

***REVIEWED***

***By SLGFD at 4:44 pm, Dec 22, 2021***

**CITY OF KANNAPOLIS  
NORTH CAROLINA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**



# **CITY OF KANNAPOLIS NORTH CAROLINA**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

Prepared by:  
Finance Department

Finance Director  
Africa Otis

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**CITY OF KANNAPOLIS, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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## **Introductory Section**

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

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November 30, 2021

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 Annual Comprehensive Financial Report (ACFR) of the City of Kannapolis, North Carolina, for the fiscal year ending June 30, 2021.

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, 2021. 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 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 an approximate population of 53,114 and the assessed valuation for property tax purposes is \$5,196,390,102. 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 21<sup>st</sup> 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 that was completed this year. 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) opened this year and has hosted all types of civic events as well as Minor League Baseball. 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 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 \$1,437,064 from fiscal year 20. In addition, the property tax collection rate saw a slight increase by .14% over 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. 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 ACFR, whose contents conform to program standards. The annual comprehensive 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, 2020. 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 black ink, appearing to read "Africa E. Otis", with a stylized flourish extending from the end.

Africa E. Otis  
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, 2020

*Christopher P. Morill*

Executive Director/CEO

**CITY OF KANNAPOLIS  
NORTH CAROLINA**

**MAYOR AND CITY OFFICIALS**

**MAYOR AND CITY COUNCIL**

M. Darrell Hinnant – Mayor

Darrell Jackson – Mayor Pro Tem

Doug Wilson – Council Member

Tom Kincaid – Council Member

Ryan G. Dayvault – Council Member

Dianne Berry – Council Member

Van Rowell – Council Member

**OFFICIALS**

Michael B. Legg  
City Manager

Eric Davis  
Assistant City Manager

Africa Otis  
Finance Director

R. Edward Smith  
Deputy City Manager

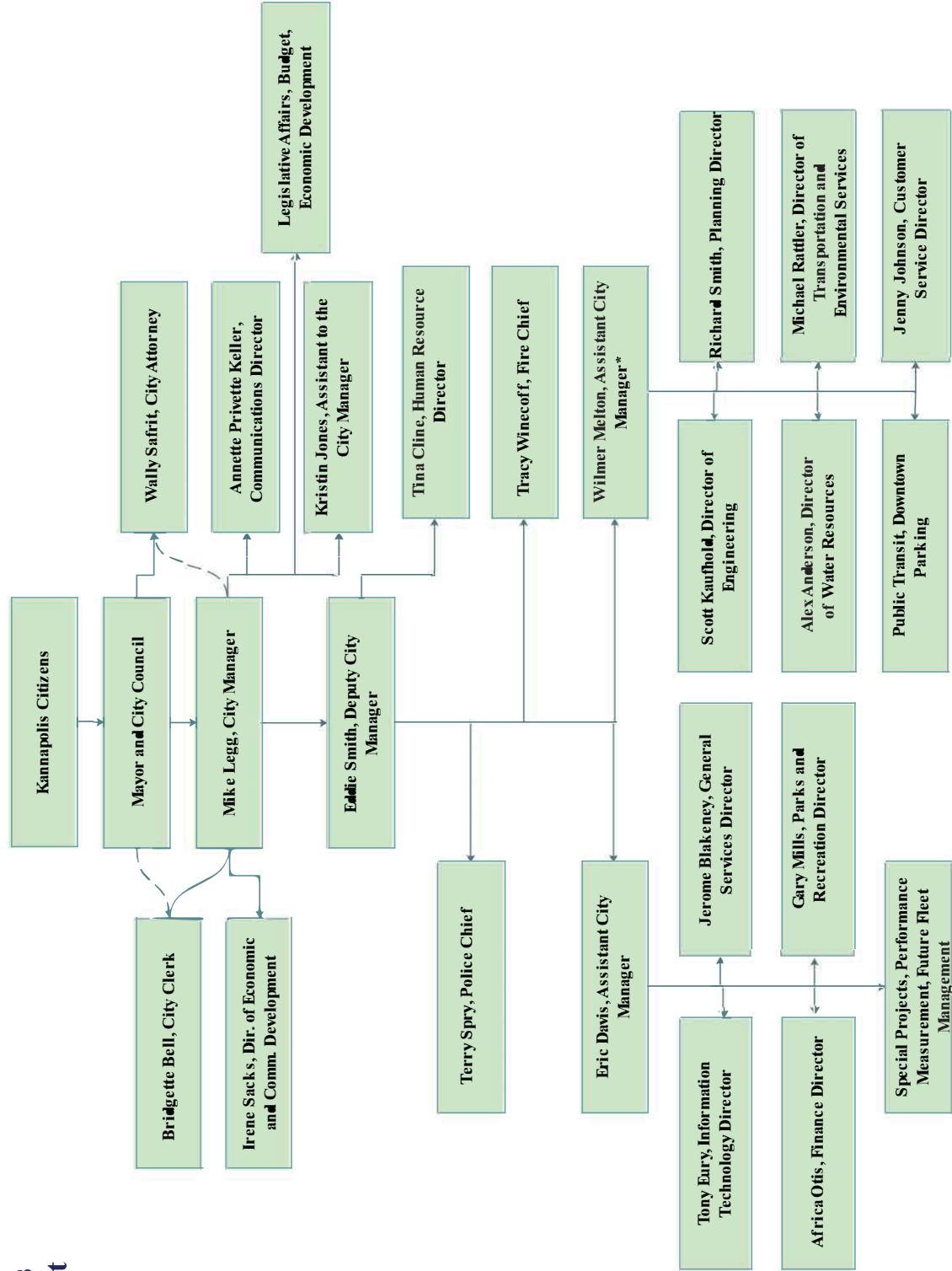
Bridgette L. Bell  
City Clerk

Walter M. Safrit, II  
City Attorney

Wilmer Melton  
Assistant City Manager

Tina H. Cline  
Human Resources Director

# City of Kannapolis Organization Chart July 2021



## **Financial Section**

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- 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, 2021, 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, 2021, 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-Employee 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 November 30, 2021 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  
November 30, 2021

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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, 2021. 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 \$194,928,335 (*net position*).
- The government's total net position increased by \$15,486,326, 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 \$29,496,451, which is an increase of \$6,147,356 in fund balance. Approximately 43% of this total amount, or \$12,741,518, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,389,033.
- The City of Kannapolis' total debt increased \$12,777,309, or 7%, during the current fiscal year. The City issued \$14,710,000 in limited obligation bonds for a parking deck. The City also issued \$11,675,000 water system revenue bonds for system improvements and heavy equipment. Total debt was also reduced due to scheduled principal payments made throughout the year totaling \$13,486,468.
- 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	A1
Standard & Poor's	A+

