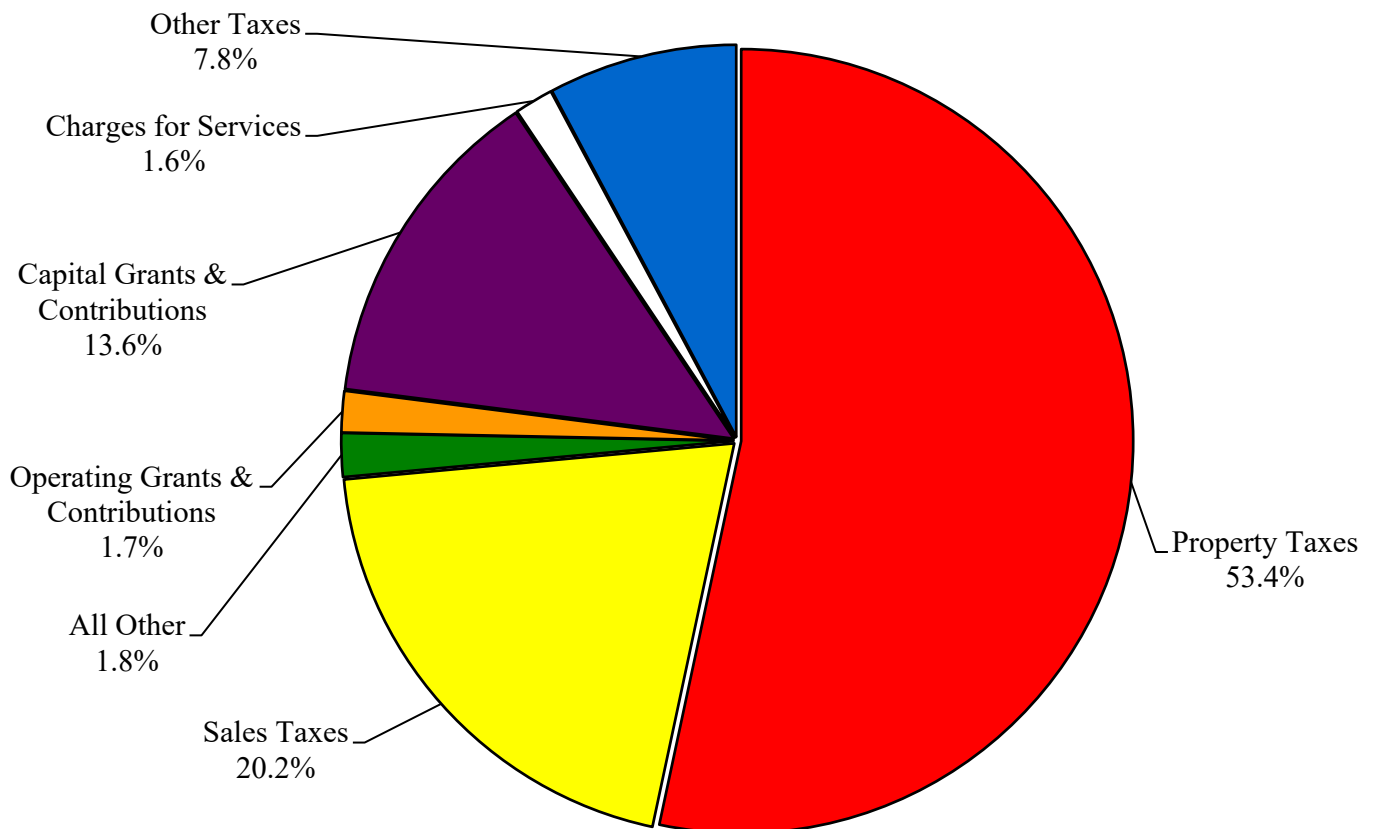
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 818,948	\$ 1,158,451	\$ 26,352,539	\$ 24,142,334	\$ 27,171,487	\$ 25,300,785
Operating grants and contributions	855,713	3,794,246	17,000	51,526	872,713	3,845,772
Capital grants and contributions	7,040,399	5,580,806	2,635,020	2,256,376	9,675,419	7,837,182
General revenues:						
Property taxes	27,679,255	26,138,514	-	-	27,679,255	26,138,514
Other taxes	14,492,560	14,288,894	-	-	14,492,560	14,288,894
Other revenues	916,232	1,097,088	621,514	1,266,205	1,537,746	2,363,293
Total revenues	<u>51,803,107</u>	<u>52,057,999</u>	<u>29,626,073</u>	<u>27,716,441</u>	<u>81,429,180</u>	<u>79,774,440</u>
Expenses:						
General government	8,761,164	9,492,355	-	-	8,761,164	9,492,355
Public safety	20,005,192	18,625,509	-	-	20,005,192	18,625,509
Public works	5,519,558	5,462,165	-	-	5,519,558	5,462,165
Community development	2,114,148	2,108,237	-	-	2,114,148	2,108,237
Parks and recreation	3,259,750	3,271,389	-	-	3,259,750	3,271,389
Water and sewer	-	-	18,259,927	16,639,627	18,259,927	16,639,627
Stormwater	-	-	2,291,991	2,287,702	2,291,991	2,287,702
Environmental services	-	-	4,390,906	3,822,256	4,390,906	3,822,256
Downtown	-	-	8,103,447	4,207,172	8,103,447	4,207,172
Other	2,802,713	3,104,497	-	-	2,802,713	3,104,497
Total expenses	<u>42,462,525</u>	<u>42,064,152</u>	<u>33,046,271</u>	<u>26,956,757</u>	<u>75,508,796</u>	<u>69,020,909</u>
Change in net position before transfers	9,340,582	9,993,847	(3,420,198)	759,684	5,920,384	10,753,531
Transfers	<u>(5,064,650)</u>	<u>(5,052,900)</u>	<u>5,064,650</u>	<u>5,052,900</u>	<u>-</u>	<u>-</u>
Change in net position	4,275,932	4,940,947	1,644,452	5,812,584	5,920,384	10,753,531
Net Position:						
Beginning of year - July 1	<u>91,651,828</u>	<u>86,710,881</u>	<u>81,869,797</u>	<u>76,057,213</u>	<u>173,521,625</u>	<u>162,768,094</u>
End of year - June 30	<u>\$ 95,927,760</u>	<u>\$ 91,651,828</u>	<u>\$ 83,514,249</u>	<u>\$ 81,869,797</u>	<u>\$ 179,442,009</u>	<u>\$ 173,521,625</u>

Governmental Activities. Net position increased in the City's governmental activities this fiscal year by \$4,275,932. Key elements of this increase are as follows:

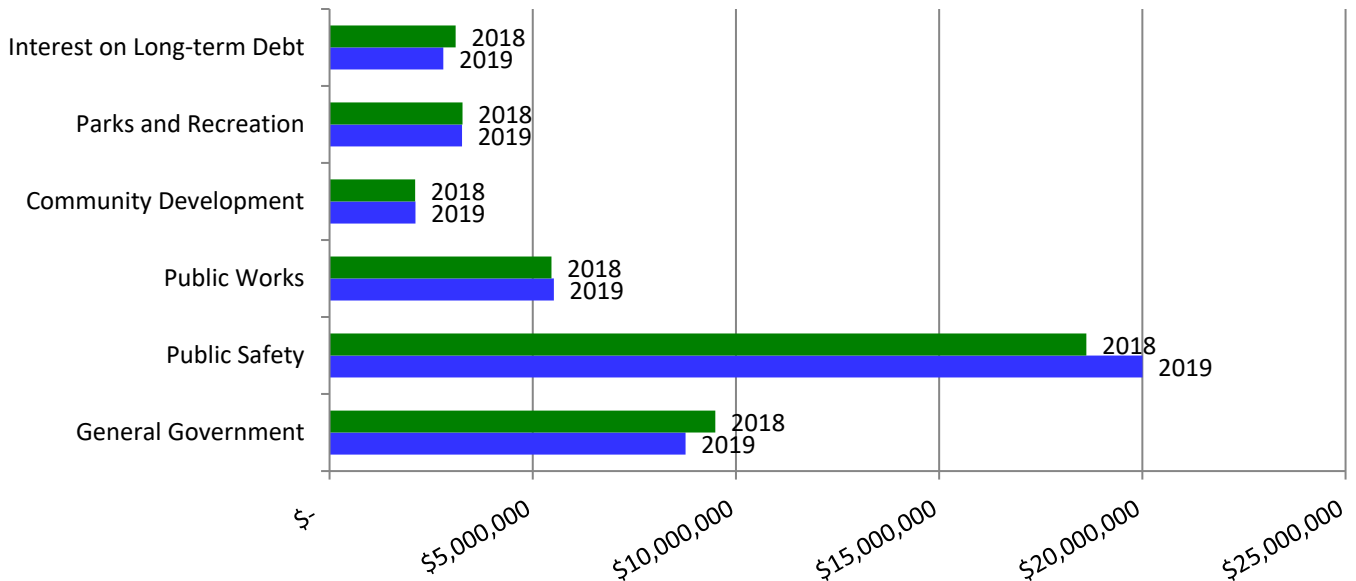
- The City is delaying capital purchases in the General Fund to invest in the downtown infrastructure and the Sports and Entertainment Venue.
- Due the COVID-19 global pandemic management froze budgeted items due the unforeseen nature of the pandemic. The City was concerned about the effect of the Pandemic on sales tax revenue. Sales tax is the second largest revenue source for the City. Fortunately, the City did not see the decrease in sales tax that was feared.

Revenues by Source - Governmental Activities



As shown in the above chart, the City's main source of revenue is from property taxes. The second largest source of revenue is sales taxes. Property taxes total \$27,679,255, while sales taxes total \$10,468,624. The third largest source of revenue is franchise tax. The City received grants from the United States Department of Housing and Urban Development, the United States Department of Transportation, NC Department of Transportation and the NC Housing Finance Agency. The City also received property donations totaling \$1,268,560. This donated property came from developers totaling \$407,260 in sidewalks and \$861,300 in streets.

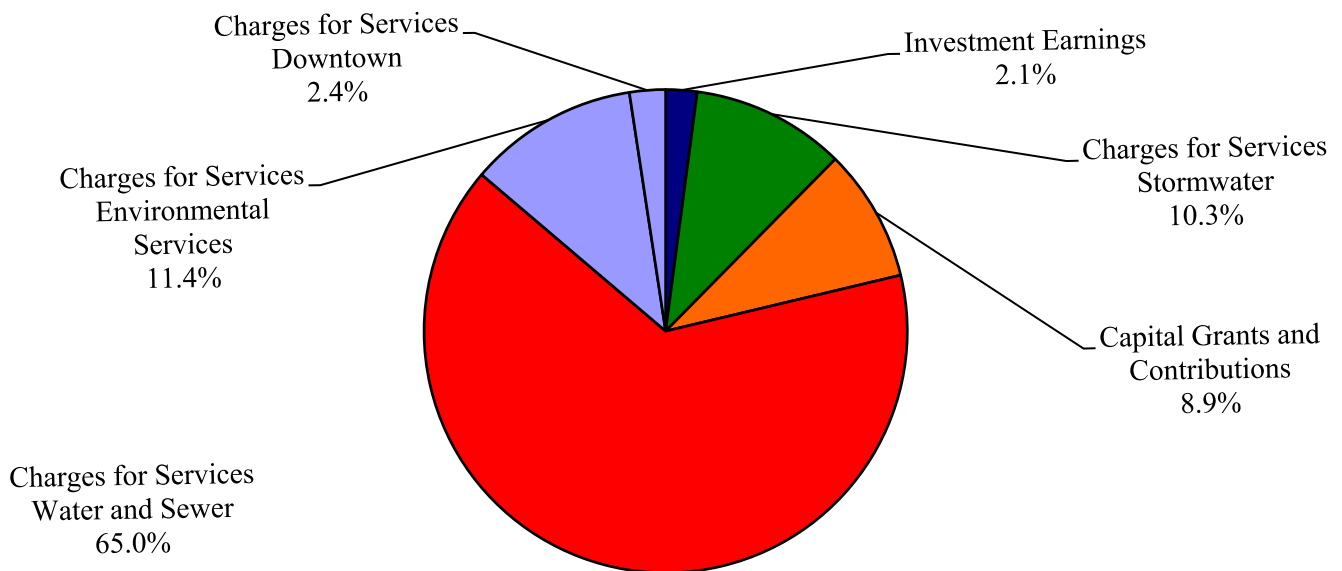
Government Activities Expenses



Business-Type Activities. Business-type activities increased the City of Kannapolis' net position by \$1,644,452. Key elements of this increase are as follows:

- The General Fund transferred \$4,714,650 to the Downtown fund to cover debt service cost.
- The Water and Sewer Service Fund had rate increases in fiscal year 2020.
- Capital contributions were \$2,635,020 in the current fiscal year. The City received the capital from developers donating water and sewer lines and for downtown capital expenses.

Revenues by Source - Business-Type Activities



Financial Analysis of the City's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund for the City of Kannapolis. At the end of the current fiscal year, the City of Kannapolis's fund balance unassigned in the General Fund was a \$16,114,299, while total fund balance reached \$20,866,134. This is an increase of \$6,082,865 in unassigned and a decrease of \$1,557,781 in total fund balance from fiscal year 2019. The City refinanced 2010A and 2010B Limited Obligation Bonds to an installment loan during the year. With the refinancing the City used \$6,914,175 in restricted fund balance the City was holding in a debt service reserve fund to decrease the amount of the loan. Therefore, the restricted fund balance in fiscal year 2019 was unassigned in the current year. The decrease seen in total fund balance for the general fund is attributable to the effect of COVID-19. The City currently has an available fund balance of 27% of General Fund expenditures and transfers out, while total fund balance represents 31% of the same amount. The City Council adopted a fund balance policy stipulating an acceptable range between 25% and 33% of General Fund expenditures to available fund balance in case of unforeseen needs or opportunities, as well as meeting the cash flow needs of the City.

At June 30, 2020, the governmental funds of the City of Kannapolis reported a combined fund balance of \$23,349,095 with a net decrease in fund balance of \$3,156,742. The City had \$16,777,092 of expenditures over revenues. The City transferred out \$6,948,329 to capital project funds, Transit Tax Fund, Environmental Services Fund, and the Downtown fund.

General Fund Budgetary Highlights

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

Total amendments to the General Fund increased revenues, expenditures and other financing sources (uses) by \$22,267,551, or 44.51%. The budget was increased by \$19,551,384 to account for the refinancing of the TIF loans used for the North Carolina Research Campus. The corresponding debt service accounts also increased by \$19,551,384 to pay the debt service obligations. There was an appropriation of fund balance in the amount of \$1,200,000 to cover a decrease in investment income related to the liquidation of the Series A NCRC bond final balloon payment. Last, there was an increase in a transfer from the General Fund in the amount of \$1,021,727 to close out the Capital Project Fund for Fire Stations Two and Three.

The total variance from the final budget numbers to the actual results for revenues that the City received was \$91,468 or .19%, less than the budgeted amount. Property tax revenue was over budget by \$275,399, while sales tax revenue was underbudget by \$111,376 due to the impacts of the COVID-19 pandemic. Total revenue decreased by 3.78% from fiscal year 2019.

The total variance from the final budget numbers to the actual results for expenditures totaled \$3,150,745, or 4.88%, of the final budget. This is comparable to variance last year of 5.69%.

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, 2020 was \$(88,332) compared to 945,216 at June 30, 2019. See the detailed explanation of this decrease under key elements of the change in the net position discussed earlier under "Business-Type Activities."

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totaled \$385,365,395 (net of accumulated depreciation). This is an increase from June 30, 2019 of \$35,098,953. These assets include land, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset transactions during the year included the following:

- \$26,016,930 for the Sports and Entertainment Venue
- \$1,128,121 for Oak Avenue Sidewalk Project
- \$2,474,788 for Irish Buffalo Creek Greenway
- \$861,281 to complete the Irish Buffalo Sewer Project
- \$139,695 for a 2020 Peterbilt Dump Truck
- \$2,381,528 for Downtown Water and Sewer Infrastructure Projects
- \$1,554,779 for Downtown Stormwater Infrastructure
- \$1,021,668 to complete the Downtown Streetscape Project

City of Kannapolis' Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 16,160,172	\$ 14,713,164	\$ 5,909,936	\$ 6,309,936	\$ 22,070,108	\$ 21,023,100
Construction in progress	3,385,819	13,134,544	49,712,199	65,061,781	53,098,018	78,196,325
Rowan County water rights	-	-	2,411,100	2,411,100	2,411,100	2,411,100
Buildings and systems	76,491,119	66,069,032	27,187,986	27,610,300	103,679,105	93,679,332
Improvements other than buildings	9,464,187	7,890,735	11,673,024	7,394,743	21,137,211	15,285,478
Machinery and equipment	19,336,451	19,106,317	7,564,116	7,031,592	26,900,567	26,137,909
Infrastructure	<u>160,058,232</u>	<u>156,811,712</u>	<u>156,636,396</u>	<u>108,878,596</u>	<u>316,694,628</u>	<u>265,690,308</u>
Total	284,895,980	277,725,504	261,094,757	224,698,048	545,990,737	502,423,552
Less accumulated depreciation and amortization	<u>101,593,206</u>	<u>96,801,967</u>	<u>59,032,136</u>	<u>55,355,143</u>	<u>160,625,342</u>	<u>152,157,110</u>
Capital assets, net	<u>\$ 183,302,774</u>	<u>\$ 180,923,537</u>	<u>\$ 202,062,621</u>	<u>\$ 169,342,905</u>	<u>\$ 385,365,395</u>	<u>\$ 350,266,442</u>

For additional information on the City's capital assets, see pages 52 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 \$180,551,725. Of this amount, \$44,064,000 represents bonds secured solely by water and sewer revenues. (i.e. revenue bonds). The City also had \$30,856,917 in outstanding installment obligations and \$105,630,808 in outstanding limited obligation bonds. The City maintained its credit ratings this year. Through an intergovernmental agreement, Cabarrus County makes contributions for approximately 35% for the limited obligation bonds annually.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement notes payable	\$ 24,885,248	\$ 8,922,794	\$ 5,971,669	\$ 7,387,792	\$ 30,856,917	\$ 16,310,586
Revenue bonds	-	-	44,064,000	46,683,000	44,064,000	46,683,000
Special obligation bonds	-	-	8,064,000	8,798,000	8,064,000	8,798,000
Limited obligation bonds	<u>32,156,808</u>	<u>55,793,031</u>	<u>65,410,000</u>	<u>66,155,000</u>	<u>97,566,808</u>	<u>121,948,031</u>
Total	<u>\$ 57,042,056</u>	<u>\$ 64,715,825</u>	<u>\$ 123,509,669</u>	<u>\$ 129,023,792</u>	<u>\$ 180,551,725</u>	<u>\$ 193,739,617</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2020, the legal debt limit for the City totaled approximately \$213,791,000. The City Council adopted a debt management policy in May of 2012. According to this policy, the net debt (tax supported) should not exceed 2% of the total assessed value of taxable property.

Additional information on the City of Kannapolis' long-term debt can be found in Note 2(B) on pages 71 through 84 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Cabarrus County in June 2020 was 3.6%, which is an increase from a rate of 3.3% in June 2019. A portion of the City (18%) is in Rowan County. The unemployment rate in Rowan County decreased to 4.0% in June 2020 compared to 4.4% in June 2019.
- Population in the City has increased from 42,828 in 2011 to 52,053 according to the US Census in 2019 with population growth added from that date through August 31, 2020.

The Coronavirus pandemic (COVID-19) that occurred in February 2020 had a major impact on the fiscal year 2021 budget. With the unknowns related to the pandemic, staff took a conservative approach when projecting the City's major revenue sources, such as property tax and sales tax for the fiscal year 2021 budget. Overall, the City projected a decrease of \$2,225,507 in revenue streams due to the impacts of the COVID-19 pandemic. This equates to approximately five cents in property taxes. For property taxes, the City accounted for the revaluation of properties that took place in fiscal year 2020 with the additional property values increasing at 14% on the Cabarrus County side. Staff was conservative and budgeted a lower collection rate to account for the unknowns related to property tax payments in the new fiscal year. The prior's year collection rate was 98.31% and staff budgeted the collection rate at 98.12%, which was the collection rate during the time of the Great Recession. When budgeting sales tax revenue, staff used the following methodology in forecasting: 30% decline for the first quarter, 20% decline for the second quarter and baseline (flat) growth for the third and fourth quarters. Overall, sales tax is budgeted at \$8,825,121 for fiscal year 2021, which is a decrease of 15.9% from the fiscal year 2020 adopted budget of \$10,500,000.

City Council did not increase the tax rate as it remains at \$.63/\$100 of valuation for fiscal year 2021. Departmental budgets remained relatively flat and included only contractual and inflationary increases. Service levels and programs weren't enhanced or expanded due to unknowns with the pandemic. Fiscal year 2021 was scheduled to have an additional contribution to employees' flexible spending accounts, an additional 1% match to the 401k and a merit increase, all of which was put on hold since it would have a lasting impact on future years operating budgets. The fiscal year 2021 budget did include additional funding in City Council's contingency budget, which they opted to fund a 2.5% cost of living adjustment.

No capital projects were approved in the General Fund for fiscal year 2021. Two new positions were included in the fiscal year 2021 budget increasing the citywide employment figure to 390 full-time employees. These positions were a School Resource Officer in the Police-Support Services Division and a Fire Mechanic in the Fire-Administration Division. The School Resource Officer position was offset by a grant with Kannapolis City Schools and the Fire Mechanic position was offset by a reduction in contracted services. The General Fund budget for fiscal year 2021 increased \$1,642,349, or 3.28%, from fiscal year 2020 budget. The increased revenue is largely from the revaluation of properties on the Cabarrus County side.

The fiscal year 2021 Water and Sewer Budget increased \$1,225,000, or 6.36% from fiscal year 2020 budget. There were no rate increases for fiscal year 2021. For fiscal year 2021, charges and fees are projected to increase by \$925,000 due to organic growth and projected new water customers. Tap and connection fees increased by over \$350,000 due to growth and a fee increase that took place in February for the addition of a new crew to assist with tap and connection installations for new developments. The Water & Sewer Fund includes debt service for the following capital projects and purchases: a new vac truck, Kannapolis Crossing water and sewer extension, and improvements to Lane Street and the Water Treatment Plant. These projects will be funded through the sale of revenue bonds.