#### Issuer Credit Rating

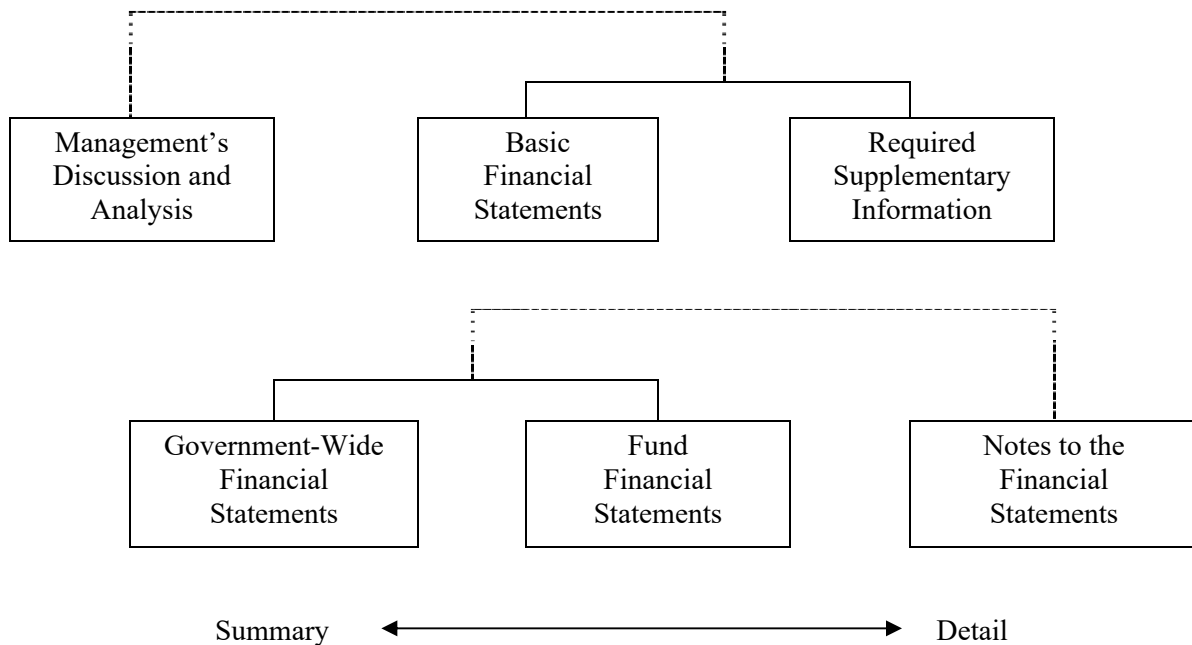
Standard & Poor's	Aa3
Moody's	AA-

## 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 18 through 21.

## **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 22 through 26 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 27 through 29 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 30 through 79 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 80 through 86 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 87 through 106 of this report for the City's governmental funds and on pages 107 through 116 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 (116%) 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 \$8,280,109 and (\$40,244,459), 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets:</b>						
Current assets	\$ 38,768,588	\$ 27,959,376	\$ 27,004,052	\$ 21,847,399	\$ 65,772,640	\$ 49,806,775
Capital assets	<u>271,013,887</u>	<u>183,302,774</u>	<u>138,773,438</u>	<u>202,062,621</u>	<u>409,787,325</u>	<u>385,365,395</u>
Total assets	<u>309,782,475</u>	<u>211,262,150</u>	<u>165,777,490</u>	<u>223,910,020</u>	<u>475,559,965</u>	<u>435,172,170</u>
<b>Deferred Outflows of Resources</b>	<u>26,739,884</u>	<u>9,156,385</u>	<u>6,402,368</u>	<u>2,179,257</u>	<u>33,142,252</u>	<u>11,335,642</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	203,833,421	107,430,650	75,759,480	128,863,725	279,592,901	236,294,375
Other liabilities	<u>21,086,181</u>	<u>10,777,581</u>	<u>6,743,203</u>	<u>12,216,290</u>	<u>27,829,384</u>	<u>22,993,871</u>
Total liabilities	<u>224,919,602</u>	<u>118,208,231</u>	<u>82,502,683</u>	<u>141,080,015</u>	<u>307,422,285</u>	<u>259,288,246</u>
<b>Deferred Inflows of Resources</b>	<u>5,119,063</u>	<u>6,282,544</u>	<u>1,232,534</u>	<u>1,495,013</u>	<u>6,351,597</u>	<u>7,777,557</u>
<b>Net Position:</b>						
Net investment in capital assets	142,568,689	126,260,718	84,323,996	83,602,581	226,892,685	209,863,299
Restricted	8,280,109	7,606,538	-	-	8,280,109	7,606,538
Unrestricted	<u>(44,365,104)</u>	<u>(37,939,496)</u>	<u>4,120,645</u>	<u>(88,332)</u>	<u>(40,244,459)</u>	<u>(38,027,828)</u>
Total net position	<u>\$ 106,483,694</u>	<u>\$ 95,927,760</u>	<u>\$ 88,444,641</u>	<u>\$ 83,514,249</u>	<u>\$ 194,928,335</u>	<u>\$ 179,442,009</u>

The City's total net position increased by \$15,486,326, while unrestricted net position decreased this fiscal year by \$2,216,631. Several particular aspects of the City's financial operations influenced the total net position:

- Non-current assets increased by \$24,421,930 due the completion of several capital projects including the VIDA parking deck.



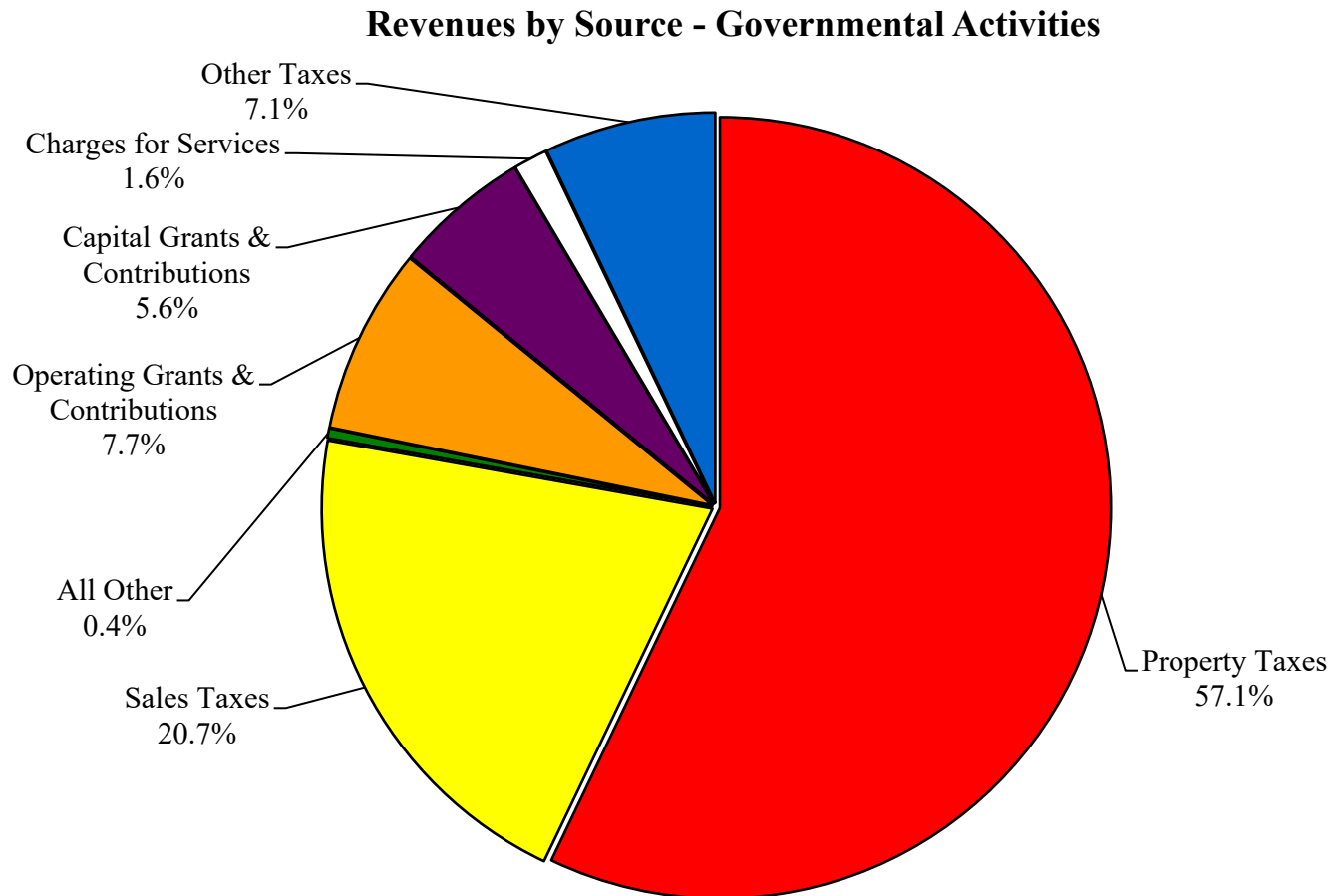
## City of Kannapolis' Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 775,878	\$ 818,948	\$ 28,076,389	\$ 26,352,539	\$ 28,852,267	\$ 27,171,487
Operating grants and contributions	4,397,876	855,713	-	17,000	4,397,876	872,713
Capital grants and contributions	3,205,743	7,040,399	2,940,970	2,635,020	6,146,713	9,675,419
General revenues:						
Property taxes	32,759,023	27,679,255	-	-	32,759,023	27,679,255
Other taxes	15,963,278	14,492,560	-	-	15,963,278	14,492,560
Other revenues	315,969	916,232	39,378	621,514	355,347	1,537,746
Total revenues	<u>57,417,767</u>	<u>51,803,107</u>	<u>31,056,737</u>	<u>29,626,073</u>	<u>88,474,504</u>	<u>81,429,180</u>
<b>Expenses:</b>						
General government	5,819,368	8,761,164	-	-	5,819,368	8,761,164
Public safety	24,247,796	20,005,192	-	-	24,247,796	20,005,192
Public works	4,889,639	5,519,558	-	-	4,889,639	5,519,558
Community development	1,955,498	2,114,148	-	-	1,955,498	2,114,148
Parks and recreation	4,326,972	3,259,750	-	-	4,326,972	3,259,750
Water and sewer	-	-	19,541,398	18,259,927	19,541,398	18,259,927
Stormwater	-	-	2,948,719	2,291,991	2,948,719	2,291,991
Environmental services	-	-	4,555,582	4,390,906	4,555,582	4,390,906
Downtown	-	-	3,020,092	8,103,447	3,020,092	8,103,447
Other	1,683,114	2,802,713	-	-	1,683,114	2,802,713
Total expenses	<u>42,922,387</u>	<u>42,462,525</u>	<u>30,065,791</u>	<u>33,046,271</u>	<u>72,988,178</u>	<u>75,508,796</u>
Change in net position before transfers	14,495,380	9,340,582	990,946	(3,420,198)	15,486,326	5,920,384
Transfers	<u>(3,939,446)</u>	<u>(5,064,650)</u>	<u>3,939,446</u>	<u>5,064,650</u>	<u>-</u>	<u>-</u>
Change in net position	10,555,934	4,275,932	4,930,392	1,644,452	15,486,326	5,920,384
<b>Net Position:</b>						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$106,483,694</u>	<u>\$ 95,927,760</u>	<u>\$ 88,444,641</u>	<u>\$ 83,514,249</u>	<u>\$ 194,928,335</u>	<u>\$ 179,442,009</u>