The Stormwater Fund budget for fiscal year 2021 totaled \$3,500,000 which represents a 14.75% increase, or \$450,000, increase from the 2020 budget. This is the sixth year the Stormwater Fund has been self-sufficient. The 2021 fiscal year budget includes no capital purchases. This fund includes cost appropriations related to a federally mandated educational program and annual maintenance of the City's storm drainage system. The fiscal year 2021 budget does include an additional \$100,000 in contracted services to maintain the ditching program the City administers. Also included is a transfer to the Environmental Fund to help offset an increase in operations in the recycling program.

The fiscal year 2021 budget for the Environmental Fund increased 9.08%, or \$377,187 over the previous year's budget. The primary increase is related to an increase in recycling and solid waste disposal costs. No rate increase was made in fiscal year 2021, as prescribed in the City's ten-year financial plan due to City Council not wanting to raise rates amidst the COVID-19 pandemic. This scheduled fee increase would have generated an additional \$500,000 in revenue and would have assisted this fund in becoming self-sufficient. Fiscal year 2021 is the fourth year for the City to complete yard waste with city staff, as opposed to the service being completed through a contract with a private company.

Fiscal Year 2021 is the sixth year for the Downtown Fund which includes funding for College Station, a city funded development with Rowan Cabarrus Community College as its anchor. The fund increased 9.61%, or \$672,905 over previous year's budget. The primary increase is the addition of the Atrium Health Ballpark principal debt service payment, which is budgeted at \$2,600,000. The debt service payment is funded primarily through a transfer from the General Fund. Fiscal year 2021 was scheduled to have the first lease payment from the team. Due to the COVID-19 pandemic and the cancellation of the Kannapolis Cannon Baller's inaugural season, the City prorated the lease payment for the team from \$450,000 to \$250,000.

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.

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 20,753,278	\$ 10,197,282	\$ 30,950,560
Taxes receivable	564,265	-	564,265
Accounts receivable, net	256,460	5,379,495	5,635,955
Due from other governments	4,697,140	770,553	5,467,693
Cash and cash equivalents, restricted	1,575,758	5,500,069	7,075,827
Prepaid items	112,475	-	112,475
Total current assets	27,959,376	21,847,399	49,806,775
Non-current assets:			
Intangible asset, net of amortization	-	1,543,104	1,543,104
Non-depreciable assets	19,545,991	55,622,135	75,168,126
Other capital assets, net of depreciation	163,756,783	144,897,382	308,654,165
Total non-current assets	183,302,774	202,062,621	385,365,395
Total assets	211,262,150	223,910,020	435,172,170
Deferred Outflows of Resources:			
OPEB deferrals	4,791,035	1,155,286	5,946,321
Pension deferrals	4,365,350	1,023,971	5,389,321
Total deferred outflows of resources	9,156,385	2,179,257	11,335,642
Liabilities:			
Current liabilities:			
Accounts payable	1,054,118	1,987,253	3,041,371
Accrued expenses	2,672,525	991,700	3,664,225
Accrued interest	423,461	515,269	938,730
Current compensated absences	1,015,502	213,411	1,228,913
Current maturities of long-term debt	5,611,975	8,058,217	13,670,192
Liabilities to be paid from restricted assets	-	450,440	450,440
Total current liabilities	10,777,581	12,216,290	22,993,871

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Non-current liabilities:			
Net pension liability - LGERS	6,478,199	1,519,579	7,997,778
Total pension liability - SSA	5,845,205	1,371,097	7,216,302
Total OPEB liability	43,338,664	10,450,459	53,789,123
Non-current compensated absences	338,501	71,138	409,639
Long-term debt	51,430,081	115,451,452	166,881,533
Total non-current liabilities	107,430,650	128,863,725	236,294,375
 Total liabilities	 118,208,231	 141,080,015	 259,288,246
 Deferred Inflows of Resources:			
Prepaid taxes	70,135	-	70,135
OPEB deferrals	5,753,107	1,387,274	7,140,381
Pension deferrals	459,302	107,739	567,041
Total deferred inflows of resources	6,282,544	1,495,013	7,777,557
 Net Position:			
Net investment in capital assets	126,260,718	83,602,581	209,863,299
Restricted - stabilization by state statute	5,288,198	-	5,288,198
Restricted - streets	1,487,970	-	1,487,970
Restricted - community development	787,124	-	787,124
Restricted - public safety	43,246	-	43,246
Unrestricted	(37,939,496)	(88,332)	(38,027,828)
 Total net position	 \$ 95,927,760	 \$ 83,514,249	 \$ 179,442,009

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, 2020

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 8,761,164	\$ 145,091	\$ 769,296	\$ 1,522,864
Public safety	20,005,192	135,649	11,346	-
Public works	5,519,558	-	-	4,995,340
Community development	2,114,148	155,168	75,071	497,685
Parks and recreation	3,259,750	383,040	-	24,510
Interest on long-term debt	2,802,713	-	-	-
Total governmental activities	<u>42,462,525</u>	<u>818,948</u>	<u>855,713</u>	<u>7,040,399</u>
Business-Type Activities:				
Water and sewer	18,259,927	19,248,710	-	2,635,020
Stormwater	2,291,991	3,038,576	-	-
Environmental services	4,390,906	3,368,899	-	-
Downtown	8,103,447	696,354	17,000	-
Total business-type activities	<u>33,046,271</u>	<u>26,352,539</u>	<u>17,000</u>	<u>2,635,020</u>
Total primary government	<u>\$ 75,508,796</u>	<u>\$ 27,171,487</u>	<u>\$ 872,713</u>	<u>\$ 9,675,419</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, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs			
Primary Government:			
Governmental Activities:			
General government	\$ (6,323,913)	\$ -	\$ (6,323,913)
Public safety	(19,858,197)	-	(19,858,197)
Public works	(524,218)	-	(524,218)
Community development	(1,386,224)	-	(1,386,224)
Parks and recreation	(2,852,200)	-	(2,852,200)
Interest on long-term debt	(2,802,713)	-	(2,802,713)
Total governmental activities	(33,747,465)	-	(33,747,465)
Business-Type Activities:			
Water and sewer	-	3,623,803	3,623,803
Stormwater	-	746,585	746,585
Environmental services	-	(1,022,007)	(1,022,007)
Downtown	-	(7,390,093)	(7,390,093)
Total business-type activities	-	(4,041,712)	(4,041,712)
Total primary government	(33,747,465)	(4,041,712)	(37,789,177)
General Revenues:			
Taxes:			
Ad valorem taxes	27,679,255	-	27,679,255
Sales tax	10,468,624	-	10,468,624
Other taxes and licenses	1,325,708	-	1,325,708
Franchise tax	2,698,228	-	2,698,228
Unrestricted intergovernmental revenues	210,045	-	210,045
Investment earnings	706,187	621,514	1,327,701
Total general revenues, not including transfers	43,088,047	621,514	43,709,561
Transfers	(5,064,650)	5,064,650	-
Total general revenues and transfers	38,023,397	5,686,164	43,709,561
Change in net position	4,275,932	1,644,452	5,920,384
Net Position:			
Beginning of year - July 1	91,651,828	81,869,797	173,521,625
End of year - June 30	\$ 95,927,760	\$ 83,514,249	\$ 179,442,009

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

CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2020

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 19,565,248	\$ 1,188,030	\$ 20,753,278
Taxes receivable	564,265	-	564,265
Accounts receivable	82,447	-	82,447
Long-term receivable	-	174,013	174,013
Due from other governments	2,323,707	2,373,433	4,697,140
Due from other funds	583,836	-	583,836
Cash and cash equivalents - restricted	1,531,216	44,542	1,575,758
Prepaid items	112,475	-	112,475
Total assets	<u>\$ 24,763,194</u>	<u>\$ 3,780,018</u>	<u>\$ 28,543,212</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 340,897	\$ 713,221	\$ 1,054,118
Accrued liabilities	2,672,525	-	2,672,525
Due to other funds	-	583,836	583,836
Total liabilities	<u>3,013,422</u>	<u>1,297,057</u>	<u>4,310,479</u>
Deferred Inflows of Resources:			
Prepaid taxes	70,135	-	70,135
Property taxes receivable	564,265	-	564,265
Other unavailable revenue	249,238	-	249,238
Total deferred inflows of resources	<u>883,638</u>	<u>-</u>	<u>883,638</u>
Fund Balances:			
Non-spendable:			
Prepaid items	112,475	-	112,475
Restricted:			
Stabilization by state statute	2,740,752	2,547,446	5,288,198
Restricted for community development	-	787,124	787,124
Restricted for streets	1,487,970	-	1,487,970
Restricted for public safety	43,246	-	43,246
Committed	367,392	73,688	441,080
Unassigned	16,114,299	(925,297)	15,189,002
Total fund balances	<u>20,866,134</u>	<u>2,482,961</u>	<u>23,349,095</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,763,194</u>	<u>\$ 3,780,018</u>	

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

CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2020

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance - governmental funds	\$ 23,349,095
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	183,302,774
Net pension liability	(6,478,199)
Total pension liability	(5,845,205)
Total OPEB liability	(43,338,664)
Deferred outflows - pension	4,365,350
Deferred outflows - OPEB	4,791,035
Deferred inflows - pension	(459,302)
Deferred inflows - OPEB	(5,753,107)
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.	813,503
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	(57,042,056)
Accrued interest	(423,461)
Compensated absences	<u>(1,354,003)</u>
Net position of governmental activities	<u>\$ 95,927,760</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, 2020

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 27,542,509	\$ -	\$ 27,542,509
Other taxes and licenses	10,895,737	801,170	11,696,907
Unrestricted intergovernmental	3,005,698	-	3,005,698
Restricted intergovernmental	2,832,944	3,667,504	6,500,448
Sales and services	829,544	-	829,544
Investment earnings	706,121	66	706,187
Miscellaneous	844,367	551,231	1,395,598
Total revenues	<u>46,656,920</u>	<u>5,019,971</u>	<u>51,676,891</u>
Expenditures:			
Current:			
General government	7,947,941	-	7,947,941
Public safety	16,770,909	-	16,770,909
Public works	3,779,743	-	3,779,743
Community development	944,040	1,339,365	2,283,405
Capital outlay	-	4,355,186	4,355,186
Parks and recreation	2,528,998	-	2,528,998
Debt service:			
Principal retirement	26,187,546	50,000	26,237,546
Interest and fees	3,265,601	6,903	3,272,504
Total expenditures	<u>61,424,778</u>	<u>5,751,454</u>	<u>67,176,232</u>
Revenues over (under) expenditures	<u>(14,767,858)</u>	<u>(731,483)</u>	<u>(15,499,341)</u>
Other Financing Sources (Uses):			
Transfers in	1,426,703	456,976	1,883,679
Transfers (out)	(5,521,626)	(1,426,703)	(6,948,329)
Issuance of long-term debt	17,305,000	1,380,000	18,685,000
Total other financing sources (uses)	<u>13,210,077</u>	<u>410,273</u>	<u>13,620,350</u>
Special item - sale (purchase) of land	<u>-</u>	<u>(1,277,751)</u>	<u>(1,277,751)</u>
Net change in fund balances	(1,557,781)	(1,598,961)	(3,156,742)
Fund Balances:			
Beginning of year - July 1	<u>22,423,915</u>	<u>4,081,922</u>	<u>26,505,837</u>
End of year - June 30	<u>\$ 20,866,134</u>	<u>\$ 2,482,961</u>	<u>\$ 23,349,095</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, 2020**

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)	\$ (3,156,742)
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.	7,254,912
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(4,875,675)
Pension expense - LGERS	(1,315,036)
Pension expense - SSA	(136,744)
OPEB plan expense	(1,661,542)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	126,216
Expenses related to accrued interest, and compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	366,774
Governmental funds report the effect of bond premiums when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	121,223
Proceeds from issuance of debt, and the related premium, are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(18,685,000)
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>26,237,546</u>
Total change in net position of governmental activities (Exhibit B)	<u>\$ 4,275,932</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, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 27,267,110	\$ 27,267,110	\$ 27,542,509	\$ 275,399
Other taxes and licenses	10,969,750	10,969,750	10,895,737	(74,013)
Unrestricted intergovernmental	3,120,116	3,120,116	3,005,698	(114,418)
Restricted intergovernmental	2,831,122	2,831,122	2,832,944	1,822
Sales and services	1,002,000	1,002,000	829,544	(172,456)
Investment earnings	1,952,500	752,500	706,121	(46,379)
Miscellaneous	796,000	806,000	844,367	38,367
Total revenues	<u>47,938,598</u>	<u>46,748,598</u>	<u>46,656,920</u>	<u>(91,678)</u>
Expenditures:				
Current:				
General government	7,595,941	8,921,270	7,947,941	973,329
Public safety	17,087,276	17,360,468	16,770,909	589,559
Public works	4,421,075	4,821,446	3,779,743	1,041,703
Community development	771,326	1,063,126	944,040	119,086
Parks and recreation	2,915,200	2,944,515	2,528,998	415,517
Debt service:				
Principal retirement	6,927,547	26,187,547	26,187,546	1
Interest and fees	3,057,583	3,277,151	3,265,601	11,550
Total expenditures	<u>42,775,948</u>	<u>64,575,523</u>	<u>61,424,778</u>	<u>3,150,745</u>
Revenues over (under) expenditures	<u>5,162,650</u>	<u>(17,826,925)</u>	<u>(14,767,858)</u>	<u>3,059,067</u>
Other Financing Sources (Uses):				
Transfers in	-	1,426,703	1,426,703	-
Transfers (out)	(5,168,650)	(5,636,626)	(5,521,626)	115,000
Installment financing issued	-	17,305,000	17,305,000	-
Appropriated fund balance	6,000	4,731,848	-	(4,731,848)
Total other financing sources (uses)	<u>(5,162,650)</u>	<u>17,826,925</u>	<u>13,210,077</u>	<u>(4,616,848)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,557,781)</u>	<u>\$ (1,557,781)</u>
Fund Balance:				
Beginning of year - July 1			<u>22,423,915</u>	
End of year - June 30			<u>\$ 20,866,134</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, 2020

	Business-Type Activities				
	Major Enterprise Funds				Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
Assets:					
Current assets:					
Cash and investments	\$ 2,659,256	\$ 2,321,530	\$ 735,006	\$ 4,481,490	\$ 10,197,282
Accounts receivable, net	3,571,972	575,184	785,228	447,111	5,379,495
Due from other governments	189,830	61,402	23,182	496,139	770,553
Cash and investments, restricted	436,829	-	-	5,063,240	5,500,069
Total current assets	6,857,887	2,958,116	1,543,416	10,487,980	21,847,399
Non-current assets:					
Intangible asset, net of amortization	1,543,104	-	-	-	1,543,104
Capital assets:					
Non-depreciable assets	3,663,649	-	-	51,958,486	55,622,135
Other capital assets net of depreciation	117,439,359	11,501,121	466,593	15,490,309	144,897,382
Total capital assets	121,103,008	11,501,121	466,593	67,448,795	200,519,517
Total non-current assets	122,646,112	11,501,121	466,593	67,448,795	202,062,621
Total assets	129,503,999	14,459,237	2,010,009	77,936,775	223,910,020
Deferred Outflows of Resources:					
OPEB deferrals	798,507	271,832	84,947	-	1,155,286
Pension deferrals	700,612	269,466	53,893	-	1,023,971
Total deferred outflows of resources	1,499,119	541,298	138,840	-	2,179,257
Liabilities:					
Current liabilities:					
Accounts payable	1,059,051	7,483	278,961	641,758	1,987,253
Accrued expenses	142,064	31,185	17,766	800,685	991,700
Accrued interest	451,592	61,016	2,661	-	515,269
Current portion of compensated absences	164,684	26,654	22,073	-	213,411
Current maturities of long-term debt	3,073,310	782,284	218,398	3,984,225	8,058,217
Liabilities to be paid from restricted assets	436,829	-	-	13,611	450,440
Total current liabilities	5,327,530	908,622	539,859	5,440,279	12,216,290
Non-current liabilities:					
Net pension liability - LGERS	1,039,711	399,890	79,978	-	1,519,579
Total pension liability - SSA	938,119	360,815	72,163	-	1,371,097
Total OPEB liability	7,223,111	2,458,932	768,416	-	10,450,459
Compensated absences	54,895	8,886	7,357	-	71,138
Long-term debt	42,207,647	6,703,319	339,500	66,200,986	115,451,452
Total non-current liabilities	51,463,483	9,931,842	1,267,414	66,200,986	128,863,725
Total liabilities	56,791,013	10,840,464	1,807,273	71,641,265	141,080,015
Deferred Inflows of Resources:					
OPEB deferrals	958,851	326,417	102,006	-	1,387,274
Pension deferrals	73,716	28,352	5,671	-	107,739
Total deferred inflows of resources	1,032,567	354,769	107,677	-	1,495,013
Net Position:					
Net investment in capital assets	77,365,155	4,015,518	(91,305)	2,313,213	83,602,581
Unrestricted	(4,185,617)	(210,216)	325,204	3,982,297	(88,332)
Total net position	\$ 73,179,538	\$ 3,805,302	\$ 233,899	\$ 6,295,510	\$ 83,514,249

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, 2020

	Business-Type Activities				
	Major Enterprise Funds				Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
Operating Revenues:					
Charges for services	\$ 17,429,170	\$ 3,038,576	\$ 3,233,691	\$ 696,354	\$ 24,397,791
Water and sewer taps	1,456,130	-	-	-	1,456,130
Other operating revenues	363,410	-	135,208	17,000	515,618
Total operating revenues	19,248,710	3,038,576	3,368,899	713,354	26,369,539
Operating Expenses:					
Administration	1,095,853	-	-	-	1,095,853
Distribution	3,929,511	-	-	-	3,929,511
Filter plant	2,978,748	-	-	-	2,978,748
General services	1,765,800	-	-	1,767,464	3,533,264
Contracted services	-	-	-	2,816,771	2,816,771
Sewage treatment	3,632,834	-	-	-	3,632,834
Stormwater	-	1,809,309	-	-	1,809,309
Environmental services	-	-	4,146,696	-	4,146,696
Depreciation and amortization	3,077,343	212,782	225,445	270,342	3,785,912
Total operating expenses	16,480,089	2,022,091	4,372,141	4,854,577	27,728,898
Operating income (loss)	2,768,621	1,016,485	(1,003,242)	(4,141,223)	(1,359,359)
Non-Operating Revenues (Expenses):					
Gain (Loss) on disposal of assets	-	-	-	(343,048)	(343,048)
Interest earned on investments	166,676	7,414	-	447,424	621,514
Interest and fees on long-term debt	(1,779,838)	(269,900)	(18,765)	(2,905,822)	(4,974,325)
Total non-operating revenues (expenses)	(1,613,162)	(262,486)	(18,765)	(2,801,446)	(4,695,859)
Income (loss) before capital contributions and transfers	1,155,459	753,999	(1,022,007)	(6,942,669)	(6,055,218)
Capital Contributions	2,635,020	-	-	-	2,635,020
Transfers:					
Transfers (out)	(2,521,824)	-	-	(277,283)	(2,799,107)
Transfers in	595,000	-	845,700	6,423,057	7,863,757
Total transfers	(1,926,824)	-	845,700	6,145,774	5,064,650
Change in net position	1,863,655	753,999	(176,307)	(796,895)	1,644,452
Net Position:					
Beginning of year - July 1	71,315,883	3,051,303	410,206	7,092,405	81,869,797
End of year - June 30	\$ 73,179,538	\$ 3,805,302	\$ 233,899	\$ 6,295,510	\$ 83,514,249

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, 2020

	Business-Type Activities				
	Major Enterprise Funds				Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
Cash Flows from Operating Activities:					
Cash received from customers	\$ 19,028,893	\$ 2,984,356	\$ 3,261,363	\$ 460,423	\$ 25,735,035
Cash paid for goods and services	(9,454,933)	(2,001,119)	(3,498,685)	(6,731,511)	(21,686,248)
Cash paid to employees	(3,428,766)	(771,211)	(375,922)	-	(4,575,899)
Net cash provided (used) by operating activities	6,145,194	212,026	(613,244)	(6,271,088)	(527,112)
Cash Flows from Non-Capital Financing Activities:					
Transfers (to) other funds	(2,521,824)	-	-	-	(2,521,824)
Transfers from other funds	595,000	-	845,700	6,145,774	7,586,474
Net cash provided (used) by non-capital financing activities	(1,926,824)	-	845,700	6,145,774	5,064,650
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets and capital projects	(6,054,779)	(1,554,779)	-	(27,053,098)	(34,662,656)
Principal paid on long-term debt	(2,990,765)	(926,876)	(212,257)	(1,384,225)	(5,514,123)
Interest and fees paid on long-term debt	(1,812,237)	(274,765)	(19,778)	(2,923,614)	(5,030,394)
Net cash provided (used) by capital and related financing activities	(10,857,781)	(2,756,420)	(232,035)	(31,360,937)	(45,207,173)
Cash Flows from Investing Activities:					
Interest on investments	166,676	7,414	-	447,424	621,514
Net increase (decrease) in cash and cash equivalents	(6,472,735)	(2,536,980)	421	(31,038,827)	(40,048,121)
Cash and Cash Equivalents:					
Beginning of year - July 1	9,568,820	4,858,510	734,585	40,583,557	55,745,472
End of year - June 30	\$ 3,096,085	\$ 2,321,530	\$ 735,006	\$ 9,544,730	\$ 15,697,351
Reconciliation of Operating Income (Loss) to Provided (Used) By Operating Activities:					
Operating income (loss)	\$ 2,768,621	\$ 1,016,485	\$ (1,003,242)	\$ (4,141,223)	\$ (1,359,359)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	3,077,343	212,782	225,445	270,342	3,785,912
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(240,039)	(54,220)	(107,536)	(715,542)	(1,117,337)
(Increase) decrease in prepaids	-	-	5,227	-	5,227
Increase (decrease) in total pension liability	60,520	23,277	4,655	-	88,452
Increase (decrease) in net pension liability	114,498	44,038	8,808	-	167,344
Increase (decrease) in deferred inflows of resources for pensions	(12,286)	(4,725)	(945)	-	(17,956)
(Increase) decrease in deferred outflows of resources for pensions	70,269	27,027	5,404	-	102,700
Increase (decrease) in deferred inflows for OPEB	(115,602)	(39,354)	(12,297)	-	(167,253)
(Increase) decrease in deferred outflows for OPEB	(656,216)	(223,393)	(69,810)	-	(949,419)
Increase (decrease) in accounts payable and accrued liabilities	9,124	(1,146,910)	219,479	(1,698,276)	(2,616,583)
Increase (decrease) in other post-employment benefits	1,048,740	357,019	111,568	-	1,517,327
Increase (decrease) in customer deposits	20,222	-	-	13,611	33,833
Net cash provided (used) by operating activities	\$ 6,145,194	\$ 212,026	\$ (613,244)	\$ (6,271,088)	\$ (527,112)
Summary of Non-Cash Activities:					
Capital asset contributions	\$ 2,635,020	\$ -	\$ -	\$ -	\$ 2,635,020

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, 2020

1. Summary of Significant Accounting Policies

The accounting policies of the City of Kannapolis (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation – Fund Accounting

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities except for the interfund services provided and used which are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City reports the following major governmental fund:

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.