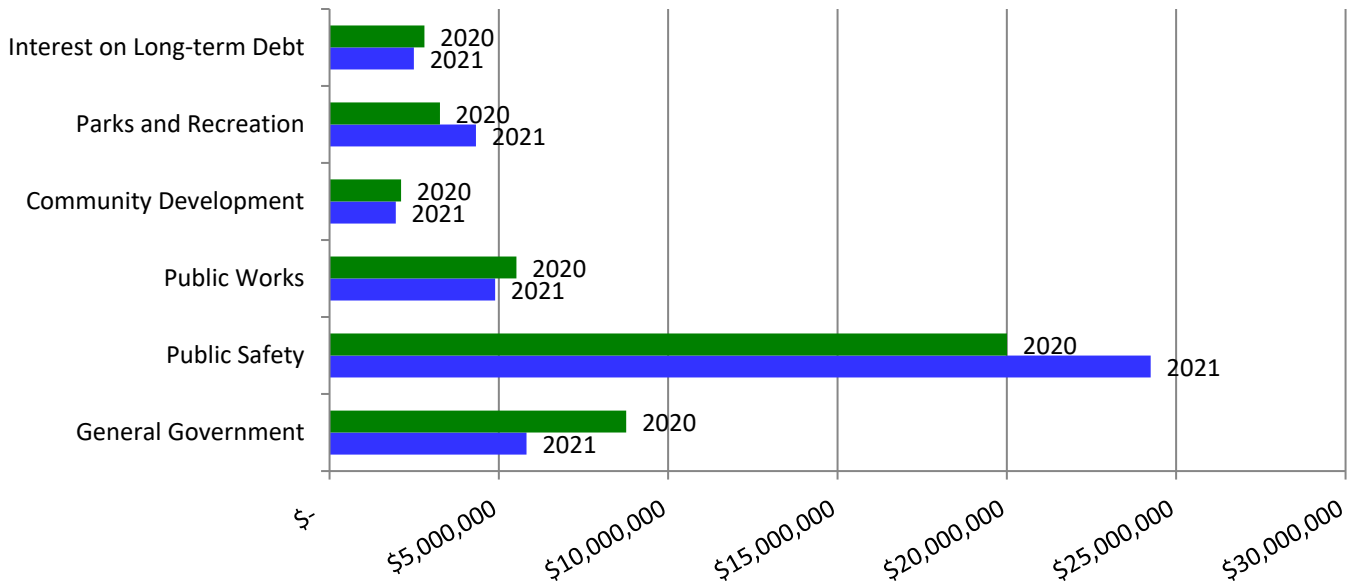
**Governmental Activities.** Net position increased in the City's governmental activities this fiscal year by \$10,555,934. Key elements of this increase are as follows:

- The City received \$4,397,876 in operating grants and contributions an increase of \$3,542,163 over FY 2020 largely due to the COVID-19 global pandemic.



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 \$32,759,023, while sales taxes total \$11,905,688. The third largest source of revenue is franchise tax. The City received grants from various federal and state agencies, including 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.

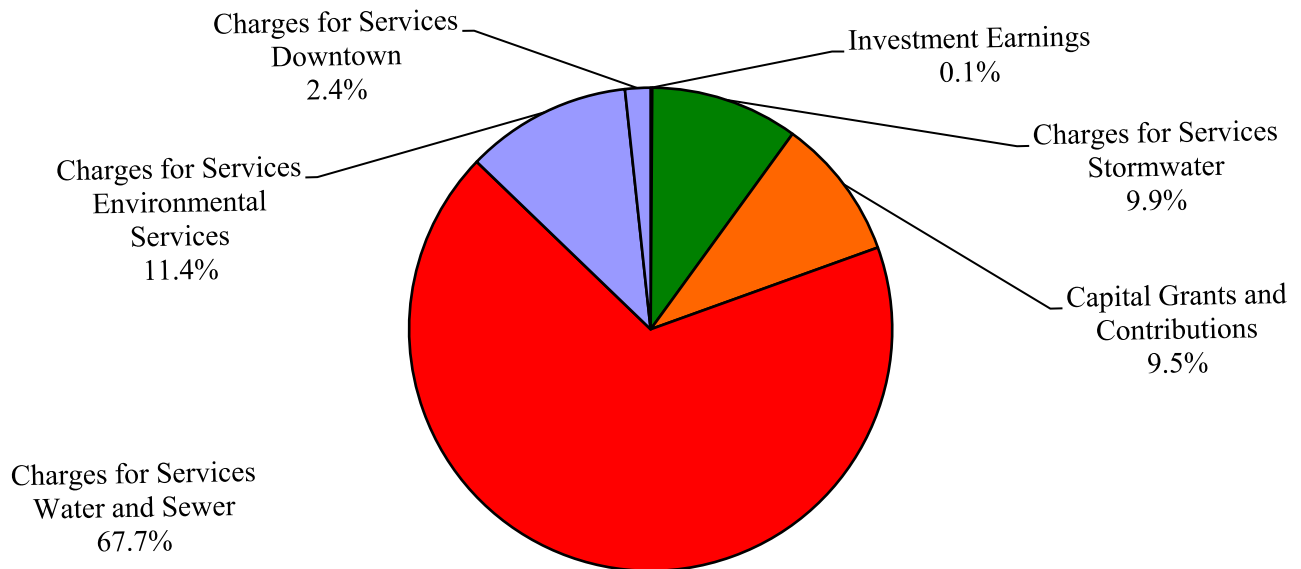
## Government Activities Expenses



**Business-Type Activities.** Business-type activities increased the City of Kannapolis' net position by \$4,930,392. Key elements of this increase are as follows:

- The General Fund transferred \$3,130,277 to the Downtown fund to cover debt service cost.
- Capital contributions were \$2,940,970 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 \$17,389,033, while total fund balance reached \$29,400,164. This is an increase of \$1,274,734 in unassigned and an increase of \$8,534,030 in total fund balance from fiscal year 2020. The increase seen in total fund balance for the general fund is attributable to normal growth and a significant decrease in anticipated effects of COVID-19. The City currently has an available fund balance of 51.2% of General Fund expenditures and transfers out, while total fund balance represents 62.5% 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, 2021, the governmental funds of the City of Kannapolis reported a combined fund balance of \$29,496,451, with a net increase in fund balance of \$6,147,356. The City had \$13,106,645 of expenditures over revenues. The City transferred out \$7,159,289 to capital project funds, Environmental Services Fund, and the Downtown Kannapolis Fund.

### **General Fund Budgetary Highlights**

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

Total amendments to the General Fund increased revenues, expenditures, and other financing sources (uses) by \$3,111,831, or 6%. As estimated revenues came in over budget various appropriations were made to implement priority projects and initiatives identified by City Council.

The total variance from the final budget numbers to the actual results for revenues that the City received was \$6,218,547 or 13%, more than the budgeted amount. As previously indicated due to the uncertainty of the effects of COVID revenue projections were extremely conservative. Property tax revenue exceeded budget by \$1,250,049, while sales tax revenue was overbudget by \$2,689,099. Total revenue increased by 19% from fiscal year 2020.

The total variance from the final budget numbers to the actual results for expenditures totaled \$4,887,846, or 11%, of the final budget, compared to a variance of only 5% in the prior fiscal year.

### **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, 2021 was \$4,120,645 compared to \$(88,332) at June 30, 2020. See the detailed explanation of this increase under key elements of the change in the net position discussed earlier under "Business-Type Activities."

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totaled \$409,787,325 (net of accumulated depreciation). This is an increase from June 30, 2020 of \$24,421,930. These assets include land, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset transactions during the year included the following:

- GEM Theatre Phase I Renovations
- Opening of Vida and the Vida Parking Deck
- Lane Street Waterline replacement
- Over 3.7 mm in property sales

## City of Kannapolis' Capital Assets

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 24,063,463	\$ 16,160,172	\$ 839,066	\$ 5,909,936	\$ 24,902,529	\$ 22,070,108
Construction in progress	55,641,399	3,385,819	7,250,156	49,712,199	62,891,555	53,098,018
Rowan County water rights	-	-	2,411,100	2,411,100	2,411,100	2,411,100
Buildings and systems	80,533,761	76,491,119	22,895,344	27,187,986	103,429,105	103,679,105
Improvements other than buildings	36,724,153	9,464,187	-	11,673,024	36,724,153	21,137,211
Machinery and equipment	20,368,571	19,336,451	8,523,874	7,564,116	28,892,445	26,900,567
Infrastructure	161,562,974	160,058,232	159,577,366	156,636,396	321,140,340	316,694,628
Total	378,894,321	284,895,980	201,496,906	261,094,757	580,391,227	545,990,737
Less accumulated depreciation and amortization	107,880,434	101,593,206	62,723,468	59,032,136	170,603,902	160,625,342
Capital assets, net	<u>\$ 271,013,887</u>	<u>\$ 183,302,774</u>	<u>\$ 138,773,438</u>	<u>\$ 202,062,621</u>	<u>\$ 409,787,325</u>	<u>\$ 385,365,395</u>

For additional information on the City's capital assets, see pages 44 through 47 of this report.