The City reports the following nonmajor governmental funds:

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

Transit Tax Fund. This fund is used to account for the transit system for the City.

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

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

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

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

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

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. The City maintains three separate water and sewer capital project funds for accounting purposes: Revenue Bonds 2014 Fund, Downtown Water and Sewer Infrastructure and Revenue Bonds 2020 Fund. For financial reporting purposes, these funds have been consolidated into the Water and Sewer Fund.

Stormwater Fund. This fund is used to account for the City's stormwater operations. The City maintains a separate stormwater capital project fund for accounting purposes: Downtown Stormwater Fund. For financial reporting purposes, this fund has been consolidated into the Stormwater Fund.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

The City considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

The City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) government money market mutual fund, is measured at fair market value. The NCCMT Term Portfolio's securities are valued at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

Cash and Cash Equivalents

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Restricted Assets

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

General Fund:

Federal asset forfeiture funds	\$ 43,246
Powell Bill	<u>1,487,970</u>
Total	<u>1,531,216</u>

Other Governmental Funds:

HUD Section 108 - required debt service reserve	<u>44,542</u>
Total	<u>44,542</u>

Enterprise Funds:

Unspent debt proceeds - Sports and Entertainment Venue	5,049,629
Customer deposits	<u>450,440</u>
Total	<u>5,500,069</u>

Total restricted cash	<u><u>\$ 7,075,827</u></u>
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Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by state law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and are expensed as the items are used. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$250,000 for general infrastructure and \$5,000 for other capital asset classifications. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are reported at acquisition value.

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

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

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

Deferred Outflows/Inflows of Resources

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or the proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position/Fund Balances

Net Position

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Restricted for Community Development – portion of fund balance restricted by revenue source for community development activities. \$44,542 in the CDBG Fund is restricted for HUD Section 108 Loan payment. \$742,582 in the Transit Tax Fund is restricted by the revenue source for the development of a transit system for the City.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as police and fire. \$43,246 is restricted in the General Fund for the balance of Federal Asset Forfeiture funds.

Restricted fund balance at June 30, 2020 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Restricted, All Other:		
Streets	\$ 1,487,970	\$ -
Public safety	43,246	-
Community development	-	787,124
Total	<u>\$ 1,531,216</u>	<u>\$ 787,124</u>

Committed Fund Balance

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

Committed for Community Development – portion of fund balance committed by the City Council to be used for expenditures related to Community Development Block Grant.

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

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

Committed fund balance at June 30, 2020 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Community development	\$ -	\$ 42,326
Capital projects	-	31,362
City employee separation	367,392	-
Total	<u>\$ 367,392</u>	<u>\$ 73,688</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. Only the General Fund may report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in the governmental funds other than General Fund, if expenditures occurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

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

Fund Balance Available for Appropriation

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

Total fund balance - General Fund	\$ 20,866,134
Less:	
Prepaid items	(112,475)
Stabilization by state statute	<u>(2,740,752)</u>
Fund balance available for appropriation	<u>\$ 18,012,907</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Defined Benefit Cost Sharing Plan

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

Revenues, Expenditures, and Expenses

Other Resources

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

Management Estimates

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

2. Detail Notes on All Funds

A. Assets

Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization. This risk may increase in periods of high cash flows.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the City's deposits had a carrying amount of \$2,628,601 and a bank balance of \$2,650,600. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the City's petty cash fund totaled \$4,370.

Investments

At June 30, 2020, the City had the following investments and maturities:

<u>Investments by Type</u>	<u>Measurement Method</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>6-12 months</u>	<u>1-3 years</u>	<u>5+ Years</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 3,645,984	\$ 3,645,984	\$ -	\$ -	\$ -
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	20,213,959	20,213,959	-	-	-
Commercial Paper	Fair Value - Level 1	11,533,473	11,533,473	-	-	-
Total		<u>\$ 35,393,416</u>	<u>\$ 35,393,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Interest Rate Risk. The City has a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The policy limits investments to a maximum of five years. The portfolio will be structured so that securities mature concurrently with cash needs, with securities with an active secondary market, and with deposits and investments in highly liquid money market and mutual fund accounts.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). To best mitigate against credit risk, the City requires a diversification of investments. The City has no formal policy on credit risk. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2020. The City's investment in

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments, as permitted under North Carolina General Statutes 159-30 as amended. The City's investments in U.S. government obligations are rated A1P1 by Moody's Investors Service.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5 percent of the City's investments are in commercial paper. These investments are 33% of the City's total investments.

Receivables

Receivables at the government-wide level at June 30, 2020 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 82,447	\$ 1,091,249	\$ 2,323,707	\$ 3,497,403
Governmental	<u>174,013</u>	<u>-</u>	<u>2,373,433</u>	<u>2,547,446</u>
Total receivables	256,460	1,091,249	4,697,140	6,044,849
Allowance for doubtful accounts	<u>-</u>	<u>(526,984)</u>	<u>-</u>	<u>(526,984)</u>
Total	<u><u>\$ 256,460</u></u>	<u><u>\$ 564,265</u></u>	<u><u>\$ 4,697,140</u></u>	<u><u>\$ 5,517,865</u></u>
Business-Type Activities:				
Water and sewer	\$ 4,785,329	\$ -	\$ 189,830	\$ 4,975,159
Stormwater	647,344	-	61,402	708,746
Environmental services	803,268	-	23,182	826,450
Downtown	482,531	-	496,139	978,670
Allowance for doubtful accounts	<u>(1,338,977)</u>	<u>-</u>	<u>-</u>	<u>(1,338,977)</u>
Total	<u><u>\$ 5,379,495</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 770,553</u></u>	<u><u>\$ 6,150,048</u></u>

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

Local option sales tax	\$ 1,613,557
Property taxes	378,733
Grants	2,244,640
Other	<u>1,230,763</u>
Total	<u><u>\$ 5,467,693</u></u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Transfers/ Retirements	Balance June 30, 2020
Non-Depreciable Capital Assets:				
Land	\$ 14,713,164	\$ 1,447,008	\$ -	\$ 16,160,172
Construction in progress	13,134,544	4,224,774	(13,973,499)	3,385,819
Total non-depreciable capital assets	<u>27,847,708</u>	<u>5,671,782</u>	<u>(13,973,499)</u>	<u>19,545,991</u>
Depreciable Capital Assets:				
Buildings and improvements	66,069,032	-	10,422,087	76,491,119
Other improvements	7,890,735	-	1,573,452	9,464,187
Machinery and equipment	19,106,317	314,570	(84,436)	19,336,451
Infrastructure	156,811,712	1,268,560	1,977,960	160,058,232
Total depreciable capital assets	<u>249,877,796</u>	<u>1,583,130</u>	<u>13,889,063</u>	<u>265,349,989</u>
Less Accumulated Depreciation:				
Building and improvements	6,854,338	747,877	-	7,602,215
Other improvements	1,877,322	208,364	-	2,085,686
Machinery and equipment	15,444,311	1,443,790	(84,436)	16,803,665
Infrastructure	72,625,996	2,475,644	-	75,101,640
Total accumulated depreciation	<u>96,801,967</u>	<u>4,875,675</u>	<u>(84,436)</u>	<u>101,593,206</u>
Total depreciable capital assets, net	<u>153,075,829</u>			<u>163,756,783</u>
Total capital assets, net	<u>\$ 180,923,537</u>			<u>\$ 183,302,774</u>

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

General government	\$ 539,652
Public safety	1,167,024
Public works	2,597,764
Parks and recreation	571,235
Total depreciation expense	<u>\$ 4,875,675</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2020.

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2020</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 839,066	\$ -	\$ -	\$ 839,066
Construction in progress	<u>35,766,068</u>	<u>4,899,085</u>	<u>(37,840,570)</u>	<u>2,824,583</u>
Total non-depreciable capital assets	<u>36,605,134</u>	<u>4,899,085</u>	<u>(37,840,570)</u>	<u>3,663,649</u>
Depreciable Capital Assets:				
Buildings	22,895,344	-	-	22,895,344
Distribution systems	101,112,706	3,194,037	37,840,570	142,147,313
Machinery and equipment	<u>4,039,412</u>	<u>596,677</u>	<u>(78,653)</u>	<u>4,557,436</u>
Total depreciable capital assets	<u>128,047,462</u>	<u>3,790,714</u>	<u>37,761,917</u>	<u>169,600,093</u>
Less Accumulated Depreciation:				
Buildings	9,879,360	369,318	-	10,248,678
Distribution systems	36,737,425	2,144,217	-	38,881,642
Machinery and equipment	<u>2,593,481</u>	<u>515,586</u>	<u>(78,653)</u>	<u>3,030,414</u>
Total accumulated depreciation	<u>49,210,266</u>	<u>\$ 3,029,121</u>	<u>\$ (78,653)</u>	<u>52,160,734</u>
Total depreciable capital assets, net	<u>78,837,196</u>			<u>117,439,359</u>
Total Water and Sewer Fund capital assets, net	<u>115,442,330</u>			<u>121,103,008</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Additions	Transfers/ Retirements	Balance June 30, 2020
Stormwater Fund:				
Non-Depreciable Capital Assets:				
Construction in progress	5,168,414	\$ 1,554,779	\$ (6,723,193)	-
Total non-depreciable capital assets	<u>5,168,414</u>	<u>1,554,779</u>	<u>(6,723,193)</u>	<u>-</u>
Depreciable Capital Assets:				
Machinery and equipment	1,786,248	-	-	1,786,248
Infrastructure	7,765,890	-	6,723,193	14,489,083
Total depreciable capital assets	<u>9,552,138</u>	<u>-</u>	<u>6,723,193</u>	<u>16,275,331</u>
Less Accumulated Depreciation:				
Machinery and equipment	1,616,785	78,572	-	1,695,357
Infrastructure	2,944,643	134,210	-	3,078,853
Total accumulated depreciation	<u>4,561,428</u>	<u>\$ 212,782</u>	<u>\$ -</u>	<u>4,774,210</u>
Total depreciable capital assets, net	<u>4,990,710</u>			<u>11,501,121</u>
Total Stormwater Fund capital assets, net	<u>10,159,124</u>			<u>11,501,121</u>
	Balance July 1, 2019	Additions	Transfers/ Retirements	Balance June 30, 2020
Downtown Kannapolis Fund:				
Non-Depreciable Capital Assets:				
Land	5,470,870	\$ -	\$ (400,000)	5,070,870
Construction in progress	24,127,299	27,038,598	(4,278,281)	46,887,616
Total non-depreciable capital assets	<u>29,598,169</u>	<u>27,038,598</u>	<u>(4,678,281)</u>	<u>51,958,486</u>
Depreciable Capital Assets:				
Buildings	4,714,956		(422,314)	4,292,642
Improvements	7,394,743	-	4,278,281	11,673,024
Machinery and equipment	78,705	14,500	-	93,205
Total depreciable capital assets	<u>12,188,404</u>	<u>14,500</u>	<u>3,855,967</u>	<u>16,058,871</u>
Less Accumulated Depreciation:				
Buildings	304,704	85,853	(30,266)	360,291
Improvements	6,067	170,101	-	176,168
Machinery and equipment	17,715	14,388	-	32,103
Total accumulated depreciation	<u>328,486</u>	<u>\$ 270,342</u>	<u>\$ (30,266)</u>	<u>568,562</u>
Total depreciable capital assets, net	<u>11,859,918</u>			<u>15,490,309</u>
Total Downtown Kannapolis Fund capital assets, net	<u>41,458,087</u>			<u>67,448,795</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2020</u>
Environmental Services Fund:				
Depreciable Capital Assets:				
Machinery and equipment	1,127,227	\$ -	\$ -	1,127,227
Total depreciable capital assets	<u>1,127,227</u>	<u>-</u>	<u>-</u>	<u>1,127,227</u>
Less Accumulated Depreciation:				
Machinery and equipment	435,189	225,445	-	660,634
Total accumulated depreciation	<u>435,189</u>	<u>\$ 225,445</u>	<u>\$ -</u>	<u>660,634</u>
Total depreciable capital assets, net	<u>692,038</u>			<u>466,593</u>
Total Environmental Services Fund capital assets, net	<u>692,038</u>			<u>466,593</u>
Total business-type capital assets, net	<u>\$ 167,751,579</u>			<u>\$ 200,519,517</u>

Proprietary Intangible Assets

The intangible assets of the Water and Sewer Fund at June 30, 2020 were as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>
Intangible Assets:				
Rowan County water rights	\$ 2,411,100	\$ -	\$ -	\$ 2,411,100
Less accumulated amortization	<u>(819,774)</u>	<u>(48,222)</u>	<u>-</u>	<u>(867,996)</u>
Intangible assets, net	<u>\$ 1,591,326</u>	<u>\$ (48,222)</u>	<u>\$ -</u>	<u>\$ 1,543,104</u>

Construction Commitments

The City has active construction projects as of June 30, 2020. 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>
JD Goodrum	\$ 2,151,224	\$ 1,785,228	\$ 3,936,452
Carolina Siteworks	539,318	3,221,507	3,760,825
Barton Marlow - Stadium	39,867,333	2,932,919	42,800,252

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>IBNR</u>	<u>Total</u>
Governmental Activities:				
General	\$ 340,897	\$ 1,334,096	\$ 1,338,429	\$ 3,013,422
Other governmental	713,221	-	-	713,221
Total payables	<u>\$ 1,054,118</u>	<u>\$ 1,334,096</u>	<u>\$ 1,338,429</u>	<u>\$ 3,726,643</u>
Business-Type Activities:				
Water and sewer	\$ 1,059,051	\$ 142,064	\$ -	\$ 1,201,115
Stormwater	7,483	31,185	-	38,668
Environmental services	278,961	17,766	-	296,727
Downtown	641,758	800,685	-	1,442,443
Total payables	<u>\$ 1,987,253</u>	<u>\$ 991,700</u>	<u>\$ -</u>	<u>\$ 2,978,953</u>

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Kannapolis employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Kannapolis' contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 9.0% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Kannapolis were \$1,779,294 for the year ended June 30, 2020.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the City reported a liability of \$7,997,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the City's proportion was 0.2929%, which was a decrease of 0.0071% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$3,402,797. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,369,422	\$ -
Changes of assumptions	1,303,505	-
Net difference between projected and actual earnings on pension plan investments	195,077	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	337,473
Employer contributions subsequent to the measurement date	1,779,294	-
Total	<u>\$ 4,647,298</u>	<u>\$ 337,473</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

\$1,779,294 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2021	\$ 1,296,081
2022	353,921
2023	699,396
2024	181,133
2025	-
Thereafter	-
Total	<u>\$ 2,530,531</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	<u>\$ 18,292,381</u>	<u>\$ 7,997,778</u>	<u>\$ (559,122)</u>

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

Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified full-time employees. The SSA is required for law enforcement officers. In addition, the City has elected to extend the SSA to firefighters and general employees. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the employee for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time employees of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	27
Active plan members	<u>344</u>
Total	<u>371</u>

Summary of Significant Accounting Policies

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

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

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

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

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$408,793 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$7,216,302. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$620,077.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments and administrative costs subsequent to measurement date	\$ 259,624	\$ -
Changes of assumptions and other inputs	372,842	227,255
Differences between expected and actual experience	109,557	2,313
Total	<u>\$ 742,023</u>	<u>\$ 229,568</u>

\$258,474 paid as benefits came due and \$1,150 of administrative expense reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 79,106
2022	83,237
2023	27,387
2024	63,101
2025	-
Thereafter	-
Total	<u>\$ 252,831</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$ 7,881,826</u>	<u>\$ 7,216,302</u>	<u>\$ 6,612,695</u>

Schedule of Changes in Total Pension Liability Special Separation Allowance

Beginning balance	<u>\$ 6,750,759</u>
Service cost	300,522
Interest on the total pension liability	238,288
Difference between expected and actual experience	99,050
Changes of assumptions and other inputs	236,476
Benefit payments made	<u>(408,793)</u>
Net change in total pension liability	<u>465,543</u>
Ending balance of the total pension liability	<u>\$ 7,216,302</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuary for the five-year period ending December 31, 2014.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

	<u>LGERS</u>	<u>SSA</u>	<u>Total</u>
Pension expense	\$ 3,402,797	\$ 620,077	\$ 4,022,874
Pension liability	7,997,778	7,216,302	15,214,080
Proportion of the net pension liability (asset)	0.2929%	N/A	

Deferred Outflows of Resources

Differences between expected and actual experience	1,369,422	109,557	1,478,979
Changes of assumptions	1,303,505	372,842	1,676,347
Net difference between projected and actual earnings on pension plan investments	195,077	-	195,077
Employer contributions (LGERS) and benefit payments and administration costs (SSA) subsequent to the measurement date	<u>1,779,294</u>	<u>259,624</u>	<u>2,038,918</u>
	<u>\$ 4,647,298</u>	<u>\$ 742,023</u>	<u>\$ 5,389,321</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ -	\$ 2,313	\$ 2,313
Changes of assumptions	-	227,255	227,255
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>337,473</u>	<u>-</u>	<u>337,473</u>
	<u>\$ 337,473</u>	<u>\$ 229,568</u>	<u>\$ 567,041</u>

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 were \$433,561, which consisted of \$221,557 from the City and \$212,004 from the law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan for All Employees

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

Funding Policy. The City contributes to the Plan each pay an amount equal to one percent of each eligible employee's salary if the employee contributes the same amount, and all amounts contributed are vested immediately. City employees may also make voluntary contributions in addition to the match to the Plan. The City contributed \$301,985 for the reporting year. No amounts were forfeited.

Deferred Compensation Plan

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

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, 2020, the City contributed \$10,718 to this account.

Other Post-Employment Benefits – Healthcare Benefits

Plan Description. The City has established a policy as a single-employer defined benefit plan providing group medical and dental benefits to employees eligible to retire under the requirements of the Local Government Employees' Retirement System noted above. Currently, seventy-three (73) retirees are eligible. The benefit provided by the City varies from 0% to 75% of the monthly premium, depending on years of service. The retiree is required to make up the difference in the benefit provided and the actual cost of the insurance. The coverage provided is

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

the same type as was in effect immediately preceding the retirement date. If the retiree is or becomes eligible for Medicare, the City's policy pays secondary to Medicare. A separate report was not issued for the plan.

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

	<u>All Employees</u>
Retirees and dependents receiving benefits	73
Active plan members	338
Total	<u>411</u>

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

Total OPEB Liability

The City's total OPEB liability of \$53,789,123 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	<u>\$ 45,979,353</u>
Changes for the year:	
Service cost	2,520,369
Interest	1,779,798
Differences between expected and actual experience	(212,404)
Changes of assumptions or other inputs	4,178,746
Benefit payments	<u>(456,739)</u>
Net changes	7,809,770
Balance at June 30, 2020	<u><u>\$ 53,789,123</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.89% to 3.50%.

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

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 66,926,537</u>	<u>\$ 53,789,123</u>	<u>\$ 43,921,019</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 42,447,841	\$ 53,789,123	\$ 69,467,464

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$3,664,768. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 145,641	\$ 243,836
Changes of assumptions	3,708,696	6,896,545
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>2,091,984</u>	<u>-</u>
Total	<u>\$ 5,946,321</u>	<u>\$ 7,140,381</u>

\$2,091,984 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2021	\$ (641,885)
2022	(641,885)
2023	(641,885)
2024	(641,885)
2025	(641,885)
Thereafter	<u>(76,619)</u>
Total	<u>\$ (3,286,044)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 and be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Contributions to pension plan in current fiscal year	\$ 2,038,918
Differences between expected and actual experience	1,624,620
Changes of assumptions	5,385,043
Net difference between projected and actual earnings on pension plan investments	195,077
Benefit payments and administrative costs for OPEB	2,091,984
Total	<u>\$ 11,335,642</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	Deferred Inflows of Resources	
	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes	\$ 70,135	\$ 70,135
Taxes receivable, net	-	564,265
Cabarrus County contribution - fire station	-	249,238
Differences between expected and actual experience	246,149	-
Changes in assumptions	7,123,800	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	337,473	-
Total	<u>\$ 7,777,557</u>	<u>\$ 883,638</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, pension liabilities and OPEB liabilities typically have been liquidated in the General Fund.

Changes in Long-Term Debt – Governmental Funds

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
Direct placement notes payable	\$ 8,772,794	\$ 17,305,000	\$ 1,292,546	\$ 24,785,248	\$ 3,423,752
Direct placement U.S. government obligations	150,000	-	50,000	100,000	50,000
Limited obligation bonds	54,005,000	1,380,000	24,895,000	30,490,000	2,017,000
Premium on debt issuance	1,788,031	-	121,223	1,666,808	121,223
Net pension liability (LGERS)	5,764,791	713,408	-	6,478,199	-
Compensated absences	1,250,986	1,928,086	1,825,069	1,354,003	1,015,502
Total OPEB liability	37,046,221	6,292,443	-	43,338,664	-
Total pension liability (SSA)	5,468,114	377,091	-	5,845,205	-
Total	<u>\$ 114,245,937</u>	<u>\$ 27,996,028</u>	<u>\$ 28,183,838</u>	<u>\$ 114,058,127</u>	<u>\$ 6,627,477</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Governmental Activities – Notes Payable

4.05% note, payable in annual installments of \$42,154, including interest beginning June 2011 through June 2025; secured by personal property.	\$ 252,922
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.	486,417
2.0% note, payable in semi-annual installments of \$26,133, excluding interest beginning October 2012 through June 2021; secured by park building.	52,267
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	939,900
0% note, payable to County in annual installments of \$62,500, beginning April 2014 through April 2061, secured by the stadium.	2,687,500
1.51% note, payable in quarterly installments of \$17,475, including interest beginning February 4, 2016 through October 4, 2021; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications.	102,452
1.84% note, payable in annual installments ranging from \$2,370,000 to \$2,594,000, excluding interest beginning March 1, 2021 through March 1, 2027; secured by Research Campus Improvements and Cabarrus Health Alliance	17,305,000
3.42% note, payable in semi-annual installments ranging from \$49,064 to \$221,533, excluding interest beginning April 1, 2018 through April 1, 2037; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications.	<u>2,958,790</u>
Total	<u>\$ 24,785,248</u>

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

The City's outstanding note from direct placements related to governmental activities of \$252,922 and \$564,537 of business-type activities is secured by equipment purchased with loan proceeds. Upon the failure to pay or make timely payments, the outstanding principal is due immediately.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City's outstanding note from direct placements related to governmental activities of \$486,417 and \$383,583 of business-type activities is secured by a security interest in the fire truck and the mortgaged 2.689 acres of property. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the mortgaged property and equipment, including initiating foreclosure proceedings.

The City's outstanding note from direct placements related to governmental activities of \$52,267 is secured by a deed of trust on Village Park building. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

The City's outstanding note from direct placements related to governmental activities of \$939,900 and \$821,687 of business-type activities is secured by a deed of trust on the real property. Upon the failure to pay or make timely payments, the outstanding principal is due immediately. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

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

The City's outstanding note from direct placements related to governmental activities of \$102,452 and \$117,765 of business-type activities is by equipment purchased with loan proceeds. Upon the failure to pay or make timely payments, the outstanding principal is due immediately.

The City's outstanding note from direct placements related to governmental activities of \$17,305,000 is secured by Research Campus Improvements and Cabarrus Health Alliance. Upon the failure to pay or make timely payments, the outstanding principal is due immediately.

The City's outstanding note from direct placements related to governmental activities of \$2,958,790 and \$3,011,209 of business-type activities is secured by a deed of trust on the 4.060 acres the public works facility located and 1.477 acres the village park carousel is located. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 3,423,752	\$ 442,737	\$ 3,866,489
2022	3,248,432	390,682	3,639,114
2023	3,130,675	327,831	3,458,506
2024	2,791,691	268,167	3,059,858
2025	2,836,691	213,526	3,050,217
2026-2030	6,419,537	382,706	6,802,243
2031-2035	956,780	110,172	1,066,952
2036-2040	507,712	13,221	520,933
2041-2045	312,500	-	312,500
2046-2050	312,500	-	312,500
2051-2055	312,500	-	312,500
2056-2060	312,500	-	312,500
2061	219,978	-	219,978
Total	\$ 24,785,248	\$ 2,149,042	\$ 26,934,290

Governmental Activities - U.S. Government Obligations

A direct placement Section 108 loan of \$742,000 was executed on August 28, 2006 with the Department of Housing and Urban Development. A principal payment of \$50,000 was due August 2020. Principal payments were \$49,000 until August 2015 when they increased to \$50,000. Interest is due semi-annually at rates from 4.96% to 5.57%, on February 1 and August 1, respectively. This obligation is to be used in the construction of Gateway Business Park. The principal balance due at June 30, 2020 was \$100,000.

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 50,000	\$ 4,162	\$ 54,162
2022	50,000	1,393	51,393
Total	\$ 100,000	\$ 5,555	\$ 105,555

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Limited Obligation Bonds

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

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

The City issued Series 2020 Limited Obligation Bonds in May 2020. The City is using the funds for construction of Irish Buffalo Creek Greenway.

The City issued Series 2010A and 2010B Limited Obligation Bonds in December 2010. As security for the 2010 bonds, the City will execute and deliver a deed of trust granting, among other things, a lien of record on the mortgaged property subject to permitted encumbrances. Each series of the 2010 bonds will also be secured by a Debt Service Reserve Fund. These bonds were refunded in March 2020. They were refinanced as installment debt of \$17,305,000.

The City's limited obligation bonds payable at June 30, 2020 are comprised of the following individual issues:

- Series 2014 Limited Obligation Bonds, \$19,120,000
- Series 2018B Limited Obligation Bonds, \$9,990,000
- Series 2020 Limited Obligation Bonds, \$1,380,000

Governmental Activities – Limited Obligation Bonds:

\$25,220,000 Series 2014 Limited Obligation Bonds, issued in August 2014, due in annual installments ranging from \$620,000 to \$1,370,000 on April 1, through 2034. Interest is payable semi-annually at rates ranging from 3% to 5%, fluctuating throughout the life of the bonds.	\$ 19,120,000
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\$11,100,000 Series 2018B Limited Obligation Bonds, issued in October 2018, due in annual installments of \$555,000 on April 1, 2018 through 2038. Interest is payable semi-annually at a rate of 3.97%	9,990,000
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\$1,380,000 Series 2020 Limited Obligation Bonds, issued in May 2020, due in annual installments of \$92,000 on April 1, 2021 through 2035. Interest is payable semi-annually at a rate of 2.22%	<u>1,380,000</u>
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Total	<u><u>\$ 30,490,000</u></u>
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CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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
2021	\$ 2,017,000	\$ 1,230,710	\$ 8,468,461
2022	2,017,000	1,142,219	6,689,927
2023	2,012,000	1,054,643	6,542,510
2024	2,012,000	962,318	6,392,812
2025	2,012,000	869,992	6,240,721
2026-2030	10,060,000	3,118,632	24,708,175
2031-2035	8,695,000	1,225,460	11,177,873
2036-2040	1,665,000	132,201	2,440,335
Total	<u>\$ 30,490,000</u>	<u>\$ 9,736,175</u>	<u>\$ 72,660,813</u>

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

Year Ending June 30	Principal
2021	\$ 121,223
2022	121,223
2023	121,223
2024	121,223
2025	121,223
2026-2030	606,115
2031-2034	454,578
Total	<u>\$ 1,666,808</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Maturities</u>
Water and Sewer Fund:					
Revenue bonds	\$ 46,683,000	\$ -	\$ 2,619,000	\$ 44,064,000	\$ 2,716,800
Direct placement notes payable	1,588,722	-	371,765	1,216,957	356,510
Net pension liability (LGERS)	925,213	114,498	-	1,039,711	-
Total OPEB liability	6,174,371	1,048,740	-	7,223,111	-
Total pension liability (SSA)	877,599	60,520	-	938,119	-
Compensated absences	175,989	322,604	279,014	219,579	164,684
Total	<u>56,424,894</u>	<u>1,546,362</u>	<u>3,269,779</u>	<u>54,701,477</u>	<u>3,237,994</u>
Stormwater Fund:					
Direct placement notes payable	1,762,480	-	576,875	1,185,605	432,283
Limited obligation bonds	6,649,999	-	350,001	6,299,998	350,001
Net pension liability (LGERS)	355,852	44,038	-	399,890	-
Total OPEB liability	2,101,913	357,019	-	2,458,932	-
Total pension liability (SSA)	337,538	23,277	-	360,815	-
Compensated absences	30,929	82,328	77,717	35,540	26,654
Total	<u>11,238,711</u>	<u>506,662</u>	<u>1,004,593</u>	<u>10,740,780</u>	<u>808,938</u>
Environmental Services Fund:					
Direct placement notes payable	770,155	-	212,257	557,898	218,398
Net pension liability (LGERS)	71,170	8,808	-	79,978	-
Total pension liability (SSA)	67,508	4,655	-	72,163	-
Total OPEB liability	656,848	111,568	-	768,416	-
Compensated absences	10,564	48,806	29,940	29,430	22,073
Total	<u>1,576,245</u>	<u>173,837</u>	<u>242,197</u>	<u>1,507,885</u>	<u>240,471</u>
Downtown Kannapolis Fund:					
Direct placement notes payable	3,266,435	-	255,226	3,011,209	255,226
Limited obligation bonds	59,505,001	-	394,999	59,110,002	2,994,999
Special obligation bonds	8,798,000	-	734,000	8,064,000	734,000
Total	<u>71,569,436</u>	<u>-</u>	<u>1,384,225</u>	<u>70,185,211</u>	<u>3,984,225</u>
Business-Type Activities:					
Revenue bonds	46,683,000	-	2,619,000	44,064,000	2,716,800
Direct placement notes payable	7,387,792	-	1,416,123	5,971,669	1,262,417
Limited obligation bonds	66,155,000	-	745,000	65,410,000	3,345,000
Special obligation bonds	8,798,000	-	734,000	8,064,000	734,000
Net pension liability (LGERS)	1,352,235	167,344	-	1,519,579	-
Total OPEB liability	8,933,132	1,517,327	-	10,450,459	-
Total pension liability (SSA)	1,282,645	88,452	-	1,371,097	-
Compensated absences	217,482	453,738	386,671	284,549	213,411
Total	<u>\$ 140,809,286</u>	<u>\$ 2,226,861</u>	<u>\$ 5,900,794</u>	<u>\$ 137,135,353</u>	<u>\$ 8,271,628</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, the City had no authorized, but unissued, debt and a legal debt margin of approximately \$213,791,000.

Revenue Bonds

On November 1, 2011, the City issued \$16,300,300 in 2011 Refunding Revenue Bonds. The proceeds were used to advance refund \$18,740,000 of outstanding Combined Enterprise System Revenue Bonds, Series 2001A and 2001B. The net proceeds of \$16,300,300 (after payment of \$367,562 for underwriter fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. Additional funds still held in escrow related to the original 2001 issue were also deposited in the irrevocable trust with the escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Combined Enterprise System Revenue Bonds, Series 2001A and 2001B are considered defeased, and the respective liabilities for those bonds have been removed from the statement of net position. The advance refunding reduced the City's total debt service payments by \$3,042,227 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,488,000.

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

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Business Type Activities – Revenue Bonds:

\$6,477,000 Enterprise System Revenue Bonds, Series 2017, due annually in amounts ranging from \$254,000 to \$445,000 through April 2037; interest rate of 3.17%	\$ 5,961,000
\$17,400,000 Enterprise System Revenue Bonds, Series 2018, due annually in amounts ranging from \$484,000 to \$1,175,000, April 1, starting in 2019 until 2038; interest rate is 3.80%	16,293,000
\$16,300,300 Combined Enterprise System Revenue Bonds, Refunding Series 2011, due annually in amounts ranging from \$875,000 to \$1,420,000 through February 2025; interest rate of 2.85%	6,655,000
\$18,245,000 Enterprise System Revenue Bonds, Series 2013, due annually in amounts ranging from \$470,000 to \$1,030,000 through April 2038; interest ranging from 3.00% to 4.75%	<u>15,155,000</u>
Total	<u><u>\$ 44,064,000</u></u>

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 2,716,800	\$ 1,645,178	\$ 4,361,978
2022	2,871,000	1,553,953	4,424,953
2023	2,961,600	1,460,855	4,422,455
2024	3,057,600	1,361,608	4,419,208
2025	3,162,000	1,259,051	4,421,051
2026 - 2030	9,743,000	5,072,052	14,815,052
2031 - 2035	11,764,000	3,048,489	14,812,489
2036 - 2040	<u>7,788,000</u>	<u>639,834</u>	<u>8,427,834</u>
Total	<u><u>\$ 44,064,000</u></u>	<u><u>\$ 16,041,020</u></u>	<u><u>\$ 60,105,020</u></u>

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 6.6 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2011, Series 2013, Series 2017 and Series 2018 since their adoption. Section 6.6 of the Bond Order requires the debt service parity coverage ratio to be no less than 120% and 110% and the total debt service coverage ratio to be no less than 100%. Additional indebtedness constituted by the Series 2011, Series 2013, and Series 2017 and Series 2018 revenue bonds is to be considered in the calculation of the debt service parity coverage ratio.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The debt service parity coverage ratio calculation for the year ended June 30, 2020 is as follows:

2021 budgeted revenues	\$ 20,500,000
50% of surplus fund at June 30, 2020	589,377
2021 budgeted expenses *	<u>(10,755,665)</u>
Operating income	<u>\$ 10,333,712</u>
Debt service on parity indebtedness	\$ 5,234,374
Debt service on subordinate indebtedness	<u>393,986</u>
Total	<u>\$ 5,628,360</u>
Debt service parity coverage ratio	<u>184%</u>
2021 budgeted revenues	\$ 20,500,000
2021 budgeted expenses *	<u>(10,755,665)</u>
Operating income	<u>\$ 9,744,335</u>
Debt service on parity indebtedness	\$ 4,798,176
Debt service on subordinate indebtedness	<u>393,986</u>
Total	<u>\$ 5,192,162</u>
Debt service parity coverage ratio	<u>188%</u>

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

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$58,422,300 in water and sewer system revenue bonds issued in 2011, 2013, 2017 and 2018. Proceeds from the bonds provided financing for water and sewer extensions and water treatment plant renovations. The bonds are payable solely from water and sewer customer net revenues and are payable through 2038. Annual principal and interest payments on the bonds are expected to require about 21 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$44,064,000. Principal and interest paid for in the current year and total customer net revenues were \$4,357,616 and \$19,248,710, respectively. The taxing power of the City is not pledged for the payment of the principal or interest on the revenue bonds and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the bond order.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Business-Type Activities – Notes Payable:

4.09% note, payable in annual installments of \$76,633, plus interest beginning September 2007 through September 2021; secured by water improvements associated with the North Carolina Research Campus Development	\$ 153,267
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	179,663
2.48% note, payable in annual installments of \$15,172 beginning May 2013 through May 2032 with interest payable semi-annually, beginning November 2012 through May 2032; secured by water pump station. The note was issued by NCDENR.	182,060
1.98% note, payable in semi-annual installments ranging \$13,904 to \$286,104 including interest beginning June 2013 through June 2023; secured by street and stormwater improvements	821,687
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	383,583
4.05% note, payable in annual installments of \$94,090, including interest beginning June 2011 through June 2025; secured by personal property	564,537
1.51% note, payable in quarterly installments of \$19,706, including interest beginning February 4, 2016 through October 4, 2021; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications	117,765
2.86% note, payable in quarterly installments of \$58,009, including interest beginning February 1, 2018 through November 1, 2022; secured by the equipment purchased with proceeds and any related additions, accessions, repairs, replacements, substitutions, and modifications	557,898
3.42% note, payable in semi-annual installments ranging from \$49,936 to \$225,467, excluding interest beginning April 1, 2018 through April 1, 2037; secured by improvements to Downtown Kannapolis and College Station	<u>3,011,209</u>
Total	<u>\$ 5,971,669</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The City's outstanding note from direct placements related to business-type activities of \$153,267 is secured by security interest in the construction of water improvements associated with the research campus. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the water improvement.

The City's outstanding note from direct placements related to business-type activities of \$179,663 is secured by security interest in the construction of water improvements associated with Afton Run. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the water improvement.

The City's outstanding note from direct placements related to business-type activities of \$182,060 with the North Carolina Water Pollution Control Revolving Fund. Upon the failure to pay or make timely payments, the State will withhold funds due to the City for principal and interest due.

The City's outstanding note from direct placements related to business-type activities of \$557,898 is secured by a security interest in the trucks purchased with the loan. Upon default, the lender can enforce its security interest in the trucks, including repossession of the trucks.

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,262,417	\$ 405,308	\$ 1,667,725
2022	1,139,015	358,042	1,497,057
2023	816,352	314,321	1,130,673
2024	334,224	282,274	616,498
2025	334,224	257,724	591,948
2026 - 2030	1,134,314	952,148	2,086,462
2031 - 2035	688,837	493,358	1,182,195
2036 - 2037	262,286	89,476	351,762
Total	<u>\$ 5,971,669</u>	<u>\$ 3,152,651</u>	<u>\$ 9,124,320</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Business-Type Activities – Special Obligation Bonds

The City of Kannapolis also issued Special Obligation Bonds in 2016 for the acquisition of Downtown Kannapolis; comprising ten City Blocks and over 700,000 square feet of retail space. The City of Kannapolis pledged Sales Tax revenues to cover 100 percent of the full obligation of both principal and interest and are payable as collateral for the Special Obligation Bonds, however funds used for repayment will be any General Fund revenue. The Bonds have a stated rate of interest of 4.77 percent and are payable in equal installments of principal for fifteen years. The principal balance due at June 30, 2020 was \$8,064,000. In the event of a default, the City agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the City under this Agreement.

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

Year Ending				
June 30	Principal	Interest	Total	
2021	\$ 734,000	\$ 367,147	\$ 1,101,147	
2022	733,000	332,159	1,065,159	
2023	733,000	297,195	1,030,195	
2024	733,000	262,231	995,231	
2025	733,000	227,267	960,267	
2026-2030	3,665,000	611,872	4,276,872	
2031	733,000	17,482	750,482	
Total	<u>\$ 8,064,000</u>	<u>\$ 2,115,353</u>	<u>\$ 10,179,353</u>	

Business-Type Activities – Limited Obligation Bonds

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

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

The City's limited obligation bonds payable at June 30, 2020 are comprised of the following individual issues:

- Series 2018B Limited Obligation Bonds, \$13,410,000
- Series 2018C Limited Obligation Bonds, \$52,000,000

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Business Type Activities – Limited Obligation Bonds:

3.62% note, payable in semi-annual installments of \$745,000, excluding interest beginning April 1, 2019 through 2038; secured by the stormwater improvements and improvements to Downtown Kannapolis \$ 13,410,000

Payable in annual installments of \$2,600,000 excluding interest on October 1, 2020 through 2039; secured by the Sports and Entertainment Venue. Interest is payable semi-annually at rates ranging from 3.27% to 4.57%. 52,000,000

Total \$ 65,410,000

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

Year Ending June 30	Principal	Interest	Total
2021	\$ 3,345,000	\$ 2,582,992	\$ 5,927,992
2022	3,345,000	2,468,923	5,813,923
2023	3,345,000	2,351,474	5,696,474
2024	3,345,000	2,231,425	5,576,425
2025	3,345,000	2,109,166	5,454,166
2026 - 2030	16,725,000	8,611,455	25,336,455
2031 - 2035	16,724,998	809,070	17,534,068
2036 - 2040	15,235,002	1,645,504	16,880,506
Total	<u><u>\$ 65,410,000</u></u>	<u><u>\$ 22,810,009</u></u>	<u><u>\$ 88,220,009</u></u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3. Interfund Balances and Activity

Interfund transfers for the fiscal year ended June 30, 2020 consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 456,976	\$ -	
Nonmajor governmental funds:			
Transit Tax Fund	-	52,000	Operating expenditures
Oak Ave Sidewalk Project	-	205,469	Capital expenditures
Little Texas Road	-	137,507	Capital expenditures
Bethpage Sidewalk Capital Project	-	62,000	Capital expenditures
Nonmajor governmental funds:			
Irish Buffalo Greenway	404,976	-	Close of Capital Project Fund
Fire Stations Two & Three	1,021,727	-	Close of Capital Project Fund
General Fund	-	1,426,703	
General Fund	5,064,650	-	
Major enterprise funds:			
Environmental Services Fund	-	350,000	Operating expenditures
Downtown Kannapolis Fund	-	4,714,650	Operating expenditures
Water and Sewer Fund	2,521,824	-	
Downtown Water and Sewer Infrastructure	-	595,000	Capital expenditures
Downtown Kannapolis Fund	-	1,431,124	Operating expenditures
Environmental Services Fund	-	495,700	Operating expenditures
Downtown Streetscape	277,283	-	Close of Capital Project Fund
Downtown Kannapolis Fund	-	277,283	
Downtown Water and Sewer Infrastructure	390,095	-	Close of Capital Project Fund
Revenue Bond 2014	397,770	-	Close of Capital Project Fund
Water and Sewer Fund	-	787,865	
Downtown Stormwater	391,869	-	Close of Capital Project Fund
Stormwater Fund	-	391,869	
Total	<u>\$ 10,927,170</u>	<u>\$ 10,927,170</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

4. Jointly Governed Organizations

The City, Cabarrus County, and three other municipalities established the Water and Sewer Authority of Cabarrus County (WSACC). WSACC was established to provide water and sewer services to the citizens of Cabarrus County. The City appoints two members to the ten-member Board. The City purchased sewer transportation services amounting to \$3,643,339 from WSACC for the year ended June 30, 2020.

5. Significant Economic Dependence

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

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has a self-funded workers' compensation insurance plan. The City carries commercial insurance to cover all other risks.

The City's coverage is as follows:

Property	\$193,146,621 property, inland marine - equipment \$3,044,923; computer equipment/media, \$2,058,756; fine arts \$292,675; and portable equipment \$1,623,569
Impounded Auto	\$100,000 each accident
Police Official's Liability	\$1,000,000 per occurrence, \$3,000,000 aggregate
Public Official's Liability	\$1,000,000 per occurrence, \$3,000,000 aggregate
General Liability	\$5,000,000 per occurrence
Automobile Liability	\$5,000,000; uni \$1,000,000
Workers' Compensation	Legal limits, \$500,000 retention
Employee Crime/Dishonesty	\$250,000 per occurrence
Employment Practices	\$1,000,000 per occurrence, \$3,000,000 aggregate
Finance Director Bond	\$50,000
Tax Collector	\$10,000
Employee Benefits Liability	\$1,000,000 per occurrence
Liquor	\$1,000,000 per occurrence

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

	<u>2020</u>	<u>2019</u>
Unpaid claims:		
Beginning of year - July 1	\$ 374,538	\$ 899,696
Incurred claims	3,271,230	3,351,386
Claim payments	<u>(3,085,622)</u>	<u>(3,876,544)</u>
End of year - June 30	<u>\$ 560,146</u>	<u>\$ 374,538</u>

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

	<u>2020</u>	<u>2019</u>
Unpaid claims:		
Beginning of year - July 1	\$ 802,220	\$ 1,177,610
Incurred claims	717,564	190,851
Claim payments	<u>(741,501)</u>	<u>(566,241)</u>
End of year - June 30	<u>\$ 778,283</u>	<u>\$ 802,220</u>

Claims typically have been liquidated in the General Fund.