### Long-Term Debt

At the end of the current fiscal year, the City of Kannapolis had total debt outstanding of \$193,329,034. Of this amount, \$53,022,200 represents bonds secured solely by water and sewer revenues (i.e. revenue bonds). The City also had \$26,183,249 in outstanding installment obligations and \$114,123,585 in outstanding special obligation and limited obligation bonds. The City maintained its positive credit ratings this year.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Direct placement notes payable	\$ 24,229,980	\$ 24,885,248	\$ 1,953,269	\$ 5,971,669	\$ 26,183,249	\$ 30,856,917
Revenue bonds	-	-	53,022,200	44,064,000	53,022,200	44,064,000
Special obligation bonds	7,330,000	-	-	8,064,000	7,330,000	8,064,000
Limited obligation bonds	100,843,588	32,156,808	5,949,997	65,410,000	106,793,585	97,566,808
Total	<u>\$ 132,403,568</u>	<u>\$ 57,042,056</u>	<u>\$ 60,925,466</u>	<u>\$ 123,509,669</u>	<u>\$ 193,329,034</u>	<u>\$ 180,551,725</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, 2021, the legal debt limit for the City totaled approximately \$282,734,000. 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 63 through 76 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- Unemployment rates stayed steady at or below 4% for both Cabarrus and Rowan Counties, even through the COVID-19 pandemic.

The total proposed FY 2021-22 (FY 22) Budget for the City of Kannapolis is \$85,250,849 a 5.87% increase (\$4,727,396 actual) from the FY 2021 budget. This figure is the total of the General Fund, the Water and Sewer Fund, the Stormwater Fund, the Environmental Fund, the Public Transit Fund, and the Separation Pay Fund and excludes any interfund transfers (as defined by transfers between the annually adopted funds). This doesn't include the General Management Services fee, which is a fee charged by the enterprise funds to pay for the indirect support from the General Fund.

The past three annual budgets have been primarily focused on the significant downtown revitalization project. The FY 22 Budget continues the downtown efforts but adds a broader set of short- and long-term investments in a varied array of projects, initiatives and service delivery enhancements.

Due to the uncertainties of FY 21 relative to COVID, a wide range of expenditures (personnel, employee recruitment/retention, capital outlay) were put on hold. The proposed FY 22 Budget attempts to "catch up" from the COVID year to the greatest extent possible within the current financial resources.

The tax rate remains at \$.63/\$100 of valuation for fiscal year 2022. General Fund Departmental and Non-Departmental budgets saw an overall increase 9.37% or \$4,843,157 over FY 21 Adopted Budget. The FY 22 budget includes a number of initial funding priorities such as 14 new positions, increased employer contribution of 1% to 401K and an additional \$420 per employee in contributions to the medical flex spending plan.

New General Fund Debt Service obligations \$1,147,360 from FY 20 and FY 21 Capital Projects have been added to the FY 22 Budget. The new debt service obligations for FY 22 include the VIDA Parking Deck at \$14.7 million (20-year debt at 2% interest) and a Fire Engine replacement at \$850,000 (10-year debt, 2% interest).

The fiscal year 2022 Water and Sewer Budget increased \$492,624 or 2.4% from fiscal year 2021 budget. There were no rate increases for fiscal year 2022. There is little organic growth in charges and fees primarily due to impacts from the COVID pandemic. Commercial usage declined significantly while many businesses were closed. Residential usage actually increased while more people were at home, but not enough to offset the commercial decline. It is possible that the FY 22 revenues recover to pre-pandemic receipts, but it is too early to tell. There are no new Water and Sewer Capital Improvement Projects included in the proposed FY 22 Budget for the Water and Sewer Fund. However, there are available cash reserves and budgeted debt service that may not be fully used in FY 22 that will be considered for the advancement of one or more capital projects on the current Capital Improvement Program.

The Stormwater Fund budget for fiscal year 2022 totaled \$3,195,831, which represents an 8.69% decrease from the FY 21 adopted budget of \$3,500,000 (\$304,169 actual). The sole source of the decrease is related to a fund balance appropriation that occurred in FY 21 (\$400,000 appropriated) to subsidize the Environmental Fund. This is no longer planned for FY 22 because the Environmental fund has a proposed \$2.50 fee increase to offset the need for this transfer. An increase in charges and fees is projected at a 3% growth rate. No fee increase is proposed for FY 22 (the fifth consecutive year with no increased fees). The Stormwater Fund continues to be fully self-sustaining.

The fiscal year 2022 budget for the Environmental Fund increased 2.18%, or \$98,942 over the previous year's budget. The primary source of the increase is related to a proposed \$2.50 per month per account fee

increase, which will bring the fee from \$15.60 to \$18.10 to reduce the inter-fund transfers to 1) make this fund closer to being self-sustaining, and 2) offset the increased cost in the recycling program. The proposed fee increase helps reduce subsidy from the General Fund and Stormwater Funds to offset costs. The fee increase is projected to generate an additional \$563,400 in FY 22 revenue based on 18,780 customers.

The Downtown/College Station Fund has been closed out now that the City owns very little bricks and mortar real estate to maintain and operate. The proposed FY 22 Budget moves all remaining Downtown/College Station expenditures into the General Fund. These changes separate the maintenance and operation of the downtown buildings and the College Station building (managed by the General Services Department) from the park-like activities such as mowing, landscaping, tree maintenance, restroom oversight 9 A-5 (managed by the Parks and Recreation Department). Debt service (including the Ballpark) and special events expenses have also been moved to the General Fund.

### **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**

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

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# CITY OF KANNAPOLIS, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 22,760,021	\$ 14,299,702	\$ 37,059,723
Taxes receivable	434,606	-	434,606
Accounts receivable, net	1,105,888	5,597,163	6,703,051
Due from other governments	2,942,711	203,627	3,146,338
Cash and cash equivalents, restricted	11,022,323	6,903,560	17,925,883
Prepaid items	503,039	-	503,039
Total current assets	38,768,588	27,004,052	65,772,640
Non-current assets:			
Intangible asset, net of amortization	-	1,494,882	1,494,882
Non-depreciable assets	79,704,862	8,089,222	87,794,084
Other capital assets, net of depreciation	191,309,025	129,189,334	320,498,359
Total capital assets, net	271,013,887	137,278,556	408,292,443
Total non-current assets	271,013,887	138,773,438	409,787,325
Total assets	309,782,475	165,777,490	475,559,965
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	19,804,072	4,775,450	24,579,522
Pension deferrals	6,935,812	1,626,918	8,562,730
Total deferred outflows of resources	26,739,884	6,402,368	33,142,252
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	1,081,724	606,602	1,688,326
Accrued expenses	2,793,309	274,088	3,067,397
Accrued interest	1,237,630	535,878	1,773,508
Current compensated absences	1,168,000	203,500	1,371,500
Current maturities of long-term debt	10,129,071	4,695,599	14,824,670
Liabilities to be paid from restricted assets	4,676,447	427,536	5,103,983
Total current liabilities	21,086,181	6,743,203	27,829,384

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

# CITY OF KANNAPOLIS, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2021

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Non-current liabilities:			
Net pension liability - LGERS	8,863,172	2,079,016	10,942,188
Total pension liability - SSA	8,052,189	1,888,785	9,940,974
Total OPEB liability	64,254,313	15,493,947	79,748,260
Non-current compensated absences	389,250	67,865	457,115
Long-term debt	122,274,497	56,229,867	178,504,364
Total non-current liabilities	203,833,421	75,759,480	279,592,901
 Total liabilities	 224,919,602	 82,502,683	 307,422,285
 <b>Deferred Inflows of Resources:</b>			
OPEB deferrals	4,837,316	1,166,445	6,003,761
Pension deferrals	281,747	66,089	347,836
Total deferred inflows of resources	5,119,063	1,232,534	6,351,597
 <b>Net Position:</b>			
Net investment in capital assets	142,568,689	84,323,996	226,892,685
Restricted - stabilization by state statute	5,034,629	-	5,034,629
Restricted - streets	2,278,361	-	2,278,361
Restricted - community development	902,202	-	902,202
Restricted - public safety	64,917	-	64,917
Unrestricted	(44,365,104)	4,120,645	(40,244,459)
 Total net position	 \$ 106,483,694	 \$ 88,444,641	 \$ 194,928,335