7. Claims and Judgments

At June 30, 2020, 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, 2020

8. Summary Disclosure of Significant Contingencies

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

9. Net Investment in Capital Assets

The City's net investment in capital assets at June 30, 2020 is calculated as follows:

	Governmental Activities	Business-Type Activities
Net capital assets	<u>\$ 183,302,774</u>	<u>\$ 202,062,621</u>
Total debt, gross	57,042,056	123,509,669
Less:		
Unexpended proceeds	<u>-</u>	<u>5,049,629</u>
Total capital debt	<u>57,042,056</u>	<u>118,460,040</u>
Net investment in capital assets	<u><u>\$ 126,260,718</u></u>	<u><u>\$ 83,602,581</u></u>

10. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact City revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

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Required Supplemental Financial Data

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

<i>Special Separation Allowance –</i>	Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll
<i>Other Post-Employment Benefits –</i>	Schedule of Changes in the Total OPEB Liability and Related Ratios
<i>Local Government Employees’ Retirement System –</i>	Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of City Contributions

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CITY OF KANNAPOLIS, NORTH CAROLINA

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

	Special Separation Allowance			
	2020	2019	2018	2017
Beginning balance	6,750,759	\$ 6,880,354	\$ 6,222,001	\$ 6,217,278
Service cost	300,522	329,181	281,075	285,670
Interest on the total pension liability	238,288	211,502	233,152	215,961
Difference between expected and actual experience in the measurement of the total pension liability	99,050	(3,831)	72,037	-
Changes in assumptions or other inputs	236,476	(291,964)	435,699	(161,019)
Benefit payments	(408,793)	(374,483)	(363,610)	(335,889)
Ending balance of the total pension liability	<u>\$ 7,216,302</u>	<u>\$ 6,750,759</u>	<u>\$ 6,880,354</u>	<u>\$ 6,222,001</u>

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

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

	Special Separation Allowance			
	2020	2019	2018	2017
Total pension liability	\$ 7,216,302	\$ 6,750,759	\$ 6,880,354	\$ 6,222,001
Covered payroll	18,045,500	17,591,780	16,792,511	15,604,787
Total pension liability as a percentage of covered payroll	39.99%	38.37%	40.97%	39.87%

Notes to Schedules:

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST THREE FISCAL YEARS

Other Post-Employment Benefits			
	2020	2019	2018
Service cost	\$ 2,520,369	\$ 2,352,520	\$ 2,728,341
Interest	1,779,798	1,637,169	1,474,701
Differences between expected and actual experience	(212,404)	50,872	219,695
Changes of assumptions or other inputs	4,178,746	(3,401,790)	(6,426,198)
Benefit payments	(456,739)	(1,283,419)	(726,438)
Net change in total OPEB liability	7,809,770	(644,648)	(2,729,899)
Total OPEB liability - beginning	45,979,353	46,624,001	49,353,900
Total OPEB liability - ending	\$ 53,789,123	\$ 45,979,353	\$ 46,624,001
Covered payroll	\$ 15,757,086	\$ 15,757,086	\$ 13,974,196
Total OPEB liability as a percentage of covered payroll	341.36%	291.80%	333.64%

Notes to the Required Schedules:

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

Fiscal Year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

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

CITY OF KANNAPOLIS, NORTH CAROLINA

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

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.2929%	0.3000%	0.3003%	0.2851%	0.3032%	0.2992%	0.3131%
Proportion of the net pension liability (asset) (\$)	\$ 7,997,778	\$ 7,117,026	\$ 4,588,210	\$ 6,050,778	\$ 1,360,608	\$ (1,764,816)	\$ 3,774,057
Covered payroll	\$ 18,098,484	\$ 16,923,466	\$ 16,028,418	\$ 15,428,072	\$ 15,658,317	\$ 13,923,927	\$ 12,535,436
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.19%	42.05%	28.63%	39.22%	8.69%	-12.67%	30.11%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

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

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,779,294	\$ 1,434,929	\$ 1,306,347	\$ 1,200,412	\$ 1,055,969	\$ 1,121,348	\$ 992,728
Contributions in relation to the contractually required contribution	<u>1,779,294</u>	<u>1,434,929</u>	<u>1,306,347</u>	<u>1,200,412</u>	<u>1,055,969</u>	<u>1,121,348</u>	<u>992,728</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 19,492,000	\$ 18,098,484	\$ 16,923,466	\$ 16,028,418	\$ 15,428,072	\$ 15,658,317	\$ 13,923,927
Contributions as a percentage of covered payroll	9.13%	7.93%	7.72%	7.49%	6.84%	7.16%	7.13%

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

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General Fund

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year, net of refund	\$ 26,781,721	\$ 27,047,845	\$ 266,124
Prior year, net of refunds	485,389	494,664	9,275
Total	<u>27,267,110</u>	<u>27,542,509</u>	<u>275,399</u>
Other Taxes and Licenses:			
Vehicle licenses	384,750	400,652	15,902
Local option sales tax	10,580,000	10,468,624	(111,376)
Other taxes and licenses	5,000	26,461	21,461
Total	<u>10,969,750</u>	<u>10,895,737</u>	<u>(74,013)</u>
Unrestricted Intergovernmental:			
Franchise tax	2,784,193	2,698,228	(85,965)
Beer and wine	231,923	206,025	(25,898)
ABC profit distribution	100,000	97,425	(2,575)
Rowan County contribution	4,000	4,020	20
Total	<u>3,120,116</u>	<u>3,005,698</u>	<u>(114,418)</u>
Restricted Intergovernmental:			
"State Street-Aid" allocation	1,318,989	1,298,734	(20,255)
Controlled substance tax	-	11,346	11,346
TIF contribution Cabarrus County	1,512,133	1,522,864	10,731
Total	<u>2,831,122</u>	<u>2,832,944</u>	<u>1,822</u>
Sales and Services:			
Public safety fees	115,000	240,819	125,819
Rents	160,000	155,687	(4,313)
Other fees	727,000	433,038	(293,962)
Total	<u>1,002,000</u>	<u>829,544</u>	<u>(172,456)</u>
Investment Earnings	<u>752,500</u>	<u>706,121</u>	<u>(46,379)</u>
Miscellaneous	<u>806,000</u>	<u>844,367</u>	<u>38,367</u>
Total revenues	<u>46,748,598</u>	<u>46,656,920</u>	<u>(91,678)</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	105,100	104,077	1,023
Operating expenditures	<u>162,612</u>	<u>115,927</u>	<u>46,685</u>
Total	<u>267,712</u>	<u>220,004</u>	<u>47,708</u>
City Manager:			
Salaries and employee benefits	1,060,435	1,057,219	3,216
Operating expenditures	<u>63,000</u>	<u>54,459</u>	<u>8,541</u>
Total	<u>1,123,435</u>	<u>1,111,678</u>	<u>11,757</u>
Human Resources:			
Salaries and employee benefits	430,570	430,374	196
Operating expenditures	<u>119,800</u>	<u>70,808</u>	<u>48,992</u>
Total	<u>550,370</u>	<u>501,182</u>	<u>49,188</u>
Attorney:			
Salaries and employee benefits	307,820	303,300	4,520
Operating expenditures	<u>181,200</u>	<u>173,419</u>	<u>7,781</u>
Total	<u>489,020</u>	<u>476,719</u>	<u>12,301</u>
Finance:			
Salaries and employee benefits	623,284	615,088	8,196
Operating expenditures	<u>262,000</u>	<u>234,748</u>	<u>27,252</u>
Total	<u>885,284</u>	<u>849,836</u>	<u>35,448</u>
Information Technology:			
Salaries and employee benefits	257,860	250,919	6,941
Contract services	239,764	240,494	(730)
Operating expenditures	<u>818,229</u>	<u>788,193</u>	<u>30,036</u>
Total	<u>1,315,853</u>	<u>1,279,606</u>	<u>36,247</u>
General Services:			
Salaries and employee benefits	570,115	562,938	7,177
Operating expenditures	964,500	883,776	80,724
Capital outlay	<u>86,400</u>	<u>82,377</u>	<u>4,023</u>
Total	<u>1,621,015</u>	<u>1,529,091</u>	<u>91,924</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic Development:			
Operating expenditures	<u>715,000</u>	<u>370,773</u>	<u>344,227</u>
Communications:			
Operating expenditures	154,200	87,872	66,328
Capital outlay	<u>9,930</u>	<u>9,930</u>	<u>-</u>
Total	<u>164,130</u>	<u>97,802</u>	<u>66,328</u>
Non-Departmental:			
Operating expenditures	<u>1,789,451</u>	<u>1,511,250</u>	<u>278,201</u>
Total	<u>1,789,451</u>	<u>1,511,250</u>	<u>278,201</u>
Total general government	<u>8,921,270</u>	<u>7,947,941</u>	<u>973,329</u>
Public Safety:			
Police:			
Salaries and employee benefits	7,586,490	7,534,499	51,991
Operating expenditures	1,339,285	1,016,567	253,365
Capital outlay	<u>151,500</u>	<u>143,200</u>	<u>8,300</u>
Total	<u>9,077,275</u>	<u>8,694,266</u>	<u>313,656</u>
Fire:			
Salaries and employee benefits	7,138,543	7,048,010	90,533
Operating expenditures	<u>1,144,650</u>	<u>1,028,633</u>	<u>116,017</u>
Total	<u>8,283,193</u>	<u>8,076,643</u>	<u>206,550</u>
Total public safety	<u>17,360,468</u>	<u>16,770,909</u>	<u>589,559</u>
Public Works:			
Engineering:			
Salaries and employee benefits	906,376	874,765	31,611
Operating expenditures	57,800	46,791	11,009
Contract services	<u>194,371</u>	<u>180,986</u>	<u>13,385</u>
Total	<u>1,158,547</u>	<u>1,102,542</u>	<u>56,005</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Streets and Highways:			
Salaries and employee benefits	794,699	754,050	40,649
Operating expenditures	1,071,700	894,386	177,314
Capital outlay	21,000	20,647	353
Total	<u>1,887,399</u>	<u>1,669,083</u>	<u>218,316</u>
Powell Bill:			
Operating expenditures	1,775,500	1,008,118	767,382
Total	<u>1,775,500</u>	<u>1,008,118</u>	<u>767,382</u>
Total public works	<u>4,821,446</u>	<u>3,779,743</u>	<u>1,041,703</u>
Community Development:			
Planning:			
Salaries and employee benefits	667,276	659,050	8,226
Operating expenditures	395,850	284,990	110,860
Total	<u>1,063,126</u>	<u>944,040</u>	<u>119,086</u>
Total community development	<u>1,063,126</u>	<u>944,040</u>	<u>119,086</u>
Parks and Recreation:			
Parks and Recreation Programs:			
Salaries and employee benefits	1,627,267	1,450,879	176,388
Operating expenditures	1,115,352	894,299	221,053
Capital outlay	58,420	58,416	4
Total	<u>2,801,039</u>	<u>2,403,594</u>	<u>397,445</u>
Stadium:			
Operating expenditures	143,476	125,404	18,072
Total	<u>143,476</u>	<u>125,404</u>	<u>18,072</u>
Total parks and recreation	<u>2,944,515</u>	<u>2,528,998</u>	<u>415,517</u>
Debt Service:			
Principal retirement	26,187,547	26,187,546	1
Interest and fees	3,277,151	3,265,601	11,550
Total debt service	<u>29,464,698</u>	<u>29,453,147</u>	<u>11,551</u>
Total expenditures	<u>64,575,523</u>	<u>61,424,778</u>	<u>3,150,745</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	<u>(17,826,925)</u>	<u>(14,767,858)</u>	<u>3,059,067</u>
Other Financing Sources (Uses):			
Long-term debt issued	17,305,000	17,305,000	-
Transfers in	1,426,703	1,426,703	-
Transfers out	(5,636,626)	(5,521,626)	115,000
Appropriated fund balance	<u>4,731,848</u>	<u>-</u>	<u>(4,731,848)</u>
Total other financing sources (uses)	<u>17,826,925</u>	<u>13,210,077</u>	<u>(4,616,848)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,557,781)</u>	<u>\$ (1,557,781)</u>
Fund Balance:			
Beginning of year - July 1		<u>22,423,915</u>	
End of year - June 30		<u>\$ 20,866,134</u>	

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CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2020

	<i>Schedule C-1</i>	<i>Schedule D-1</i>	
	Special Revenue Funds	Capital Project Funds	Total
Assets:			
Cash and investments	\$ 1,156,668	\$ 31,362	\$ 1,188,030
Long-term receivable	174,013	-	174,013
Due from other governments	63,872	2,309,561	2,373,433
Cash and cash equivalents, restricted	44,542	-	44,542
Total assets	<u>\$ 1,439,095</u>	<u>\$ 2,340,923</u>	<u>\$ 3,780,018</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 371,760	\$ 341,461	\$ 713,221
Due to other funds	-	583,836	583,836
Total liabilities	<u>371,760</u>	<u>925,297</u>	<u>1,297,057</u>
Fund Balances:			
Restricted:			
Stabilization for state statute	237,885	2,309,561	2,547,446
Restricted, all other	787,124	-	787,124
Committed	42,326	31,362	73,688
Unassigned	-	(925,297)	(925,297)
Total fund balances	<u>1,067,335</u>	<u>1,415,626</u>	<u>2,482,961</u>
Total liabilities and fund balances	<u>\$ 1,439,095</u>	<u>\$ 2,340,923</u>	<u>\$ 3,780,018</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, 2020**

	<i>Schedule C-2</i> Special Revenue Funds	<i>Schedule D-2</i> Capital Project Funds	Total
Revenues:			
Other taxes and licenses	\$ 801,170	\$ -	\$ 801,170
Restricted intergovernmental	497,619	3,169,885	3,667,504
Investment earnings	66	-	66
Miscellaneous revenues	-	551,231	551,231
Total revenues	<u>1,298,855</u>	<u>3,721,116</u>	<u>5,019,971</u>
Expenditures:			
Economic development	1,339,365	-	1,339,365
Contracted services	-	289,956	289,956
Capital outlay	-	4,065,230	4,065,230
Debt service:			
Principal retirement	50,000	-	50,000
Interest and fees	<u>6,903</u>	<u>-</u>	<u>6,903</u>
Total expenditures	<u>1,396,268</u>	<u>4,355,186</u>	<u>5,751,454</u>
Revenues over (under) expenditures	<u>(97,413)</u>	<u>(634,070)</u>	<u>(731,483)</u>
Other Financing Sources (Uses):			
Transfers in	52,000	404,976	456,976
Transfers out	-	(1,426,703)	(1,426,703)
Debt financing issued	<u>-</u>	<u>1,380,000</u>	<u>1,380,000</u>
Total other financing sources (uses)	<u>52,000</u>	<u>358,273</u>	<u>410,273</u>
Special item - sale (purchase) of land	<u>(1,277,751)</u>	<u>-</u>	<u>(1,277,751)</u>
Net change in fund balances	(1,323,164)	(275,797)	(1,598,961)
Fund Balances:			
Beginning of year - July 1	<u>2,390,499</u>	<u>1,691,423</u>	<u>4,081,922</u>
End of year - June 30	<u>\$ 1,067,335</u>	<u>\$ 1,415,626</u>	<u>\$ 2,482,961</u>

Special Revenue Funds

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

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

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2020

	Community Development Block Grant	Transit Tax Fund	Total
Assets:			
Cash and investments	\$ 44,974	\$ 1,111,694	\$ 1,156,668
Long-term receivable	174,013	-	174,013
Due from other governments	63,872	-	63,872
Restricted cash	44,542	-	44,542
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 327,401</u>	<u>\$ 1,111,694</u>	<u>\$ 1,439,095</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 2,648	\$ 369,112	\$ 371,760
Total liabilities	<u>2,648</u>	<u>369,112</u>	<u>371,760</u>
Fund Balances:			
Restricted:			
Stabilization for state statute	237,885	-	237,885
Restricted, all other	44,542	742,582	787,124
Committed	42,326	-	42,326
Total fund balances	<u>324,753</u>	<u>742,582</u>	<u>1,067,335</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 327,401</u>	<u>\$ 1,111,694</u>	<u>\$ 1,439,095</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, 2020

	Community Development Block Grant	Transit Tax Fund	Total
Revenues:			
Other taxes and licenses	\$ -	\$ 801,170	\$ 801,170
Restricted intergovernmental	497,619	-	497,619
Investment earnings	66	-	66
Total revenues	<u>497,685</u>	<u>801,170</u>	<u>1,298,855</u>
Expenditures:			
Current:			
Economic development	567,899	771,466	1,339,365
Debt service:			
Principal retirement	50,000	-	50,000
Interest and fees	6,903	-	6,903
Total expenditures	<u>624,802</u>	<u>771,466</u>	<u>1,396,268</u>
Revenues over (under) expenditures	(127,117)	29,704	(97,413)
Other Financing Sources (Uses):			
Transfers in (out)	-	52,000	52,000
Special item - sale (purchase) of land	<u>(1,277,751)</u>	<u>-</u>	<u>(1,277,751)</u>
Net change in fund balances	(1,404,868)	81,704	(1,323,164)
Fund Balances:			
Beginning of year - July 1	<u>1,729,621</u>	<u>660,878</u>	<u>2,390,499</u>
End of year - June 30	<u>\$ 324,753</u>	<u>\$ 742,582</u>	<u>\$ 1,067,335</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, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
CDBG 2006	\$ 2,139,282	\$ 2,139,282	\$ -	\$ 2,139,282
CDBG 2014	325,452	325,452	-	325,452
CDBG 2017	341,246	341,246	-	341,246
CDBG 2018	336,305	282,173	54,133	336,306
CDBG 2019	348,206	54,841	193,180	248,021
CDBG 2020	375,358	-	-	-
CDBG 2020 Program Income	-	-	5,076	5,076
2011 HOME Program Grant	124,946	124,946	-	124,946
2013 HOME Program Grant	104,483	104,483	-	104,483
2018 HOME Program Grant	134,048	134,048	-	134,048
2019 HOME Program Grant	172,070	43,181	91,687	134,868
2020 HOME Program Grant	154,889	-	-	-
2011 Consortium HOME Program Income	96,834	96,833	-	96,833
2019 Consortium HOME Program Income	26,770	26,771	-	26,771
2020 Consortium HOME Program Income	-	-	13,386	13,386
2018 Urgent Repair Grant	100,000	100,000	-	100,000
2019 Urgent Repair Grant	100,000	-	100,000	100,000
Investment income	-	189	66	255
Total revenues	4,879,889	3,773,445	457,528	4,230,973
Expenditures:				
CDBG 2006:				
Section 108 loan payments	2,139,282	1,754,486	169,256	1,923,742
Total	2,139,282	1,754,486	169,256	1,923,742
CDBG 2014:				
Administration	65,090	65,090	-	65,090
Infrastructure improvements	104,929	64,772	40,157	104,929
Public service	48,000	48,000	-	48,000
Section 108 loan payments	67,433	67,433	-	67,433
Urgent Repair Program	40,000	40,000	-	40,000
Total	325,452	285,295	40,157	325,452

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, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total To Date
CDBG 2017:				
Administration	68,200	68,200	-	68,200
Infrastructure improvements	100,766	76,439	400	76,839
Public service	50,000	50,000	-	50,000
Section 108 loan payments	62,280	62,280	-	62,280
Urgent Repair Program	30,000	30,000	-	30,000
Demolition	30,000	10,950	-	10,950
Total	341,246	297,869	400	298,269
CDBG 2018:				
Administration	67,261	67,261	-	67,261
Infrastructure improvements	88,089	-	6,250	6,250
Public service	44,000	44,000	-	44,000
Section 108 loan payments	60,955	59,610	1,345	60,955
Urgent Repair Program	56,000	55,910	90	56,000
Demolition	20,000	-	-	-
Total	336,305	226,781	7,685	234,466
CDBG 2019:				
Administration	69,640	69,640	-	69,640
Infrastructure improvements	88,000	-	-	-
Public service	46,000	43,581	2,419	46,000
Section 108 loan payments	56,903	-	55,558	55,558
Urgent Repair Program	59,000	36,776	22,224	59,000
Demolition	28,663	-	-	-
Total	348,206	149,997	80,201	230,198
CDBG 2020:				
Urgent Repair Program	-	-	598	598
Total	-	-	598	598
CDBG 2020:				
Administration	75,071	-	75,071	75,071
Infrastructure improvements	85,000	-	-	-
Public service	55,000	-	52,581	52,581
Section 108 loan payments	51,304	-	-	-
Urgent Repair Program	78,983	-	31,525	31,525
Demolition	30,000	-	-	-
Total	375,358	-	159,177	159,177

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, 2020**

		Actual		
	Project Authorization	Prior Years	Current Year	Total To Date
2011 HOME Program Grant:				
Administration	15,372	15,372	-	15,372
Construction	50,000	50,000	-	50,000
Transitional housing	136,408	124,418	-	124,418
Downpayment assistance	20,000	20,000	-	20,000
Total	221,780	209,790	-	209,790
2013 HOME Program Grant:				
Administration	5,915	5,915	-	5,915
Property purchase	18,568	18,568	-	18,568
Program rehabilitation	60,000	60,000	-	60,000
Downpayment assistance	20,000	11,432	5,000	16,432
Total	104,483	95,915	5,000	100,915
2018 HOME Program Grant:				
Administration	18,410	12,378	6,032	18,410
Program rehabilitation	52,271	52,271	-	52,271
Senior housing	63,367	63,367	-	63,367
Total	134,048	128,016	6,032	134,048
2018 Urgent Repair Grant:				
Rehabilitation	105,000	102,981	2,019	105,000
Total	105,000	102,981	2,019	105,000
2019 HOME Program Income:				
Program rehabilitation	26,770	6,025	20,745	26,770
Total	26,770	6,025	20,745	26,770
2019 HOME Program Grant:				
Administration	9,739	9,739	-	9,739
Program rehabilitation	132,331	19,524	33,209	52,733
Downpayment assistance	10,000	-	5,000	5,000
Construction	20,000	-	20,000	20,000
Total	172,070	29,263	58,209	87,472
2019 Urgent Repair Grant:				
Rehabilitation	100,000	-	72,666	72,666
Total	100,000	-	72,666	72,666

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, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total To Date
2020 HOME Program Grant:				
Administration	154,889	-	2,657	2,657
Total	154,889	-	2,657	2,657
Total expenditures	4,884,889	3,286,418	624,802	3,911,220
Revenues over (under) expenditures	(5,000)	487,027	(167,274)	319,753
Other Financing Sources (Uses):				
Transfers in	5,000	5,000	-	5,000
Special item - sale (purchase) of land	-	1,277,751	(1,277,751)	-
Net change in fund balance	\$ -	\$ 1,769,778	(1,445,025)	\$ 324,753
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Current year loan repayments			40,157	
Net change in fund balance			\$ (1,404,868)	

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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Vehicle license tax	\$ 760,000	\$ 801,170	\$ 41,170
Total revenues	<u>760,000</u>	<u>801,170</u>	<u>41,170</u>
Expenditures:			
Contracted services	<u>864,000</u>	<u>771,466</u>	<u>92,534</u>
Revenues over (under) expenditures	(104,000)	29,704	133,704
Other Financing Sources (Uses):			
Transfers in (out)	<u>104,000</u>	<u>52,000</u>	<u>(52,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 81,704</u>	<u>\$ 81,704</u>

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Capital Project Funds

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

The City of Kannapolis has five Capital Project Funds.

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

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

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

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

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2020

	Irish Buffalo Creek Greenway	Fire Station Improvements	Oak Avenue Sidewalk	Little Texas Road Sidewalk	Bethpage Sidewalks	Total
Assets:						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 31,362	\$ 31,362
Due from other governments	<u>1,975,484</u>	<u>-</u>	<u>-</u>	<u>309,567</u>	<u>24,510</u>	<u>2,309,561</u>
Total assets	<u>\$ 1,975,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,567</u>	<u>\$ 55,872</u>	<u>\$ 2,340,923</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 285,949	\$ -	\$ -	\$ 55,512	\$ -	\$ 341,461
Due to other funds	<u>432,940</u>	<u>-</u>	<u>-</u>	<u>150,896</u>	<u>-</u>	<u>583,836</u>
Total liabilities	<u>718,889</u>	<u>-</u>	<u>-</u>	<u>206,408</u>	<u>-</u>	<u>925,297</u>
Fund Balances:						
Restricted:						
Stabilization for state statute	1,975,484	-	-	309,567	24,510	2,309,561
Committed	-	-	-	-	31,362	31,362
Unassigned	<u>(718,889)</u>	<u>-</u>	<u>-</u>	<u>(206,408)</u>	<u>-</u>	<u>(925,297)</u>
Total fund balances	<u>1,256,595</u>	<u>-</u>	<u>-</u>	<u>103,159</u>	<u>55,872</u>	<u>1,415,626</u>
Total liabilities and fund balances	<u>\$ 1,975,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,567</u>	<u>\$ 55,872</u>	<u>\$ 2,340,923</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2020

	Irish Buffalo Creek Greenway	Fire Station Improvements	Oak Avenue Sidewalk	Little Texas Road Sidewalk	Bethpage Sidewalks	Total
Revenues:						
Restricted intergovernmental	\$ 1,933,311	\$ -	\$ 902,497	\$ 309,567	\$ 24,510	\$ 3,169,885
Miscellaneous revenues	551,231	-	-	-	-	551,231
Total revenues	<u>2,484,542</u>	<u>-</u>	<u>902,497</u>	<u>309,567</u>	<u>24,510</u>	<u>3,721,116</u>
Expenditures:						
Current:						
Contracted services	284,251	5,705	-	-	-	289,956
Capital outlay	<u>2,190,537</u>	<u>328,974</u>	<u>1,128,122</u>	<u>386,959</u>	<u>30,638</u>	<u>4,065,230</u>
Total expenditures	<u>2,474,788</u>	<u>334,679</u>	<u>1,128,122</u>	<u>386,959</u>	<u>30,638</u>	<u>4,355,186</u>
Revenues over (under) expenditures	<u>9,754</u>	<u>(334,679)</u>	<u>(225,625)</u>	<u>(77,392)</u>	<u>(6,128)</u>	<u>(634,070)</u>
Other Financing Sources (Uses):						
Transfers in	-	-	205,469	137,507	62,000	404,976
Transfers out	(404,976)	(1,021,727)	-	-	-	(1,426,703)
Issuance of long-term debt	<u>1,380,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,380,000</u>
Total other financing sources (uses)	<u>975,024</u>	<u>(1,021,727)</u>	<u>205,469</u>	<u>137,507</u>	<u>62,000</u>	<u>358,273</u>
Net change in fund balances	984,778	(1,356,406)	(20,156)	60,115	55,872	(275,797)
Fund Balances:						
Beginning of year - July 1	<u>271,817</u>	<u>1,356,406</u>	<u>20,156</u>	<u>43,044</u>	<u>-</u>	<u>1,691,423</u>
End of year - June 30	<u>\$ 1,256,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,159</u>	<u>\$ 55,872</u>	<u>\$ 1,415,626</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - IRISH BUFFALO CREEK GREENWAY
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 3,116,000	\$ 232,437	\$ 1,933,311	\$ 2,165,748
Contributions	647,245	96,014	551,231	647,245
Total revenues	<u>3,763,245</u>	<u>328,451</u>	<u>2,484,542</u>	<u>2,812,993</u>
Expenditures:				
Capital outlay	4,239,913	98,289	2,190,537	2,288,826
Contract engineering	903,332	363,321	284,251	647,572
Total expenditures	<u>5,143,245</u>	<u>461,610</u>	<u>2,474,788</u>	<u>2,936,398</u>
Revenues over (under) expenditures	<u>(1,380,000)</u>	<u>(133,159)</u>	<u>9,754</u>	<u>(123,405)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	1,380,000	-	1,380,000	1,380,000
Transfers out	(404,976)	-	(404,976)	(404,976)
Transfers in	404,976	404,976	-	404,976
Total other financing sources (uses)	<u>1,380,000</u>	<u>404,976</u>	<u>975,024</u>	<u>1,380,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 271,817</u>	<u>\$ 984,778</u>	<u>\$ 1,256,595</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - FIRE STATION IMPROVEMENTS

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 152,764	\$ 152,764	\$ -	\$ 152,764
Total revenues	152,764	152,764	-	152,764
Expenditures:				
Contracted services	659,061	653,356	5,705	659,061
Capital outlay	10,365,560	10,036,586	328,974	10,365,560
Debt service:				
Interest and fees	61,416	61,416	-	61,416
Total expenditures	11,086,037	10,751,358	334,679	11,086,037
Revenues over (under) expenditures	(10,933,273)	(10,598,594)	(334,679)	(10,933,273)
Other Financing Sources (Uses):				
Issuance of long-term debt	11,100,000	11,100,000	-	11,100,000
Transfers in	855,000	855,000	-	855,000
Transfer out	(1,021,727)	-	(1,021,727)	(1,021,727)
Total other financing sources (uses)	10,933,273	11,955,000	(1,021,727)	10,933,273
Net change in fund balance	\$ -	\$ 1,356,406	\$ (1,356,406)	\$ -

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, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 1,582,492	\$ 679,995	\$ 902,497	\$ 1,582,492
Total revenues	<u>1,582,492</u>	<u>679,995</u>	<u>902,497</u>	<u>1,582,492</u>
Expenditures:				
Operating expenses	8,919	8,916	-	8,916
Capital outlay	<u>1,969,042</u>	<u>840,923</u>	<u>1,128,122</u>	<u>1,969,045</u>
Total expenditures	<u>1,977,961</u>	<u>849,839</u>	<u>1,128,122</u>	<u>1,977,961</u>
Revenues over (under) expenditures	(395,469)	(169,844)	(225,625)	(395,469)
Other Financing Sources (Uses):				
Transfers in	<u>395,469</u>	<u>190,000</u>	<u>205,469</u>	<u>395,469</u>
Net change in fund balance	\$ -	\$ 20,156	\$ (20,156)	\$ -

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - LITTLE TEXAS ROAD SIDEWALK
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 2,051,200	\$ 23,868	\$ 309,567	\$ 333,435
Total revenues	<u>2,051,200</u>	<u>23,868</u>	<u>309,567</u>	<u>333,435</u>
Expenditures:				
Capital outlay	<u>2,564,000</u>	<u>31,824</u>	<u>386,959</u>	<u>418,783</u>
Total expenditures	<u>2,564,000</u>	<u>31,824</u>	<u>386,959</u>	<u>418,783</u>
Revenues over (under) expenditures	<u>(512,800)</u>	<u>(7,956)</u>	<u>(77,392)</u>	<u>(85,348)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	324,293	-	-	-
Transfers in	<u>188,507</u>	<u>51,000</u>	<u>137,507</u>	<u>188,507</u>
Total other financing sources (uses)	<u>512,800</u>	<u>51,000</u>	<u>137,507</u>	<u>188,507</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 43,044</u>	<u>\$ 60,115</u>	<u>\$ 103,159</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - BETHPAGE SIDEWALKS

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 648,000	\$ -	\$ 24,510	\$ 24,510
Total revenues	<u>648,000</u>	<u>-</u>	<u>24,510</u>	<u>24,510</u>
Expenditures:				
Capital outlay	<u>810,000</u>	<u>-</u>	<u>30,638</u>	<u>30,638</u>
Total expenditures	<u>810,000</u>	<u>-</u>	<u>30,638</u>	<u>30,638</u>
Revenues over (under) expenditures	(162,000)	-	(6,128)	(6,128)
Other Financing Sources (Uses):				
Transfers in	<u>162,000</u>	<u>-</u>	<u>62,000</u>	<u>62,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,872</u>	<u>\$ 55,872</u>

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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 four Enterprise Funds:

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

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

Revenue Bonds 2014 Fund
Downtown Water and Sewer Infrastructure
Revenue Bonds 2020 Fund

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

Downtown Stormwater

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

Sports and Entertainment Venue
Downtown Streetscape Project

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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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water and sewer charges	\$ 17,700,000	\$ 17,429,170	\$ (270,830)
Water and sewer taps	1,200,000	1,456,130	256,130
Penalties	450,000	351,023	(98,977)
Other	15,000	12,387	(2,613)
Total operating revenues	<u>19,365,000</u>	<u>19,248,710</u>	<u>(116,290)</u>
Non-Operating Revenues:			
Interest on investments	<u>60,000</u>	<u>119,365</u>	<u>59,365</u>
Total non-operating revenues	<u>60,000</u>	<u>119,365</u>	<u>59,365</u>
Total revenues	<u>19,425,000</u>	<u>19,368,075</u>	<u>(56,925)</u>
Expenditures:			
Administration:			
Salaries and employee benefits	685,021	630,576	54,445
Operating expenditures	<u>243,700</u>	<u>180,381</u>	<u>63,319</u>
Total	<u>928,721</u>	<u>810,957</u>	<u>117,764</u>
Distribution:			
Salaries and employee benefits	2,116,326	1,876,955	239,371
Operating expenditures	1,636,233	1,561,813	74,420
Repairs and maintenance	240,670	234,005	6,665
Capital outlay	<u>1,353,107</u>	<u>1,143,889</u>	<u>209,218</u>
Total	<u>5,346,336</u>	<u>4,816,662</u>	<u>529,674</u>
Filter Plant:			
Salaries and employee benefits	958,819	939,329	19,490
Operating expenditures	1,854,890	1,671,990	182,900
Repairs and maintenance	380,300	355,550	24,750
Capital outlay	<u>11,805</u>	<u>11,805</u>	<u>-</u>
Total	<u>3,205,814</u>	<u>2,978,674</u>	<u>227,140</u>
General Services	<u>1,765,800</u>	<u>1,765,800</u>	<u>-</u>
Sewage Treatment	<u>4,085,467</u>	<u>3,632,834</u>	<u>452,633</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal	2,990,765	2,990,765	-
Interest and fees	2,007,164	1,812,237	194,927
Total debt service	<u>4,997,929</u>	<u>4,803,002</u>	<u>194,927</u>
 Total expenditures	<u>20,330,067</u>	<u>18,807,929</u>	<u>1,522,138</u>
 Revenues over (under) expenditures	<u>(905,067)</u>	<u>560,146</u>	<u>1,465,213</u>
 Other Financing Sources (Uses):			
Transfers in	397,771	787,865	390,094
Transfers out	(2,521,824)	(2,521,824)	-
Appropriated fund balance	3,029,120	-	(3,029,120)
Total other financing sources (uses)	<u>905,067</u>	<u>(1,733,959)</u>	<u>(2,639,026)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,173,813)</u>	<u>\$ (1,173,813)</u>

Reconciliation of Budgetary Basis (Modified Accrual)**to Full Accrual Basis:**

Depreciation and amortization	(3,077,343)
Capital outlay	1,155,694
Interfund transfers - capital projects	(192,865)
Payment of debt principal	2,990,765
Change in accrued interest	32,399
Change in OPEB liability	(1,048,740)
Change in compensated absences	(43,590)
Change in deferred outflows of resources - pensions	(70,269)
Change in deferred inflows of resources - pensions	12,286
Change in deferred outflows of resources - OPEB	656,216
Change in deferred inflows of resources - OPEB	115,602
Change in total pension liability	(60,520)
Change in net pension liability	(114,498)
Interest from capital projects	47,311
Contributions from developer	<u>2,635,020</u>
 Change in net position	<u>\$ 1,863,655</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, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Interest income	\$ 80,087	\$ 80,083	\$ 2	\$ 80,085
Total revenues	<u>80,087</u>	<u>80,083</u>	<u>2</u>	<u>80,085</u>
Expenditures:				
Capital outlay:				
Albemarle water line	10,382,512	10,382,511	-	10,382,511
Meter exchange project	6,086,759	6,086,758	-	6,086,758
Water intake and clear well	1,000,936	1,000,935	-	1,000,935
Irish Buffalo Creek sewer project	2,250,139	1,388,860	861,281	2,250,141
Debt issuance costs	99,316	99,316	-	99,316
Total expenditures	<u>19,819,662</u>	<u>18,958,380</u>	<u>861,281</u>	<u>19,819,661</u>
Revenues over (under) expenditures	<u>(19,739,575)</u>	<u>(18,878,297)</u>	<u>(861,279)</u>	<u>(19,739,576)</u>
Other Financing Sources (Uses):				
Transfers in (out)	1,494,575	1,892,346	(397,770)	1,494,576
Issuance of long-term debt	<u>18,245,000</u>	<u>18,245,000</u>	<u>-</u>	<u>18,245,000</u>
Total other financing sources (uses)	<u>19,739,575</u>	<u>20,137,346</u>	<u>(397,770)</u>	<u>19,739,576</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,259,049</u>	<u>\$ (1,259,049)</u>	<u>\$ -</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - DOWNTOWN WATER AND SEWER INFRASTRUCTURE

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 416,002	\$ 368,692	\$ 47,309	\$ 416,001
Total revenues	<u>416,002</u>	<u>368,692</u>	<u>47,309</u>	<u>416,001</u>
Expenditures:				
Capital outlay	18,020,907	15,639,378	2,381,528	18,020,906
Total expenditures	<u>18,020,907</u>	<u>15,639,378</u>	<u>2,381,528</u>	<u>18,020,906</u>
Revenues over (under) expenditures	<u>(17,604,905)</u>	<u>(15,270,686)</u>	<u>(2,334,219)</u>	<u>(17,604,905)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	17,400,000	17,400,000	-	17,400,000
Transfer in (out)	204,905	-	204,905	204,905
Total other financing sources (uses)	<u>17,604,905</u>	<u>17,400,000</u>	<u>204,905</u>	<u>17,604,905</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,129,314</u>	<u>\$ (2,129,314)</u>	<u>\$ -</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - REVENUE BONDS 2020 FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Expenditures:				
Downtown sewer outfall	\$ 4,750,000	\$ -	\$ 40,150	\$ 40,150
Lane Street water line	5,750,000	237,163	704,247	941,410
High Bridge water line	3,000,000	471,142	527,875	999,017
Sludge Lagoon dewatering	1,800,000	218,439	112,747	331,186
Mooreville Road water line	4,080,708	22,272	79,897	102,169
Rodgers Lake Road bridge water	200,000	-	-	-
Concrete spillway	3,500,000	-	65,788	65,788
Bulk storage replacement	700,000	-	98,782	98,782
Debt issuance cost	3,500,000	-	26,790	26,790
Total expenditures	<u>27,280,708</u>	<u>949,016</u>	<u>1,656,276</u>	<u>2,605,292</u>
Revenues over (under) expenditures	<u>(27,280,708)</u>	<u>(949,016)</u>	<u>(1,656,276)</u>	<u>(2,605,292)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	27,500,000	-	-	-
Transfer in (out)	<u>(219,292)</u>	<u>(219,291)</u>	<u>-</u>	<u>(219,291)</u>
Total other financing sources (uses)	<u>27,280,708</u>	<u>(219,291)</u>	<u>-</u>	<u>(219,291)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,168,307)</u>	<u>\$ (1,656,276)</u>	<u>\$ (2,824,583)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,050,000	\$ 3,038,576	\$ (11,424)
Investment earnings	-	40	40
Total revenues	<u>3,050,000</u>	<u>3,038,616</u>	<u>(11,384)</u>
Expenditures:			
Salaries and employee benefits	890,157	773,506	116,651
Operating expenditures	669,600	528,701	140,899
General services	<u>318,602</u>	<u>318,602</u>	-
Total	<u>1,878,359</u>	<u>1,620,809</u>	<u>257,550</u>
Debt Service:			
Principal	926,876	926,876	-
Interest	<u>274,765</u>	<u>274,765</u>	-
Total	<u>1,201,641</u>	<u>1,201,641</u>	-
Total expenditures	<u>3,080,000</u>	<u>2,822,450</u>	<u>257,550</u>
Revenues over (under) expenditures	<u>(30,000)</u>	<u>216,166</u>	<u>246,166</u>
Other Financing Sources (Uses):			
Transfers in	-	391,869	391,869
Appropriated fund balance	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>391,869</u>	<u>361,869</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>608,035</u>	<u>\$ 608,035</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Depreciation and amortization		(212,782)	
Intrafund transfers		(391,869)	
Interest from capital project		7,374	
Change in interest accrued		4,865	
Change in compensated absences		(4,611)	
Change in OPEB liability		(357,019)	
Change in total pension liability		(23,277)	
Change in net pension liability		(44,038)	
Change in deferred outflows of resources for pensions		(27,027)	
Change in deferred inflows of resources for pensions		4,725	
Change in deferred outflows of resources - OPEB		223,393	
Change in deferred inflows of resources - OPEB		39,354	
Payment of debt principal		<u>926,876</u>	
Total		<u>145,964</u>	
Change in net position		<u>\$ 753,999</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER CAPITAL PROJECT - DOWNTOWN STORMWATER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 115,062	\$ 107,688	\$ 7,374	\$ 115,062
Total revenues	<u>115,062</u>	<u>107,688</u>	<u>7,374</u>	<u>115,062</u>
Expenditures:				
Contracted services	689,730	631,751	57,979	689,730
Capital outlay	<u>6,033,463</u>	<u>4,536,663</u>	<u>1,496,800</u>	<u>6,033,463</u>
Total expenditures	<u>6,723,193</u>	<u>5,168,414</u>	<u>1,554,779</u>	<u>6,723,193</u>
Revenues over (under) expenditures	<u>(6,608,131)</u>	<u>(5,060,726)</u>	<u>(1,547,405)</u>	<u>(6,608,131)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	7,000,000	7,000,000	-	7,000,000
Transfers out	<u>(391,869)</u>	<u>-</u>	<u>(391,869)</u>	<u>(391,869)</u>
Total other financing sources (uses)	<u>6,608,131</u>	<u>7,000,000</u>	<u>(391,869)</u>	<u>6,608,131</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,939,274</u>	<u>\$ (1,939,274)</u>	<u>\$ -</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,275,000	\$ 3,233,691	\$ (41,309)
Miscellaneous revenue	32,300	135,208	102,908
Total revenues	<u>3,307,300</u>	<u>3,368,899</u>	<u>61,599</u>
Expenditures:			
Salaries and employee benefits	350,584	337,468	13,116
Operating expenditures	262,200	247,512	14,688
Contracted services	<u>3,608,181</u>	<u>3,495,467</u>	<u>112,714</u>
Total	<u>4,220,965</u>	<u>4,080,447</u>	<u>140,518</u>
Debt Service:			
Principal	212,257	212,257	-
Interest	<u>19,778</u>	<u>19,778</u>	<u>-</u>
Total	<u>232,035</u>	<u>232,035</u>	<u>-</u>
Total expenditures	<u>4,453,000</u>	<u>4,312,482</u>	<u>140,518</u>
Revenues over (under) expenditures	<u>(1,145,700)</u>	<u>(943,583)</u>	<u>202,117</u>
Other Financing Sources (Uses):			
Transfers in	845,700	845,700	-
Appropriated fund balance	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Total other financing sources (uses)	<u>1,145,700</u>	<u>845,700</u>	<u>(300,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(97,883)</u>	<u>\$ (97,883)</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Depreciation and amortization		(225,445)	
Change in OPEB liability		(111,568)	
Change in total pension liability		(4,655)	
Change in net pension liability		(8,808)	
Change in interest accrued		1,013	
Change in deferred outflows of resources pensions		(5,404)	
Change in deferred inflows of resources pensions		945	
Change in deferred outflows of resources - OPEB		69,810	
Change in deferred inflows of resources - OPEB		12,297	
Change in compensated absences		(18,866)	
Payment of debt principal		<u>212,257</u>	
Total		<u>(78,424)</u>	
Change in net position		<u>\$ (176,307)</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN KANNAPOLIS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 858,624	\$ 696,354	\$ (162,270)
Investment earnings	-	30,856	30,856
Sale of capital asset	-	449,000	449,000
Miscellaneous revenue	-	17,000	17,000
Total revenues	<u>858,624</u>	<u>1,193,210</u>	<u>334,586</u>
Expenditures:			
Operating expenditures	580,500	415,676	164,824
Contracted services	5,161,422	2,816,769	2,344,653
Capital outlay	14,500	14,500	-
Total	<u>5,756,422</u>	<u>3,246,945</u>	<u>2,509,477</u>
Debt Service:			
Principal	1,384,225	1,384,225	-
Interest and fees	2,926,353	2,923,614	2,739
Total	<u>4,310,578</u>	<u>4,307,839</u>	<u>2,739</u>
Total expenditures	<u>10,067,000</u>	<u>7,554,784</u>	<u>2,512,216</u>
Revenues over (under) expenditures	<u>(9,208,376)</u>	<u>(6,361,574)</u>	<u>2,846,802</u>
Other Financing Sources (Uses):			
Transfers in	6,208,376	6,423,057	214,681
Appropriated fund balance	3,000,000	-	(3,000,000)
Total other financing sources (uses)	<u>9,208,376</u>	<u>6,423,057</u>	<u>(2,785,319)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>61,483</u>	<u>\$ 61,483</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Capital outlay		14,500	
Depreciation and amortization		(270,342)	
Capital project expenses not capitalized		(1,351,790)	
Change in accrued interest		17,792	
Intrafund transfers		(277,283)	
Interest from capital projects		416,568	
Loss on asset disposal		(792,048)	
Payment of debt principal		1,384,225	
Total		<u>(858,378)</u>	
Change in net position		<u>\$ (796,895)</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN CAPITAL PROJECT - SPORTS AND ENTERTAINMENT VENUE
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 734,339	\$ 416,568	\$ 1,150,907
Total revenues	-	734,339	416,568	1,150,907
Expenditures:				
Contracted services	3,850,000	3,150,924	505,424	3,656,348
Small equipment and tools	2,350,000	52,154	1,351,790	1,403,944
Capital outlay	45,800,000	17,719,762	25,511,505	43,231,267
Total expenditures	52,000,000	20,922,840	27,368,719	48,291,559
Revenues over (under) expenditures	(52,000,000)	(20,188,501)	(26,952,151)	(47,140,652)
Other Financing Sources (Uses):				
Issuance of long-term debt	52,000,000	52,000,000	-	52,000,000
Discount on bond issuance	-	(210,580)	-	(210,580)
Total other financing sources (uses)	52,000,000	51,789,420	-	51,789,420
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 31,600,919	\$ (26,952,151)	\$ 4,648,768