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, 2021

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,819,368	\$ 166,339	\$ 3,662,359	\$ 1,347,324
Public safety	24,247,796	282,720	735,517	-
Public works	4,889,639	-	-	1,259,163
Community development	1,955,498	119,480	-	599,256
Parks and recreation	4,326,972	207,339	-	-
Interest on long-term debt	1,683,114	-	-	-
Total governmental activities	<u>42,922,387</u>	<u>775,878</u>	<u>4,397,876</u>	<u>3,205,743</u>
<b>Business-Type Activities:</b>				
Water and sewer	19,541,398	21,028,417	-	2,940,970
Stormwater	2,948,719	3,078,995	-	-
Environmental services	4,555,582	3,458,266	-	-
Downtown	3,020,092	510,711	-	-
Total business-type activities	<u>30,065,791</u>	<u>28,076,389</u>	<u>-</u>	<u>2,940,970</u>
Total primary government	<u>\$ 72,988,178</u>	<u>\$ 28,852,267</u>	<u>\$ 4,397,876</u>	<u>\$ 6,146,713</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, 2021**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Functions/Programs</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (643,346)	\$ -	\$ (643,346)
Public safety	(23,229,559)	-	(23,229,559)
Public works	(3,630,476)	-	(3,630,476)
Community development	(1,236,762)	-	(1,236,762)
Parks and recreation	(4,119,633)	-	(4,119,633)
Interest on long-term debt	(1,683,114)	-	(1,683,114)
Total governmental activities	(34,542,890)	-	(34,542,890)
<b>Business-Type Activities:</b>			
Water and sewer	-	4,427,989	4,427,989
Stormwater	-	130,276	130,276
Environmental services	-	(1,097,316)	(1,097,316)
Downtown	-	(2,509,381)	(2,509,381)
Total business-type activities	-	951,568	951,568
Total primary government	(34,542,890)	951,568	(33,591,322)
<b>General Revenues:</b>			
Taxes:			
Ad valorem taxes	32,759,023	-	32,759,023
Sales tax	11,905,688	-	11,905,688
Other taxes and licenses	1,456,284	-	1,456,284
Franchise tax	2,601,306	-	2,601,306
Unrestricted intergovernmental revenues	210,024	-	210,024
Investment earnings	105,945	39,378	145,323
Total general revenues, not including transfers	49,038,270	39,378	49,077,648
Transfers	(3,939,446)	3,939,446	-
Total general revenues and transfers	45,098,824	3,978,824	49,077,648
Change in net position	10,555,934	4,930,392	15,486,326
<b>Net Position:</b>			
Beginning of year - July 1	95,927,760	83,514,249	179,442,009
End of year - June 30	\$ 106,483,694	\$ 88,444,641	\$ 194,928,335

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

# CITY OF KANNAPOLIS, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2021

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 21,457,616	\$ 1,302,405	\$ 22,760,021
Taxes receivable	434,606	-	434,606
Accounts receivable	931,875	-	931,875
Long-term receivable	-	174,013	174,013
Due from other governments	2,921,145	21,566	2,942,711
Due from other funds	1,272,081	-	1,272,081
Cash and cash equivalents - restricted	6,301,648	4,720,675	11,022,323
Prepaid items	503,039	-	503,039
Total assets	<u>\$ 33,822,010</u>	<u>\$ 6,218,659</u>	<u>\$ 40,040,669</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 907,880	\$ 173,844	\$ 1,081,724
Accrued liabilities	2,793,309	-	2,793,309
Due to other funds	-	1,272,081	1,272,081
Liabilities to be paid from restricted assets	-	4,676,447	4,676,447
Total liabilities	<u>3,701,189</u>	<u>6,122,372</u>	<u>9,823,561</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	434,606	-	434,606
Other unavailable revenue	286,051	-	286,051
Total deferred inflows of resources	<u>720,657</u>	<u>-</u>	<u>720,657</u>
<b>Fund Balances:</b>			
Non-spendable:			
Prepaid items	503,039	-	503,039
Restricted:			
Stabilization by state statute	4,839,050	195,579	5,034,629
Restricted for community development	-	902,202	902,202
Restricted for parks and recreation	3,958,370	-	3,958,370
Restricted for streets	2,278,361	-	2,278,361
Restricted for public safety	64,917	-	64,917
Committed	367,394	202,850	570,244
Unassigned	17,389,033	(1,204,344)	16,184,689
Total fund balances	<u>29,400,164</u>	<u>96,287</u>	<u>29,496,451</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,822,010</u>	<u>\$ 6,218,659</u>	<u>\$ 40,040,669</u>

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

# CITY OF KANNAPOLIS, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2021

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance - governmental funds	\$ 29,496,451
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	271,013,887
Net pension liability - LGERS	(8,863,172)
Total pension liability - SSA	(8,052,189)
Total OPEB liability	(64,254,313)
Deferred outflows - pension	6,935,812
Deferred outflows - OPEB	19,804,072
Deferred inflows - pension	(281,747)
Deferred inflows - OPEB	(4,837,316)
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.	720,657
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term debt	(132,403,568)
Accrued interest	(1,237,630)
Compensated absences	<u>(1,557,250)</u>
Net position of governmental activities	<u>\$ 106,483,694</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, 2021

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 32,888,682	\$ -	\$ 32,888,682
Other taxes and licenses	12,363,784	857,338	13,221,122
Unrestricted intergovernmental	2,952,180	-	2,952,180
Restricted intergovernmental	2,632,849	1,308,411	3,941,260
Sales and services	739,065	-	739,065
Investment earnings	105,945	-	105,945
Miscellaneous	3,662,359	-	3,662,359
Total revenues	<u>55,344,864</u>	<u>2,165,749</u>	<u>57,510,613</u>
<b>Expenditures:</b>			
Current:			
General government	7,206,612	-	7,206,612
Public safety	18,556,128	709,155	19,265,283
Public works	3,233,059	-	3,233,059
Community development	921,213	1,034,285	1,955,498
Capital outlay	-	2,556,212	2,556,212
Parks and recreation	3,080,939	-	3,080,939
Debt service:			
Principal retirement	5,378,251	50,000	5,428,251
Interest and fees	1,675,343	2,771	1,678,114
Total expenditures	<u>40,051,545</u>	<u>4,352,423</u>	<u>44,403,968</u>
Revenues over (under) expenditures	<u>15,293,319</u>	<u>(2,186,674)</u>	<u>13,106,645</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	200,000	-	200,000
Transfers (out)	(6,959,289)	(200,000)	(7,159,289)
Total other financing sources (uses)	<u>(6,759,289)</u>	<u>(200,000)</u>	<u>(6,959,289)</u>
Net change in fund balances	8,534,030	(2,386,674)	6,147,356
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>20,866,134</u>	<u>2,482,961</u>	<u>23,349,095</u>
End of year - June 30	<u>\$ 29,400,164</u>	<u>\$ 96,287</u>	<u>\$ 29,496,451</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, 2021

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)	\$ 6,147,356
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.	8,202,090
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(5,230,975)
Pension expense - LGERS	(1,207,643)
Pension expense - SSA	(636,297)
OPEB plan expense	(4,986,821)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(92,846)
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.	(208,247)
Governmental funds report the effect of bond premiums when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	121,223
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense; rather, they are a decrease in liabilities.	5,428,251
Transfer of capital assets from business-type activities to the governmental activities	84,739,998
Transfer of debt obligations, including related accrued interest, from governmental activities to the business-type activities	<u>(81,720,155)</u>
Total change in net position of governmental activities (Exhibit B)	<u>\$ 10,555,934</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, 2021

	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 31,638,633	\$ 31,638,633	\$ 32,888,682	\$ 1,250,049
Other taxes and licenses	9,384,680	9,626,148	12,363,784	2,737,636
Unrestricted intergovernmental	2,964,000	2,964,000	2,952,180	(11,820)
Restricted intergovernmental	2,402,536	2,402,536	2,632,849	230,313
Sales and services	1,337,000	1,347,000	739,065	(607,935)
Investment earnings	210,000	210,000	105,945	(104,055)
Miscellaneous	920,000	938,000	3,662,359	2,724,359
Total revenues	<u>48,856,849</u>	<u>49,126,317</u>	<u>55,344,864</u>	<u>6,218,547</u>
<b>Expenditures:</b>				
Current:				
General government	8,991,503	9,512,192	7,206,612	2,305,580
Public safety	17,456,525	18,638,645	18,556,128	82,517
Public works	4,014,929	4,685,624	3,233,059	1,452,565
Community development	809,503	974,778	921,213	53,565
Parks and recreation	3,557,789	3,860,841	3,080,939	779,902
Debt service:				
Principal retirement	5,536,252	5,536,252	5,378,251	158,001
Interest and fees	<u>1,731,059</u>	<u>1,731,059</u>	<u>1,675,343</u>	<u>55,716</u>
Total expenditures	<u>42,097,560</u>	<u>44,939,391</u>	<u>40,051,545</u>	<u>4,887,846</u>
Revenues over (under) expenditures	<u>6,759,289</u>	<u>4,186,926</u>	<u>15,293,319</u>	<u>11,106,393</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	200,000	200,000	200,000	-
Transfers (out)	(6,959,289)	(7,229,289)	(6,959,289)	270,000
Appropriated fund balance	<u>-</u>	<u>2,842,363</u>	<u>-</u>	<u>(2,842,363)</u>
Total other financing sources (uses)	<u>(6,759,289)</u>	<u>(4,186,926)</u>	<u>(6,759,289)</u>	<u>(2,572,363)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	8,534,030	<u>\$ 8,534,030</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>20,866,134</u>	
End of year - June 30			<u>\$ 29,400,164</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, 2021