CITY OF KANNAPOLIS, NORTH CAROLINA

DOWNTOWN CAPITAL PROJECT - DOWNTOWN STREETSCAPE PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ 28,903	\$ 28,903	\$ -	\$ 28,903
Total revenues	<u>28,903</u>	<u>28,903</u>	<u>-</u>	<u>28,903</u>
Expenditures:				
Capital outlay	<u>4,278,281</u>	<u>3,256,613</u>	<u>1,021,669</u>	<u>4,278,282</u>
Total expenditures	<u>4,278,281</u>	<u>3,256,613</u>	<u>1,021,669</u>	<u>4,278,282</u>
Revenues over (under) expenditures	<u>(4,249,378)</u>	<u>(3,227,710)</u>	<u>(1,021,669)</u>	<u>(4,249,379)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	4,526,662	4,526,662	-	4,526,662
Transfer in (out)	<u>(277,284)</u>	<u>-</u>	<u>(277,283)</u>	<u>(277,283)</u>
Total other financing sources (uses)	<u>4,249,378</u>	<u>4,526,662</u>	<u>(277,283)</u>	<u>4,249,379</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,298,952</u>	<u>\$ (1,298,952)</u>	<u>\$ -</u>

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Additional Financial Data

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Analysis of Current Tax Levy - Secondary Market Disclosure

Schedule of Principal Taxpayers

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CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019 - 2020	\$ -	\$ 27,620,662	\$ 27,054,264	\$ 566,398
2018 - 2019	440,157	-	300,324	139,833
2017 - 2018	109,867	-	37,232	72,635
2016 - 2017	67,834	-	21,313	46,521
2015 - 2016	62,448	-	9,135	53,313
2014 - 2015	57,520	-	6,412	51,108
2013 - 2014	57,824	-	5,421	52,403
2012 - 2013	35,057	-	3,072	31,985
2011 - 2012	41,153	-	2,374	38,779
2010 - 2011	39,949	-	1,675	38,274
2009 - 2010	26,839	-	26,839	-
Total	<u>\$ 938,648</u>	<u>\$ 27,620,662</u>	<u>\$ 27,468,061</u>	1,091,249
Less: Allowance for uncollectible accounts				<u>526,984</u>
Ad valorem taxes receivable - net				<u>\$ 564,265</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 27,542,509
Reconciling items:				
Penalties and interest				(112,871)
Taxes written off - state statute				26,839
Miscellaneous adjustment				<u>11,584</u>
Total collections and credits				<u>\$ 27,468,061</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 4,377,113,552	\$ 0.6300	\$ 27,576,085	\$ 25,083,978	\$ 2,492,107
Motor vehicles taxed at prior year's rate	1,723,810	0.6300	10,860	-	10,860
Penalties	-		16,593	16,593	-
Total	<u>4,378,837,362</u>		<u>27,603,538</u>	<u>25,100,571</u>	<u>2,502,967</u>
Discoveries:					
Current year taxes	8,275,825	0.6300	52,138	52,138	-
Prior year taxes	9,637,095	0.6300	60,714	60,714	-
Penalties	-		19,625	19,625	-
Total	<u>17,912,920</u>		<u>132,477</u>	<u>132,477</u>	<u>-</u>
Releases:					
Property taxed at current year's rate	(17,411,625)	0.6300	(109,963)	(109,963)	-
Property taxed at prior year's rate	<u>(855,525)</u>	0.6300	<u>(5,390)</u>	<u>(5,390)</u>	<u>-</u>
Total	<u>(18,267,150)</u>		<u>(115,353)</u>	<u>(115,353)</u>	<u>-</u>
Total property valuation	<u>\$ 4,378,483,132</u>				
Net Levy			27,620,662	25,117,695	2,502,967
Less uncollected taxes at June 30, 2020			<u>566,398</u>	<u>566,398</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 27,054,264</u>	<u>\$ 24,551,297</u>	<u>\$ 2,502,967</u>
Percent Current Year Collected			<u>97.95%</u>	<u>97.75%</u>	<u>100.00%</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
 SECONDARY MARKET DISCLOSURES
 FOR THE YEAR ENDED JUNE 30, 2020

Assessed Valuation:

Assessment Ratio (1)		<u>100.00%</u>
Real property	\$	3,667,643,181
Personal property		612,586,049
Public service companies (2)		<u>98,253,902</u>
Total assessed valuation	\$	<u>4,378,483,132</u>
Tax Rate per \$100		<u>0.6300</u>
Levy (includes discoveries, releases, penalties, and abatements)	\$	<u>27,620,662</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, 2020

Business	Type of Enterprise	Assessed Valuation	Percentage of Total Assessed Valuation
Castle & Cooke NCRC	Real Estate	\$ 269,963,792	6.22%
Kannapolis Logistics Center, LLC	Real Estate	70,818,050	1.63%
6200 Glen Afton, LLC	Real Estate	61,649,771	1.42%
Shoe Show, Inc	Retail	52,641,347	1.21%
Duke Energy Corporation	Utility	43,321,696	1.00%
Kannapolis Investments, LLC	Real Estate	42,102,575	0.97%
Gateway Afton Ridge, Inc	Retail	40,812,800	0.94%
Centennial Afton Ridge, LLC	Real Estate	36,422,314	0.84%
Integra POE LP	Real Estate	33,846,973	0.78%
Wells Fargo Vendor Financial	Financial	<u>33,429,505</u>	<u>0.77%</u>
Total		<u>\$ 685,008,823</u>	<u>15.79%</u>

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

Statistical Section

- Schedules presented in the Statistical Section may differ from financial statement schedules because they usually cover more than one fiscal year and may present non-accounting data. The Statistical Section reflects social and economic data, financial trends, and the fiscal capacity of the City.
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CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 1

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 103,739	\$ 104,875	\$ 105,486	\$ 110,812	\$ 115,035	\$ 110,342	\$ 115,399	\$ 116,405	\$ 117,862	\$ 126,260
Restricted	3,555	3,643	3,242	9,131	3,909	3,626	8,591	9,291	15,207	7,607
Unrestricted	1,424	(1,135)	640	(6,850)	(2,942)	1,750	(11,002)	(38,986)	(41,417)	(37,939)
Total governmental activities net position	\$ 108,718	\$ 107,383	\$ 109,368	\$ 113,093	\$ 116,003	\$ 115,718	\$ 112,988	\$ 86,710	\$ 91,652	\$ 95,928
Business-type activities										
Net investment in capital assets	\$ 54,488	\$ 57,456	\$ 58,647	\$ 60,310	\$ 61,843	\$ 62,887	\$ 71,696	\$ 77,496	\$ 80,925	\$ 83,602
Restricted	3,791	-	-	-	-	-	-	-	-	-
Unrestricted	3,018	6,252	4,917	6,551	6,564	9,331	5,054	(1,438)	945	(88)
Total business-type activities net position	\$ 61,297	\$ 63,708	\$ 63,564	\$ 66,861	\$ 66,304	\$ 72,218	\$ 76,750	\$ 76,058	\$ 81,870	\$ 83,514
Primary government										
Net investment in capital assets	\$ 158,227	\$ 162,331	\$ 164,133	\$ 171,122	\$ 176,879	\$ 173,229	\$ 187,095	\$ 193,901	\$ 198,787	\$ 209,862
Restricted	7,346	3,643	3,242	9,131	3,909	3,626	8,591	9,291	15,207	7,607
Unrestricted	4,442	5,117	5,557	(299)	3,621	11,081	(5,948)	(40,424)	(40,472)	(38,027)
Total primary government net position	\$ 170,015	\$ 171,091	\$ 172,932	\$ 179,954	\$ 184,410	\$ 187,936	\$ 189,738	\$ 162,768	\$ 173,522	\$ 179,442

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 2

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 2,876	\$ 8,103	\$ 7,777	\$ 9,674	\$ 5,292	\$ 744	\$ 7,325	\$ 10,748	\$ 9,492	\$ 8,761
Public safety	13,398	12,522	15,028	15,708	14,412	18,549	17,463	18,459	18,626	20,005
Public works	8,711	7,668	5,492	5,639	5,037	10,485	7,236	6,330	5,462	5,520
Community development	14,578	1,533	1,754	1,760	1,829	1,420	1,432	1,685	2,108	2,114
Parks and recreation	1,941	1,931	2,172	2,101	2,365	2,479	143	2,783	3,271	3,260
Interest on long-term debt	1,868	2,276	2,283	2,205	3,026	3,110	2,982	3,328	3,105	2,803
Total governmental activities	43,372	34,033	34,506	37,087	31,962	36,787	36,581	43,333	42,064	42,463
Business-type activities:										
Water and sewer	11,185	13,045	11,427	12,569	12,363	14,130	14,819	14,891	16,640	18,260
Stormwater	1,270	1,436	1,691	1,545	1,552	1,684	1,901	2,113	2,288	2,292
Environmental services	-	427	3,314	3,355	3,523	3,632	3,645	3,814	3,822	4,391
Downtown						1,630	1,561	1,639	4,207	8,103
Total business-type activities	12,455	14,908	16,432	17,469	17,437	21,076	21,926	22,457	26,957	33,046
Total primary government expenses	\$ 55,827	\$ 48,941	\$ 50,938	\$ 54,556	\$ 49,400	\$ 57,863	\$ 58,507	\$ 65,790	\$ 69,021	\$ 75,509
Program Revenues										
Governmental activities										
Charges for services:										
General government	\$ 2,310	\$ 2,422	\$ 2,118	\$ 87	\$ 62	\$ 94	\$ 118	\$ 155	\$ 204	\$ 145
Public safety	135	135	118	133	102	246	142	160	230	136
Public works	98	44	25	13	62	144	84	74	116	-
Community development	59	33	136	291	99	118	110	150	184	155
Parks and recreation	258	275	279	256	257	132	280	444	425	383
Operating grants and contributions:										
General government	204	27	65	933	769	829	1,376	975	3,653	769
Public safety	602	29	970	791	212	-	92	39	56	11
Public works	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	104	13	68	71	85	75
Parks and recreation	-	-	-	-	-	67	-	-	-	-
Capital grants and contributions:										
General government	366	3	1,536	5,499	1,520	1,523	1,522	1,524	1,523	1,523
Public safety	176	382	299	2,722	-	-	-	-	-	-
Public works	1,481	1,731	1,468	1,264	1,572	1,590	1,324	1,316	1,880	4,995
Community development	958	445	358	506	686	-	355	322	2,132	498
Parks and recreation	-	-	-	-	-	457	121	66	46	25
Total governmental activities program revenues	6,647	5,526	7,372	12,495	5,445	5,213	5,592	5,296	10,534	8,715

Continued on next page.

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 2 (Continued)

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues (Continued):										
Business-type activities										
Charges for services:										
Water and sewer	13,135	13,627	13,661	14,573	13,708	16,315	15,803	17,032	17,113	19,249
Stormwater	1,472	1,504	1,671	1,699	1,773	2,449	2,372	2,941	2,991	3,039
Environmental services	35	631	1,264	1,274	1,609	1,932	2,366	2,534	3,274	3,369
Downtown						764	913	841	765	696
Operating grants and contributions:										
Downtown	-	-	-	-	-	-	-	100	51	17
Capital grants and contributions:										
Water and sewer	2,775	1,137	237	1,655	1,330	1,205	1,116	1,654	1,153	2,635
Environmental services	-	67	3	-	-	-	-	-	-	-
Downtown	-	-	-	-	-	-	-	-	1,103	-
Total business-type activities program revenues	<u>17,417</u>	<u>16,966</u>	<u>16,836</u>	<u>19,201</u>	<u>18,420</u>	<u>22,665</u>	<u>22,570</u>	<u>25,102</u>	<u>26,450</u>	<u>29,005</u>
Total primary government program revenues	<u>\$ 24,064</u>	<u>\$ 22,492</u>	<u>\$ 24,208</u>	<u>\$ 31,696</u>	<u>\$ 23,865</u>	<u>\$ 27,878</u>	<u>\$ 28,162</u>	<u>\$ 30,398</u>	<u>\$ 36,984</u>	<u>\$ 37,720</u>
Net (Expense)/Revenue										
Governmental activities	<u>\$ (36,725)</u>	<u>\$ (28,505)</u>	<u>\$ (27,132)</u>	<u>\$ (24,592)</u>	<u>\$ (26,517)</u>	<u>\$ (31,574)</u>	<u>\$ (32,589)</u>	<u>\$ (38,037)</u>	<u>\$ (31,530)</u>	<u>\$ (33,748)</u>
Business-type activities	<u>4,962</u>	<u>2,058</u>	<u>401</u>	<u>1,732</u>	<u>983</u>	<u>1,589</u>	<u>644</u>	<u>2,645</u>	<u>(507)</u>	<u>(4,041)</u>
Total primary government net (expense)/revenue	<u>\$ (31,763)</u>	<u>\$ (26,447)</u>	<u>\$ (26,731)</u>	<u>\$ (22,860)</u>	<u>\$ (25,534)</u>	<u>\$ (29,985)</u>	<u>\$ (31,945)</u>	<u>\$ (35,392)</u>	<u>\$ (32,037)</u>	<u>\$ (37,789)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Ad valorem taxes	\$ 18,379	\$ 18,585	\$ 19,274	19,935	21,586	23,620	24,802	25,379	26,139	27,679
Sales tax	5,218	5,698	6,212	6,486	7,341	8,168	9,246	9,561	10,358	10,469
Other taxes and licenses	752	786	944	1,189	946	758	685	693	1,165	1,326
Franchise tax	1,830	1,825	1,840	1,906	2,476	2,749	2,727	2,716	2,766	2,698
Unrestricted intergovernmental revenues	228	515	186	195	209	195	211	206	208	210
Investment earnings	32	78	113	125	193	204	299	349	889	706
Transfers	-	(316)	548	(1,520)	(1,100)	(2,360)	(4,941)	(2,201)	(5,053)	(5,065)
Total general revenues and transfers	<u>26,439</u>	<u>27,171</u>	<u>29,117</u>	<u>28,316</u>	<u>31,651</u>	<u>33,334</u>	<u>33,029</u>	<u>36,703</u>	<u>36,472</u>	<u>38,023</u>
Business-type activities:										
Investment earnings	144	36	3	45	20	13	16	309	1,266	621
Transfers	-	316	(548)	1,520	1,100	2,360	4,941	2,201	5,053	5,065
Total business-type activities	<u>\$ 144</u>	<u>\$ 352</u>	<u>\$ (545)</u>	<u>1,565</u>	<u>1,120</u>	<u>2,373</u>	<u>4,957</u>	<u>2,510</u>	<u>6,319</u>	<u>5,686</u>
Change in Net Position										
Governmental activities	<u>\$ (10,286)</u>	<u>\$ (1,334)</u>	<u>\$ 1,985</u>	<u>\$ 3,724</u>	<u>\$ 5,135</u>	<u>\$ 1,760</u>	<u>\$ 440</u>	<u>\$ (1,334)</u>	<u>\$ 4,942</u>	<u>\$ 4,275</u>
Business-type activities	<u>5,106</u>	<u>2,410</u>	<u>(144)</u>	<u>3,297</u>	<u>2,103</u>	<u>3,962</u>	<u>5,601</u>	<u>5,155</u>	<u>5,812</u>	<u>1,645</u>
Total primary government	<u>\$ (5,180)</u>	<u>\$ 1,076</u>	<u>\$ 1,841</u>	<u>\$ 7,021</u>	<u>\$ 7,238</u>	<u>\$ 5,722</u>	<u>\$ 6,041</u>	<u>\$ 3,821</u>	<u>\$ 10,754</u>	<u>\$ 5,920</u>

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nondisposable	\$ 453	\$ 35	\$ 50	\$ 53	\$ 65	\$ 220	\$ 264	\$ 128	\$ 91	\$ 113
Committed						46	146	237	340	367
Restricted	2,990	2,518	2,285	11,013	7,712	7,471	7,765	8,827	11,962	4,272
Unassigned	2,677	4,135	6,706	3,069	9,860	12,016	9,911	9,609	10,031	16,114
Total General Fund	\$ 6,120	\$ 6,688	\$ 9,041	\$ 14,135	\$ 17,637	\$ 19,753	\$ 18,086	\$ 18,801	\$ 22,424	\$ 20,866
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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Office/Public Safety Building										
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ (1,802)	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	13,206	515	-	-	-	-
Total City Office/Public Safety Building	\$ -	\$ -	\$ -	\$ -	\$ 11,404	\$ 515	\$ -	\$ -	\$ -	\$ -
Fire Station Improvements										
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (392)	\$ -
Restricted	-	-	-	-	-	-	-	10,419	1,748	-
Total City Office/Public Safety Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,419	\$ 1,356	\$ -
All Other Governmental Funds										
Nondisposable	-	\$ -	\$ -	\$ -	\$ -	\$ 187	\$ -	\$ -	\$ -	\$ -
Restricted	1,036	1,124	954	5,321	1,175	1,262	1,167	1,023	3,152	3,334
Committed	1,250	308	3,680	93	214	218	620	440	269	74
Unassigned	-	-	-	-	(185)	(285)	(182)	(5)	(695)	(925)
Assigned	(396)	(224)	(29)	(29)	-	-	-	-	-	-
Total all other governmental funds	\$ 1,890	\$ 1,208	\$ 4,605	\$ 5,385	\$ 1,204	\$ 1,382	\$ 1,605	\$ 1,458	\$ 2,726	\$ 2,483

CITY OF KANANPOLIS, NORTH CAROLINA

TABLE 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Ad valorem taxes	\$18,235	\$18,600	\$19,032	\$ 20,243	\$ 21,728	\$ 23,809	\$ 24,859	\$ 25,435	\$ 26,134	\$ 27,543
Other taxes and licenses	5,971	6,484	7,156	7,675	8,287	8,926	9,848	10,168	11,434	11,697
Unrestricted intergovernmental revenues	2,058	2,340	2,028	2,100	2,685	2,945	3,021	3,009	3,063	3,006
Restricted intergovernmental revenues	3,635	2,129	4,247	6,784	3,976	3,570	3,508	3,272	6,833	6,500
Sales and services	912	2,101	1,767	780	594	745	744	993	1,169	830
Investment earnings	32	78	113	125	193	204	299	349	889	706
Miscellaneous	2,038	808	909	933	887	908	1,350	1,040	1,264	1,395
Total revenues	32,881	32,540	35,252	38,640	38,350	41,107	43,629	44,266	50,786	51,677
Expenditures:										
General Government	7,399	7,141	8,358	6,534	5,129	6,122	7,132	10,455	8,468	7,948
Public safety	11,988	11,676	13,865	13,461	15,310	15,440	15,706	17,878	16,012	16,771
Public works	6,489	5,831	3,088	3,449	4,022	4,343	4,282	4,544	3,518	3,780
Community development	731	1,679	1,702	1,760	1,829	1,375	1,432	1,684	2,108	3,561
Parks and recreation	1,444	4,474	1,549	1,665	1,829	1,655	2,573	2,408	2,599	4,355
Capital Outlay	13,947	10,294	3,527	4,764	21,245	11,618	2,315	1,184	9,990	2,529
Debt service:										
Principal	2,456	2,405	8,803	3,050	2,852	3,693	4,717	4,374	5,200	26,237
Interest and fees	1,838	1,735	2,368	2,257	2,814	3,146	2,826	3,111	3,288	3,273
Total expenditures	46,292	45,235	43,260	36,940	55,030	47,392	40,983	45,638	51,183	68,454
Excess of revenues over (under) expenditures	(13,411)	(12,695)	(8,008)	1,700	(16,680)	(6,285)	2,646	(1,372)	(397)	(16,777)
Other Financing Sources (Uses)										
Transfers from other funds	1,080	704	6,863	6,628	893	840	2,326	862	53	1,883
Transfers to other funds	(1,080)	(373)	(6,315)	(8,148)	(1,993)	(3,174)	(7,267)	(3,063)	(5,106)	(6,948)
Proceeds of installment financing	971	3,000	7,566	-	-	-	335	14,560	-	18,685
Debt service reserve	-	(19)	-	-	-	-	-	-	-	-
Capitalized interest	(140)	(826)	-	-	-	-	-	-	-	-
Payments to bondholders	(1,330)	-	-	-	-	-	-	-	-	-
Premium on long-term debt	789	-	-	-	2,303	-	-	-	-	-
Proceeds of limited obligation bonds	34,185	-	-	-	25,990	-	-	-	-	-
Total other financing sources (uses)	34,475	2,486	8,114	(1,520)	27,193	(2,334)	(4,606)	12,359	(5,053)	13,620
Special item - sale of land	-	-	-	-	-	-	-	-	1,278	-
Net change in fund balances	\$ 21,064	\$ (10,209)	\$ 106	\$ 180	\$ 10,513	\$ (8,619)	\$ (1,960)	\$ 10,987	\$ (4,172)	\$ (3,157)
Debt service as a percentage of noncapital expenditures	10.66%	9.40%	30.05%	15.65%	18.10%	26.57%	21.00%	18.54%	21.07%	48.22%

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

CITY OF KANANPOLIS, 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⁾
2011	3,486,066,202	195,285,505	56,141,913	3,737,493,620	0.490
2012 ⁽¹⁾	3,535,916,122	191,820,297	64,092,442	3,791,828,861	0.490
2013 ⁽¹⁾	3,090,633,951	207,389,228	64,386,561	3,362,409,740	0.560
2014	3,031,530,139	368,707,556	68,379,259	3,468,616,954	0.560
2015	3,094,058,468	419,316,615	70,827,286	3,584,202,369	0.600
2016 ⁽¹⁾	3,193,371,079	470,988,564	81,056,490	3,745,416,133	0.630
2017 ⁽¹⁾	3,318,942,258	527,476,822	83,163,104	3,929,582,184	0.630
2018	3,365,940,833	570,541,905	83,307,314	4,019,790,052	0.630
2019	3,474,735,157	572,536,247	90,869,368	4,138,140,772	0.630
2020 ⁽¹⁾	3,667,643,181	612,586,049	98,253,902	4,378,483,132	0.630

Notes: ⁽¹⁾ Increases in FY 2013 and FY 2017 include Cabarrus County revaluation. Increase in FY 2012, FY 2016 and FY 2020 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)