	Business-Type Activities				
	Major Enterprise Funds				Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
<b>Assets:</b>					
Current assets:					
Cash and investments	\$ 3,895,821	\$ 2,015,312	\$ 818,191	\$ 7,570,378	\$ 14,299,702
Accounts receivable, net	4,166,596	604,851	787,529	38,187	5,597,163
Due from other governments	134,815	18,275	14,839	35,698	203,627
Cash and investments, restricted	6,897,234	-	-	6,326	6,903,560
Total current assets	15,094,466	2,638,438	1,620,559	7,650,589	27,004,052
Non-current assets:					
Intangible asset, net of amortization	1,494,882	-	-	-	1,494,882
Capital assets:					
Non-depreciable assets	8,089,222	-	-	-	8,089,222
Other capital assets net of depreciation	117,758,213	11,189,973	241,148	-	129,189,334
Total capital assets	125,847,435	11,189,973	241,148	-	137,278,556
Total assets	142,436,783	13,828,411	1,861,707	7,650,589	165,777,490
<b>Deferred Outflows of Resources:</b>					
OPEB deferrals	3,300,679	1,123,635	351,136	-	4,775,450
Pension deferrals	1,113,155	428,137	85,626	-	1,626,918
Total deferred outflows of resources	4,413,834	1,551,772	436,762	-	6,402,368
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	269,480	12,773	292,341	32,008	606,602
Accrued expenses	208,274	40,957	24,857	-	274,088
Accrued interest	478,541	56,117	1,220	-	535,878
Current portion of compensated absences	150,500	37,300	15,700	-	203,500
Current maturities of long-term debt	3,742,395	728,488	224,716	-	4,695,599
Liabilities to be paid from restricted assets	421,210	-	-	6,326	427,536
Total current liabilities	5,270,400	875,635	558,834	38,334	6,743,203
Non-current liabilities:					
Net pension liability - LGERS	1,422,484	547,110	109,422	-	2,079,016
Total pension liability - SSA	1,292,326	497,049	99,410	-	1,888,785
Total OPEB liability	10,709,052	3,645,635	1,139,260	-	15,493,947
Compensated absences	50,140	12,496	5,229	-	67,865
Long-term debt	50,140,252	5,974,831	114,784	-	56,229,867
Total non-current liabilities	63,614,254	10,677,121	1,468,105	-	75,759,480
Total liabilities	68,884,654	11,552,756	2,026,939	38,334	82,502,683
<b>Deferred Inflows of Resources:</b>					
OPEB deferrals	806,219	274,458	85,768	-	1,166,445
Pension deferrals	45,219	17,391	3,479	-	66,089
Total deferred inflows of resources	851,438	291,849	89,247	-	1,232,534
<b>Net Position:</b>					
Net investment in capital assets	79,935,694	4,486,654	(98,352)	-	84,323,996
Unrestricted	(2,821,169)	(951,076)	280,635	7,612,255	4,120,645
Total net position	\$ 77,114,525	\$ 3,535,578	\$ 182,283	\$ 7,612,255	\$ 88,444,641

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, 2021

	Business-Type Activities				
	Major Enterprise Funds				Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
<b>Operating Revenues:</b>					
Charges for services	\$ 18,639,356	\$ 3,078,995	\$ 3,318,845	\$ 510,711	\$ 25,547,907
Water and sewer taps	2,038,075	-	-	-	2,038,075
Other operating revenues	350,986	-	139,421	-	490,407
Total operating revenues	21,028,417	3,078,995	3,458,266	510,711	28,076,389
<b>Operating Expenses:</b>					
Administration	917,163	-	-	-	917,163
Distribution	4,682,914	-	-	-	4,682,914
Filter plant	3,300,635	-	-	-	3,300,635
General services	2,143,921	-	-	799,614	2,943,535
Contracted services	-	-	-	499,999	499,999
Sewage treatment	2,934,389	-	-	-	2,934,389
Stormwater	-	2,391,311	-	-	2,391,311
Environmental services	-	-	4,317,940	-	4,317,940
Depreciation and amortization	3,723,301	311,148	225,445	512,357	4,772,251
Total operating expenses	17,702,323	2,702,459	4,543,385	1,811,970	26,760,137
Operating income (loss)	3,326,094	376,536	(1,085,119)	(1,301,259)	1,316,252
<b>Non-Operating Revenues (Expenses):</b>					
Gain (loss) on disposal of assets	-	-	-	1,759,170	1,759,170
Interest earned on investments	2,698	-	-	36,680	39,378
Interest and fees on long-term debt	(1,839,075)	(246,260)	(12,197)	(2,967,292)	(5,064,824)
Total non-operating revenues (expenses)	(1,836,377)	(246,260)	(12,197)	(1,171,442)	(3,266,276)
Income (loss) before capital contributions and transfers	1,489,717	130,276	(1,097,316)	(2,472,701)	(1,950,024)
<b>Capital Contributions</b>	2,940,970	-	-	-	2,940,970
<b>Transfers:</b>					
Transfers (out)	(495,700)	(400,000)	-	(3,019,843)	(3,915,543)
Transfers in	-	-	1,045,700	6,809,289	7,854,989
Total transfers	(495,700)	(400,000)	1,045,700	3,789,446	3,939,446
Change in net position	3,934,987	(269,724)	(51,616)	1,316,745	4,930,392
<b>Net Position:</b>					
Beginning of year - July 1	73,179,538	3,805,302	233,899	6,295,510	83,514,249
End of year - June 30	\$ 77,114,525	\$ 3,535,578	\$ 182,283	\$ 7,612,255	\$ 88,444,641

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, 2021

	Business-Type Activities				
	Major Enterprise Funds				Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Downtown Kannapolis Fund	
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 20,482,479	\$ 3,092,455	\$ 3,464,308	\$ 1,372,791	\$ 28,412,033
Cash paid for goods and services	(9,744,201)	(1,098,496)	(3,470,884)	(1,924,669)	(16,238,250)
Cash paid to employees	(3,859,334)	(866,734)	(723,903)	-	(5,449,971)
Net cash provided (used) by operating activities	6,878,944	1,127,225	(730,479)	(551,878)	6,723,812
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers (to) other funds	(495,700)	(400,000)	-	-	(895,700)
Transfers from other funds	-	-	1,045,700	6,809,289	7,854,989
Net cash provided (used) by non-capital financing activities	(495,700)	(400,000)	1,045,700	6,809,289	6,959,289
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from disposal of assets	-	-	-	2,234,504	2,234,504
Proceeds from issuance of long-term debt	11,675,000	-	-	14,710,000	26,385,000
Acquisition of capital assets and capital projects	(5,478,536)	-	-	(18,278,894)	(23,757,430)
Principal paid on long-term debt	(3,073,310)	(782,284)	(218,398)	(3,984,225)	(8,058,217)
Interest and fees paid on long-term debt	(1,812,126)	(251,159)	(13,638)	(2,943,502)	(5,020,425)
Net cash provided (used) by capital and related financing activities	1,311,028	(1,033,443)	(232,036)	(8,262,117)	(8,216,568)
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	2,698	-	-	36,680	39,378
Net increase (decrease) in cash and cash equivalents	7,696,970	(306,218)	83,185	(1,968,026)	5,505,911
<b>Cash and Cash Equivalents:</b>					
Beginning of year - July 1	3,096,085	2,321,530	735,006	9,544,730	15,697,351
End of year - June 30	\$ 10,793,055	\$ 2,015,312	\$ 818,191	\$ 7,576,704	\$ 21,203,262
<b>Reconciliation of Operating Income (Loss) to Provided (Used) By Operating Activities:</b>					
Operating income (loss)	\$ 3,326,094	\$ 376,536	\$ (1,085,119)	\$ (1,301,259)	\$ 1,316,252
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	3,723,301	311,148	225,445	512,357	4,772,251
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(539,609)	13,460	6,042	869,365	349,258
Increase (decrease) in total pension liability	354,207	136,234	27,247	-	517,688
Increase (decrease) in net pension liability	382,773	147,220	29,444	-	559,437
Increase (decrease) in deferred inflows of resources for pensions	(28,497)	(10,961)	(2,192)	-	(41,650)
(Increase) decrease in deferred outflows of resources for pensions	(412,543)	(158,671)	(31,733)	-	(602,947)
Increase (decrease) in deferred inflows for OPEB	(152,632)	(51,959)	(16,238)	-	(220,829)
(Increase) decrease in deferred outflows for OPEB	(2,502,172)	(851,803)	(266,189)	-	(3,620,164)
Increase (decrease) in accounts payable and accrued liabilities	(751,590)	29,318	11,970	(625,056)	(1,335,358)
Increase (decrease) in other post-employment benefits	3,485,941	1,186,703	370,844	-	5,043,488
Increase (decrease) in customer deposits	(6,329)	-	-	(7,285)	(13,614)
Net cash provided (used) by operating activities	\$ 6,878,944	\$ 1,127,225	\$ (730,479)	\$ (551,878)	\$ 6,723,812
<b>Summary of Non-Cash Activities:</b>					
Transfer of capital assets and related debt	\$ -	\$ -	\$ -	\$ (3,019,843)	\$ (3,019,843)
Capital asset contributions	\$ 2,940,970	\$ -	\$ -	\$ -	\$ 2,940,970

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, 2021

### 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 City has no fiduciary funds to report. 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, 2021

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.

**CARES Fund.** This fund is used to account for the City's portion of Coronavirus Relief Funds.

**ARPA Fund.** This fund is used to account for the City's portion of the American Rescue Plan Act (ARPA) funding.

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

**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.

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



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

# **CITY OF KANNAPOLIS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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, CARES 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, ARPA Fund, the capital project funds, and the Enterprise Fund capital project funds, which are consolidated with the operating funds for reporting purposes.

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

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

# **CITY OF KANNAPOLIS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **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 generally reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair market value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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.

#### **Restricted Assets**

The unexpended debt proceeds in the enterprise and General Fund 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 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 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. ARP funds (advances from grantors) are classified as restricted cash because they must be expended in accordance with the American Rescue Plan Act of 2021.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### General Fund:

Federal asset forfeiture funds	\$ 64,917
Unspent debt proceeds - sports and entertainment venue	3,958,370
Powell Bill	<u>2,278,361</u>
Total	<u>6,301,648</u>

### Other Governmental Funds:

Advances from grantors	4,676,447
HUD Section 108 - required debt service reserve	<u>44,228</u>
Total	<u>4,720,675</u>

### Enterprise Funds:

Unspent debt proceeds - revenue bonds 2020	6,476,024
Customer deposits	<u>427,536</u>
Total	<u>6,903,560</u>

Total restricted cash	<u>\$ 17,925,883</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by state law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the General Fund, ad valorem tax revenues are reported net of such discounts.

### Allowance for Doubtful Accounts

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

### Prepaid Items

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

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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 criteria – 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 criteria for this category – property taxes receivable, other unavailable revenues, and pension and OPEB related deferrals.

### Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or the proprietary fund type Statement of Net Position.

# **CITY OF KANNAPOLIS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

#### **Fund Balances**

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

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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. \$44,228 in the CDBG Fund is restricted for HUD Section 108 Loan payment. \$857,974 in the Transit Tax Fund is restricted by the revenue source for the development of a transit system for the City.

*Restricted for Parks and Recreation* – portion of fund balance representing unspent debt proceeds for the Sports and Entertainment Venue in Downtown Kannapolis.

*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, 2021

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

Restricted fund balance at June 30, 2021 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
<b>Restricted, All Other:</b>		
Streets	\$ 2,278,361	\$ -
Public safety	64,917	-
Community development	-	902,202
Parks and recreation	3,958,370	-
Total	<u>\$ 6,301,648</u>	<u>\$ 902,202</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$3,958,370.

### 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 Bethpage Sidewalks project.

*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.



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Committed fund balance at June 30, 2021 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Community development	\$ -	\$ 146,978
Capital projects	-	55,872
City employee separation	367,394	-
Total	<u>\$ 367,394</u>	<u>\$ 202,850</u>

### Assigned Fund Balance

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

### Unassigned Fund Balance

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

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

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.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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	\$ 29,400,164
Less:	
Prepaid items	(503,039)
Stabilization by state statute	<u>(4,839,050)</u>
Fund balance available for appropriation	<u>\$ 24,058,075</u>

### Defined Benefit Cost Sharing Plan

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

### Revenues, Expenditures, and Expenses

#### Other Resources

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

### Management Estimates

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

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 2. Detail Notes on All Funds

#### A. Assets

##### Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the City's deposits had a carrying amount of \$15,516,660 and a bank balance of \$16,305,542. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the City's petty cash fund totaled \$6,553.

##### Investments

At June 30, 2021, 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>
NC Capital Management Trust			
Government Portfolio	Fair Value - Level 1	<u>\$ 39,462,393</u>	<u>\$ 39,462,393</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.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*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 and AAA-mf by Moody's Investors Service as of June 30, 2021.

### Receivables

Receivables at the government-wide level at June 30, 2021 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 931,875	\$ 990,191	\$ 2,921,145	\$ 4,843,211
Governmental	<u>174,013</u>	<u>-</u>	<u>21,566</u>	<u>195,579</u>
Total receivables	1,105,888	990,191	2,942,711	5,038,790
Allowance for doubtful accounts	<u>-</u>	<u>(555,585)</u>	<u>-</u>	<u>(555,585)</u>
Total	<u><u>\$ 1,105,888</u></u>	<u><u>\$ 434,606</u></u>	<u><u>\$ 2,942,711</u></u>	<u><u>\$ 4,483,205</u></u>
<b>Business-Type Activities:</b>				
Water and sewer	\$ 5,473,415	\$ -	\$ 134,815	\$ 5,608,230
Stormwater	682,633	-	18,275	700,908
Environmental services	806,974	-	14,839	821,813
Downtown	96,299	-	35,698	131,997
Allowance for doubtful accounts	<u>(1,462,158)</u>	<u>-</u>	<u>-</u>	<u>(1,462,158)</u>
Total	<u><u>\$ 5,597,163</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 203,627</u></u>	<u><u>\$ 5,800,790</u></u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Local option sales tax	\$ 2,067,304
Property taxes	322,985
Other	<u>756,049</u>
Total	<u>\$ 3,146,338</u>

### Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2021</u>
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 16,160,172	\$ 3,082,421	\$ -	\$ 4,820,870	\$ 24,063,463
Construction in progress	<u>3,385,819</u>	<u>2,556,212</u>	<u>-</u>	<u>49,699,368</u>	<u>55,641,399</u>
Total non-depreciable capital assets	<u>19,545,991</u>	<u>5,638,633</u>	<u>-</u>	<u>54,520,238</u>	<u>79,704,862</u>
<b>Depreciable Capital Assets:</b>					
Buildings and improvements	76,491,119	-	-	4,042,642	80,533,761
Other improvements	9,464,187	119,800	-	27,140,166	36,724,153
Machinery and equipment	19,336,451	938,915	-	93,205	20,368,571
Infrastructure	<u>160,058,232</u>	<u>1,504,742</u>	<u>-</u>	<u>-</u>	<u>161,562,974</u>
Total depreciable capital assets	<u>265,349,989</u>	<u>2,563,457</u>	<u>-</u>	<u>31,276,013</u>	<u>299,189,459</u>
<b>Less Accumulated Depreciation:</b>					
Building and improvements	7,602,215	938,818	-	440,478	8,981,511
Other improvements	2,085,686	552,693	-	580,568	3,218,947
Machinery and equipment	16,803,665	1,210,549	-	35,207	18,049,421
Infrastructure	<u>75,101,640</u>	<u>2,528,915</u>	<u>-</u>	<u>-</u>	<u>77,630,555</u>
Total accumulated depreciation	<u>101,593,206</u>	<u>\$ 5,230,975</u>	<u>\$ -</u>	<u>\$ 1,056,253</u>	<u>107,880,434</u>
Total depreciable capital assets, net	<u>163,756,783</u>				<u>191,309,025</u>
Total capital assets, net	<u>\$ 183,302,774</u>				<u>\$ 271,013,887</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

General government	\$ 725,155
Public safety	1,191,387
Public works	2,546,553
Parks and recreation	<u>767,880</u>
Total depreciation expense	<u><u>\$ 5,230,975</u></u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2021.