	2011	2012 ⁽¹⁾	2013 ⁽²⁾	2014	2015	2016 ⁽³⁾	2017 ⁽⁴⁾	2018	2019	2020 ⁽⁵⁾
City of Kannapolis:										
General fund	0.4900	0.4900	0.5600	0.5600	0.6000	0.6300	0.6300	0.6300	0.6300	0.6300
County Rates:										
Cabarrus	0.6300	0.6300	0.7000	0.7000	0.7000	0.7000	0.7000	0.7200	0.7400	0.7400
Rowan	0.5950	0.6225	0.6225	0.6225	0.6625	0.6625	0.6625	0.6625	0.6575	0.6575

Notes:

- ⁽¹⁾ Real property was revalued by Rowan County on January 1, 2011
- ⁽²⁾ Real property was revalued by Cabarrus County on January 1, 2012
- ⁽³⁾ Real property was revalued by Rowan County on January 1, 2015
- ⁽⁴⁾ Real property was revalued by Cabarrus County on January 1, 2016
- ⁽⁵⁾ Real property was revalued by Rowan County on January 1, 2019

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 7

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

	Taxpayer	Type of Business	Fiscal Year 2020			Fiscal Year 2011		
			Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
	Castle and Cooke NC LLC	Real Estate	269,963,792	1	6.22%	277,574,010	1	7.94%
	Kannapolis Logistics Center, LLC	Real Estate	70,818,050	2	1.63%	61,941,475	2	1.77%
	6200 Glen Afton LLC	Real Estate	61,649,771	3	1.42%	-	-	-
	Shoe Show, Inc	Retail	52,641,347	4	1.21%	48,558,263	3	1.39%
	Duke Energy Corporation	Utility	43,321,696	5	1.00%	26,148,607	6	0.75%
	Kannapolis Investments, LLC	Real Estate	42,102,575	6	0.97%	-	-	-
	Gateway Afton Ridge, Inc	Real Estate	40,812,800	7	0.94%	46,904,100	4	1.34%
	Centennial Afton Ridge, LLC	Real Estate	36,422,314	8	0.84%	-	-	-
	Integra POE LP	Real Estate	33,846,973	9	0.78%	-	-	-
	Wells Fargo Vendor Financial	Financial	33,429,505	10	0.77%	-	-	-
	BNP Paribus Leasing Corporation	Warehousing	-	-	-	40,636,980	5	1.16%
	Kellswater	Real Estate	-	-	-	26,074,986	7	0.75%
	Target Corporation	Retail	-	-	-	16,496,280	8	0.47%
	The Grand in Kannapolis	Real Estate	-	-	-	15,734,810	9	0.45%
	Public Service Company of NC, Inc.	Utility	-	-	-	14,246,460	10	0.41%
Total			\$ 685,008,823		15.79%	\$ 574,315,971		16.43%

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
2011	18,385,221	80,004	(72,720)	18,392,505	17,638,052	95.90%	716,179	18,354,231	99.79%
2012	18,661,612	115,408	(35,161)	18,741,859	18,053,024	96.32%	650,056	18,703,080	99.79%
2013	19,281,030	197,718	(148,628)	19,330,120	18,620,309	96.33%	677,826	19,298,135	99.83%
2014	20,012,799	87,303	(83,385)	20,016,717	19,430,246	97.07%	534,068	19,964,314	99.74%
2015	21,392,417	190,276	(47,143)	21,535,550	21,050,962	97.75%	433,480	21,484,442	99.76%
2016	23,502,259	137,451	(29,535)	23,610,175	23,193,274	98.23%	363,588	23,556,862	99.77%
2017	24,743,633	192,065	(148,154)	24,787,544	24,421,144	98.52%	319,879	24,741,023	99.81%
2018	25,236,150	187,941	(68,744)	25,355,347	25,000,952	98.60%	281,760	25,282,712	99.71%
2019	25,989,681	245,309	(122,270)	26,112,720	25,672,563	98.31%	300,324	25,972,887	99.46%
2020	27,603,268	132,477	(115,083)	27,620,662	27,054,264	97.95%	-	27,054,264	97.95%

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⁾
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	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.

CITY OF KANANPOLIS, NORTH CAROLINA

TABLE 10

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities						Total Primary Government	Per Capita ⁽¹⁾	Percentage of Personal Income ⁽¹⁾
	Installment Obligations	U.S. Gov. Guaranteed Notes	Limited Obligation Bonds	Limited Obligation Bond Premium	Installment Obligations	Special Obligation Bonds	W/S Revenue Bonds	Limited Obligation Bonds					
2011	14,503,541	1,349,000	34,184,500	-	6,114,144	-	21,607,221	815,500	-	78,573,906	1,835	1.47%	
2012	11,357,867	1,180,000	34,425,000	-	8,718,447	-	17,620,006	-	-	73,301,320	1,695	1.35%	
2013	11,594,133	1,006,000	33,125,000	-	9,144,385	-	16,366,902	-	-	71,236,420	1,645	1.26%	
2014	10,163,453	827,000	31,685,000	-	7,929,905	-	33,224,348	-	-	83,829,706	1,915	1.37%	
2015	9,850,171	643,000	55,320,000	2,272,933	7,022,766	-	31,325,158	-	-	106,434,028	2,399	1.69%	
2016	8,622,690	453,000	53,045,000	2,151,700	5,857,523	11,000,000	29,365,628	-	-	110,495,541	2,395	1.75%	
2017	7,751,829	250,000	49,940,000	2,030,477	5,279,889	10,266,000	27,333,327	-	-	102,851,522	2,150	1.43%	
2018	10,083,071	200,000	57,845,000	1,909,254	8,811,301	9,532,000	49,112,298	14,900,000	-	152,392,924	3,122	1.96%	
2019	8,772,794	150,000	54,005,000	1,788,031	7,387,793	8,798,000	46,683,000	66,155,000	-	193,739,618	3,893	2.37%	
2020	24,785,249	100,000	30,490,000	1,666,808	5,971,669	8,064,000	44,064,000	65,410,000	-	180,551,726	3,469	*	

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 2020 personal income not available to calculate fiscal year 2020 percentage of personal income.

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2020

(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	50,670	16.24%	8,229
Cabarrus County COPS/LOBS	360,085	16.24%	58,478
Cabarrus County Capital Leases	4,042	16.24%	656
Rowan County General Obligation Debt	5,790	4.07%	236
Rowan County Installment Financing	50,133	4.07%	2,040
Subtotal, overlapping debt			69,639
City direct debt			55,375
Total direct and overlapping debt			<u>\$125,014</u>

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 12

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Dollars in Thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed Value of Property	\$ 3,737,493	\$ 3,791,828	\$ 3,362,410	\$ 3,468,617	\$ 3,584,202	\$ 3,745,416	\$ 3,929,582	\$ 4,019,790	\$ 4,138,141	\$ 4,378,483
Debt Limit, 8% of Assessed Value (Statutory Limitation)	298,999	303,346	268,993	277,489	286,736	299,633	314,367	321,583	331,051	350,279
Debt applicable to debt limitations:										
Special obligation bonds	-	-	-	-	-	11,000	10,266	9,532	8,798	8,064
Limited obligation bonds	35,000	34,425	33,125	31,685	57,593	55,197	49,940	74,654	121,948	114,872
Installment obligations	21,967	21,256	21,744	18,920	17,516	14,933	13,282	19,094	16,311	13,552
Less: Amount of bonded debt incurred for water purposes	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limitations	56,967	55,681	54,869	50,605	75,109	81,130	73,488	103,280	147,057	136,488
Legal debt margin	\$ 242,032	\$ 247,665	\$ 214,124	\$ 226,884	\$ 211,627	\$ 218,503	\$ 240,879	\$ 218,303	\$ 183,994	\$ 213,791
Total net debt applicable to the limit as a percentage of debt limit	19.05%	18.36%	20.40%	18.24%	26.19%	27.08%	23.38%	32.12%	44.42%	38.97%

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.

CITY OF KANANPOLIS, NORTH CAROLINA

TABLE 13

PLEDGED - REVENUE COVERAGE

Last Ten Fiscal Years

Water and Sewer Revenue Bonds							
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2011	13,277,917	7,500,447	5,777,470	1,870,064	1,129,038	2,999,102	1.93
2012	13,662,511	8,822,600	4,839,911	1,547,514	932,191	2,479,705	1.95
2013	13,664,084	8,431,200	5,232,884	1,253,104	526,082	1,779,186	2.94
2014	14,618,245	8,933,072	5,685,173	1,387,555	864,802	2,252,357	2.52
2015	13,727,664	8,735,286	4,992,378	2,280,158	1,314,183	3,594,341	1.39
2016	16,327,038	10,556,224	5,770,814	1,959,530	1,148,822	3,108,352	1.86
2017	15,816,830	11,181,279	4,635,551	2,032,301	1,082,596	3,114,897	1.49
2018	17,256,872	10,706,300	6,550,572	2,098,027	1,121,971	3,219,998	2.03
2019	17,536,939	12,020,328	5,516,611	2,429,300	1,934,634	4,363,934	1.26
2020	19,415,386	13,402,746	6,012,640	2,619,000	1,738,616	4,357,616	1.38

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

Utility service charges equal total operating revenues plus investment earning.

Principal and interest of revenue bonds only are shown here.

Coverage equals net revenues divided by total debt service requirements.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (Dollars in Thousands)		Per Capita Personal Income ⁽²⁾		Public School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	
		Cabarrus County	Rowan County	Cabarrus County	Rowan County		Cabarrus County	Rowan County
2011	42,828	6,057,692	4,124,902	34,030	29,750	5,239	10.4%	11.6%
2012	43,242	6,453,148	4,111,873	35,561	29,792	5,290	9.3%	10.3%
2013	43,312	7,025,450	4,334,051	38,079	31,365	5,442	7.9%	8.8%
2014	43,782	7,301,723	4,317,017	39,000	31,210	5,554	6.0%	6.5%
2015	44,359	7,305,647	4,326,891	38,521	34,587	5,707	5.3%	6.0%
2016	46,144	7,799,648	4,779,187	39,640	34,348	5,829	5.4%	5.8%
2017	47,839	8,286,025	4,940,633	41,103	35,307	5,249	3.9%	4.3%
2018	48,806	9,085,784	5,202,978	43,920	36,994	5,375	3.7%	4.0%
2019	49,761	9,556,853	5,380,568	45,220	38,089	5,516	3.3%	4.4%
2020	52,053	*	*	*	*	5,626	3.6%	4.0%

* Information not yet available.

Notes:

- ⁽¹⁾ 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.
2015-2020 population was estimated from the US Census Bureau
Source: State of N.C. Office of State Budget and Management
- ⁽²⁾ 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 2014-2015 figures were determined from the Bureau of Economic Analysis | US Department of Commerce
2016-2019 figures were determined from Federal Reserve Bank Economic Division
Kannapolis City Schools
- ⁽³⁾ Source: N. C. Employment Security Commission - <https://desncc.com/PMINewsRates>
These are County figures -- separate figures for the City of Kannapolis are not available.
- ⁽⁴⁾ 2016 unemployment rates for Cabarrus and Rowan County were determined by NC. E.S.C as of May 2016
2017 unemployment rates for Cabarrus and Rowan County were determined by Federal Reserve Economic Research Division for June of 2017
2018 unemployment rates for Cabarrus and Rowan County were determined by Federal Reserve Economic Research Division for June of 2018
2019-2020 unemployment rates for Cabarrus and Rowan County were determined by Federal Reserve Economic Research Division for June of 2019/20

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 15

PRINCIPAL EMPLOYERS

Current and Nine Years Ago

Employer	Fiscal Year 2020			Fiscal Year 2011		
	Employees	Rank	Percentage of Total Cabarrus County and Rowan County Employment	Employees	Rank	Percentage of Total Cabarrus County and Rowan County Employment
Amazon Fulfillment Services, Inc.	1,200	1	0.72%			
Shoe Show, Inc.	1,000	2	0.60%	720	1	0.48%
Kannapolis City Schools	724	3	0.43%	700	2	0.46%
Cabarrus County Schools	463	4	0.28%	395	3	0.26%
City of Kannapolis	449	5	0.27%	386	4	0.26%
Walmart Supercenter	447	6	0.27%	-	-	-
Stewart-Haas Racing LLC	370	7	0.22%	-	-	-
Gordon Foods	262	8	0.16%	-	-	-
Lowe's Home Improvement Warehouse	220	9	0.13%	-	-	-
North Carolina Research Campus	200	10	0.12%	-	-	-
Target	-	-	-	208	6	0.14%
Cabarrus Health Alliance	-	-	-	189	8	0.13%
Stanley Works	-	-	-	235	5	0.16%
Food Lion	-	-	-	199	7	0.13%
Rowan Cabarrus Community College	-	-	-	150	9	0.10%
Kannapolis Health Care	-	-	-	120	10	0.08%
Total	5,335		3.18%	3,302		2.19%

For 2011, used Labor Force data from 6/30/11 CAFR.

For 2020, 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

PROPERTY VALUES AND CONSTRUCTION

Last Ten Fiscal Years

Fiscal Year Ended June 30	New Construction				Total Value Of New Construction	Total Additions And Alterations	Total Value Of New Construction And Additions
	Commercial Construction		Residential Construction				
	Number of Units	Value	Number of Units	Value			
2020	112	16,175,070	866	94,639,184	110,814,254	12,640,016	123,454,270
2019	34	37,660,961	283	39,253,207	76,914,168	93,464,274	170,378,442
2018	87	125,834,874	315	45,676,825	171,511,699	7,556,150	179,067,849
2017	94	40,679,619	321	35,912,500	76,592,119	6,735,024	83,327,143
2016	81	57,578,745	305	45,456,760	103,035,505	11,296,388	114,331,893
2015	41	65,320,262	292	43,319,992	108,640,254	11,901,231	120,541,485
2014	54	22,521,075	298	41,005,304	63,526,379	11,714,672	75,241,051
2013	41	22,997,714	287	24,471,966	47,469,680	9,821,608	57,291,288
2012	35	13,910,550	164	14,756,882	28,667,432	5,278,660	33,946,092
2011	29	14,849,799	66	6,303,349	21,153,148	10,592,739	31,745,887

Source: Cabarrus County Inspections Department

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 17

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	29	29	28	21 ⁽³⁾	31	40 ⁽⁴⁾	41	43	45	53 ⁽⁵⁾
Public safety	167	165	187	197	192	196	201	206	208	209
Public works admin and engineering	6	6	7	9	9	9	9	9	9	9
Parks and recreation	-	-	-	10 ⁽³⁾	11	8	9	10	12	18
Streets and sign shops	11	9	8	11	8	12	12	13	15	15
Stormwater	13	13	13	13	13	13	16	16	16	16
Environmental	1	1	1	1	1	1	0	4	4	6
Water - Sewer billing and collections	6	6	7	9	7	7	8	8	8	9
Water - Sewer distribution	27	26	27	28	28	29	29	29	33	38 ⁽⁶⁾
Water treatment plant	10	10	10	10	10	11	11	11	14	15
Total	270	265	288	309	310	326	336	349	364	388

Source: Finance Department

Notes: This schedule represents number of persons employed as of June 30th of each year.

(2) 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

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

(4) 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.

(5) Data shows that in 2016 the City implemented a new division for General Services.

(6) Data shows that in FY 2020, Information Technology was brought in-house with 5 employees

(6) Data shows that in FY 2020, a new Water Crew of 5 were hired to assist with water and tap installation

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Collection rate for city taxes	95.90%	96.32%	96.33%	97.07%	97.37%	98.23%	98.52%	98.60%	98.31%	97.95%
Applications for employment processed	1,851	1,408	1,554	1,467	1,367	1,419	1,912	1,845	1,834	699
Hiring rate	3.67%	3.27%	4.40%	2.65%	2.12%	8.97%	3.30%	2.39%	2.67%	9.47%
Parks and Recreation:										
Concerts presented by the City	14	12	14	19	19	19	22	23	24	6
Shelter reservations	1029	943	911	1580	956	1021	1528	1565	1601	505
Police:										
Homicide and death investigations	7	13	55	53	61	71	64	100	96	79
Assault investigations	66	70	34	39	38	49	42	48	47	42
Fire:										
Response to all in City incidents within six minutes	4849	4274	90%	83.8%	80.7%	79.0%	85.0%	82.0%	80.0%	81.5%
Average response time (minutes) for fire calls	NA	NA	3:49	4:46	4:20	4:19	3:25	3:31	3:19	3:53
Number of fire inspections for businesses	1,280	1,550	682	1,420	1,689	5,946	1,058	687	234	1,200
Storm water:										
Shoulder work and ditches cleared (miles)	4.00	9.00	4.00	4.5	7.8	3.9	1.4	2.1	3.1	2.2
Drainage structures (repaired & constructed)	31	54	31	45	46	16	31	37	29	24
Streets And Sign Shop:										
Reconstruction resurfacing (miles)	0.36	2.83	1.52	3.20	3.65	3.65	3.84	2.94	3.16	0.50
Pavement repairs (including potholes)	1,538	935	1,242	1,654	4,615	7,370	7,370	5,322	6,387	5,375
Street name signs installed or repaired	126	202	760	358	182	218	218	239	316	293
Information signs installed or repaired	268	466	638	1,060	1,794	1,740	1,740	1,520	1,856	1,330
Water Sewer Distribution:										
Water services installed	35	39	54	53	46	46	93	150	215	157
Sewer services installed	4	11	11	55	15	10	54	127	189	126

Continued on next page.

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 18 (CONTINUED)

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Treatment Plant:										
Total water treated (per billion gallons)	1.210	1.230	1.305	1.424	1.100	1.550	1.410	1.290	1.360	1.390
Unit cost of treatment (\$/1,000 Gal)	1.610	1.670	1.358	1.461	1.510	1.490	1.490	1.340	1.360	1.260
Water Sewer Billing Collections:										
Average number of walk in customers	6,662	6,900	6,221	6,145	6,527	6,421	4,180	6,325	5,765	2,751
Water and Sewer collection percentage	97.30%	98.80%	97.63%	98.76%	98.00%	97.69%	97.57%	97.80%	97.80%	97.47%

Sources: Various County departments.

NOTES:

- (1) Data is average per month
 (2) Walk-ins impacted by COVID-19 pandemic with building being closed
 NA Data not available

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 19

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Parks and recreation:										
Park facilities	8	8	9	8	8	8	8	8	8	11
Acreage	114	114	114	114	114	128	172	172	172	257
Picnic shelters/structure	15	15	15	15	15	15	15	15	15	15
Softball fields	3	3	4	4	4	4	4	4	4	3
Playgrounds	6	6	7	7	7	7	7	7	7	6
Soccer fields	1	1	1	1	1	1	1	1	1	1
Fire Protection:										
Stations	5	5	5	5	5	5	5	5	5	5
Fire trucks (pumper)	10	10	10	9	8	8	8	9	9	9
Fire trucks (ladder)	2	2	2	2	2	2	2	3	3	3
Police:										
Patrol cars	69	65	56	57	59	60	66	66	66	68
Total police vehicles	107	102	104	103	104	109	114	114	114	110
Streets:										
Miles of streets	225	226	226	227	227	227	232	232	232	232
Water:										
Miles of water mains	325	330	329	320	324	324	335	335	335	346
Wastewater:										
Miles of sanitary sewers	325	318	317	325	316	317	325	325	325	326
Treatment capacity ⁽¹⁾	15	15	15	27	25	26	27	27	27	27

Sources: Various City departments.⁽¹⁾ Data is by Million Gallons (MG)

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Compliance Section

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act
 - Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act
 - Schedule of Findings, Responses, and Questioned Costs
 - Schedule of Prior Year Audit Findings
 - Schedule of Expenditures of Federal and State Awards
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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kannapolis, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 23, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kannapolis' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kannapolis' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 23, 2020

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

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Kannapolis, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Kannapolis' major federal programs for the year ended June 30, 2020. The City of Kannapolis' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kannapolis' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kannapolis' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kannapolis' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Kannapolis complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Kannapolis is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kannapolis' internal control over compliance with the requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kannapolis' internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 23, 2020

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

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

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Kannapolis, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Kannapolis' major state programs for the year ended June 30, 2020. The City of Kannapolis' major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kannapolis' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Kannapolis' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Kannapolis' compliance.

Opinion on Each Major State Program

In our opinion, the City of Kannapolis complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

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 each major state program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kannapolis' internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 23, 2020

CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Highway Planning and Construction Cluster	20.205
CDBG Entitlement Grants Cluster	14.218

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? No

CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

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

State Awards

Internal control over major state programs:

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

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

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

Identification of major state programs:

Program Name

Powell Bill

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

None reported.

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Pass-Through to Subrecipients Expenditures
U.S. Department of Housing and Urban Development:						
Office of Community Planning and Development						
Direct Program:						
CDBG Entitlement Grants Cluster						
2006 Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-37-0017	\$ 169,256	\$ -	\$ -	\$ -
2016 Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-37-0017	-	-	-	-
2017 Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-37-0017	400	-	-	-
2018 Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-37-0017	7,685	-	-	-
2019 Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-37-0017	80,201	-	-	-
2020 Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-37-0017	159,177	-	-	-
Total CDBG Entitlement Grants Cluster			416,719	-	-	-
Passed Through City of Concord						
2013 Home Investment Partnership Program	14.239	M-13-DC-370209	5,000	-	-	-
2018 Home Investment Partnership Program	14.239	M-18-DC-370209	6,032	-	-	-
2019 Home Investment Partnership Program	14.239	M-19-DC-370209	58,209	-	-	-
2020 Home Investment Partnership Program	14.239	M-20-DC-370209	2,657	-	-	-
2020 Home Investment Partnership Program - Program Income	14.239	M-20-DC-370209	20,745	-	-	-
Total Home Investment Partnership Program			92,643	-	-	-
Total U.S. Department of Housing and Urban Development			509,362	-	-	-
U.S. Department of Transportation:						
Federal Highway Administration:						
Passed Through NC Department of Transportation:						
Highway Planning and Construction Cluster						
Congestion Mitigation and Air Quality	20.205	41124.3.FD1	3,155,296	-	14,589	-
Total Highway Planning and Construction Cluster			3,155,296	-	14,589	-
Total Assistance - Federal Awards			3,664,658	-	14,589	-
State Awards:						
N.C. Department of Transportation:						
Powell Bill			-	1,008,118	-	-
N.C. Housing Finance Agency						
Urgent Repair Program Grant			-	74,685	-	-
Total Assistance - State Awards			-	1,082,803	-	-
Total Federal and State Awards			\$ 3,664,658	\$ 1,082,803	\$ 14,589	\$ -

Notes to the Schedule of Federal and State Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Kannapolis under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Kannapolis, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Kannapolis.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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