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2021</u>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 839,066	\$ -	\$ -	\$ 839,066
Construction in progress	<u>2,824,583</u>	<u>4,425,573</u>	<u>-</u>	<u>7,250,156</u>
Total non-depreciable capital assets	<u>3,663,649</u>	<u>4,425,573</u>	<u>-</u>	<u>8,089,222</u>
<b>Depreciable Capital Assets:</b>				
Buildings	22,895,344	-	-	22,895,344
Distribution systems	142,147,313	2,940,970	-	145,088,283
Machinery and equipment	<u>4,557,436</u>	<u>1,052,963</u>	<u>-</u>	<u>5,610,399</u>
Total depreciable capital assets	<u>169,600,093</u>	<u>3,993,933</u>	<u>-</u>	<u>173,594,026</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	10,248,678	369,318	-	10,617,996
Distribution systems	38,881,642	2,724,264	-	41,605,906
Machinery and equipment	<u>3,030,414</u>	<u>581,497</u>	<u>-</u>	<u>3,611,911</u>
Total accumulated depreciation	<u>52,160,734</u>	<u>\$ 3,675,079</u>	<u>\$ -</u>	<u>55,835,813</u>
Total depreciable capital assets, net	<u>117,439,359</u>			<u>117,758,213</u>
Total Water and Sewer Fund capital assets, net	<u>121,103,008</u>			<u>125,847,435</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Transfers/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
<b>Stormwater Fund:</b>				
<b>Depreciable Capital Assets:</b>				
Machinery and equipment	\$ 1,786,248	\$ -	\$ -	\$ 1,786,248
Infrastructure	14,489,083	-	-	14,489,083
Total depreciable capital assets	<u>16,275,331</u>	<u>-</u>	<u>-</u>	<u>16,275,331</u>
<b>Less Accumulated Depreciation:</b>				
Machinery and equipment	1,695,357	53,679	-	1,749,036
Infrastructure	3,078,853	257,469	-	3,336,322
Total accumulated depreciation	<u>4,774,210</u>	<u>\$ 311,148</u>	<u>\$ -</u>	<u>5,085,358</u>
Total depreciable capital assets, net	<u>11,501,121</u>			<u>11,189,973</u>
Total Stormwater Fund capital assets, net	<u>11,501,121</u>			<u>11,189,973</u>

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2021</u>
<b>Downtown Kannapolis Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	5,070,870	\$ -	\$ (250,000)	\$(4,820,870)	-
Construction in progress	46,887,616	2,811,752	-	(49,699,368)	-
Total non-depreciable capital assets	<u>51,958,486</u>	<u>2,811,752</u>	<u>(250,000)</u>	<u>(54,520,238)</u>	<u>-</u>
<b>Depreciable Capital Assets:</b>					
Buildings	4,292,642		(250,000)	(4,042,642)	-
Improvements	11,673,024	15,467,142	-	(27,140,166)	-
Machinery and equipment	93,205	-	-	(93,205)	-
Total depreciable capital assets	<u>16,058,871</u>	<u>15,467,142</u>	<u>(250,000)</u>	<u>(31,276,013)</u>	<u>-</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	360,291	104,853	(24,666)	(440,478)	-
Improvements	176,168	404,400	-	(580,568)	-
Machinery and equipment	32,103	3,104	-	(35,207)	-
Total accumulated depreciation	<u>568,562</u>	<u>\$ 512,357</u>	<u>\$ (24,666)</u>	<u>\$ (1,056,253)</u>	<u>-</u>
Total depreciable capital assets, net	<u>15,490,309</u>				<u>-</u>
Total Downtown Kannapolis Fund capital assets, net	<u>67,448,795</u>				<u>-</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, 2020	Additions	Transfers/ Retirements	Balance June 30, 2021
<b>Environmental Services Fund:</b>				
<b>Depreciable Capital Assets:</b>				
Machinery and equipment	\$ 1,127,227	\$ -	\$ -	\$ 1,127,227
<b>Less Accumulated Depreciation:</b>				
Machinery and equipment	660,634	225,445	-	886,079
Total accumulated depreciation	660,634	\$ 225,445	\$ -	886,079
Total depreciable capital assets, net	466,593			241,148
Total Environmental Services Fund capital assets, net	466,593			241,148
Total business-type capital assets, net	\$ 200,519,517			\$ 137,278,556

### Proprietary Intangible Assets

The intangible assets of the Water and Sewer Fund at June 30, 2021 were as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
<b>Intangible Assets:</b>				
Rowan County water rights	\$ 2,411,100	\$ -	\$ -	\$ 2,411,100
Less accumulated amortization	(867,996)	(48,222)	-	(916,218)
Intangible assets, net	\$ 1,543,104	\$ (48,222)	\$ -	\$ 1,494,882

### Construction Commitments

The City has active construction projects as of June 30, 2021. At year-end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Total Contract
Irish Buffalo Greenway	\$ 4,162,000	\$ 2,673	\$ 4,164,673
Lane Street Water Main Replacement	3,180,675	580,150	3,760,825
Stadium	29,474,423	32,693	29,507,116
Kanna Crossing - contract 1 - waterline	1,300,496	616,179	1,916,675
Kanna Crossing - contract 2 - sewer	1,746,127	1,319,538	3,065,665
Kanna Crossing - contract 3 - elevated tank	-	1,894,000	1,894,000



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### B. Liabilities

#### Payables

Payables at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>IBNR</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 907,880	\$ 1,919,091	\$ 874,218	\$ 3,701,189
Other governmental	173,844	-	-	173,844
Total payables	<u>\$ 1,081,724</u>	<u>\$ 1,919,091</u>	<u>\$ 874,218</u>	<u>\$ 3,875,033</u>
<b>Business-Type Activities:</b>				
Water and sewer	\$ 269,480	\$ 208,274	\$ -	\$ 477,754
Stormwater	12,773	40,957	-	53,730
Environmental services	292,341	24,857	-	317,198
Downtown	32,008	-	-	32,008
Total payables	<u>\$ 606,602</u>	<u>\$ 274,088</u>	<u>\$ -</u>	<u>\$ 880,690</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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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](http://www.osc.nc.gov).

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**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, 2021, was 10.9% of compensation for law enforcement officers and 10.15% 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 \$2,169,107 for the year ended June 30, 2021.

**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, 2021

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

At June 30, 2021, the City reported a liability of \$10,942,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the City's proportion was 0.3062%, which was an increase of 0.0134% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$3,660,022. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,381,806	\$ -
Changes of assumptions	814,313	-
Net difference between projected and actual earnings on pension plan investments	1,539,820	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	62,641	204,368
Employer contributions subsequent to the measurement date	2,169,107	-
Total	<u>\$ 5,967,687</u>	<u>\$ 204,368</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$2,169,107 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 ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ 986,889
2023	1,347,563
2024	804,052
2025	455,708
2026	-
Thereafter	-
Total	<u>\$ 3,594,212</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2019 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, 2019 valuation, with the exception of the discount rate, 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, 2021

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, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 2020 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, 2021

*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>\$ 22,200,507</u>	<u>\$ 10,942,188</u>	<u>\$ 1,585,733</u>

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	30
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>362</u>
Total	<u>392</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, 2021

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

**Actuarial Assumptions.** The entry age normal actuarial cost method was used in the December 31, 2019 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	3.25 to 8.25 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019 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 ended December 31, 2019.

**Mortality Assumption:** All mortality rates use Pub-2010 amount-weighted tables.

**Mortality Projection:** All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

**Deaths After Retirement (Law Enforcement Officers and Firefighters):** Mortality rates are based on the Safety Mortality Table for retirees. Rates for all members are multiplied by 97% and set forward by 1 year.

**Deaths After Retirement (General Employees):** Mortality rates are based on the General Mortality Table for retirees. Rates for male members are first set forward 2 years, then are multiplied by 96% for ages under 81, and increase until reaching 100% at age 85 and above. Rates for female members are 100% for ages under 92 and increase until reaching 110% at age 95 and above. Because the retiree tables have no rates prior to age 50, the General Mortality Table for employees is used for ages less than 50.

**Deaths After Retirement (Survivors of Deceased Members):** Mortality rates are based on the Below-median Teachers Mortality Table for contingent survivors. Rates for male members are set forward 3 years. Rates for female members are set forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for employees is used for ages less than 45.

**Deaths After Retirement (Disabled Members at Retirement):** Mortality rates are based on the Non-Safety Mortality Table for disabled retirees. Rates for general employee male members are set forward 3 years, while firefighter and law enforcement officer male members are set back 3 years. Rates for general employee female members are set back 1 year, while firefighter and law enforcement officer female members are set back 3 years.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**Deaths Prior to Retirement:** Mortality rates for general employees are based on the General Mortality Table for employees. Mortality rates for firefighters and law enforcement officers are based on the Safety Mortality Table for employees.

**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 \$466,485 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, 2021, the City reported a total pension liability of \$9,940,974. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$1,233,241.

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Benefit payments and administrative costs subsequent to measurement date	\$ 238,534	\$ -
Changes of assumptions and other inputs	2,038,981	141,914
Differences between expected and actual experience	<u>317,528</u>	<u>1,554</u>
Total	<u><u>\$ 2,595,043</u></u>	<u><u>\$ 143,468</u></u>

\$238,534 paid as benefits came due and reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Amount</u></b>
2022	\$ 652,879
2023	597,029
2024	632,742
2025	330,391
2026	-
Thereafter	-
Total	<u><u>\$ 2,213,041</u></u>



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<b>1% Decrease (0.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	<u>\$ 10,939,371</u>	<u>\$ 9,940,974</u>	<u>\$ 9,040,502</u>

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

Beginning balance	<u>\$ 7,216,302</u>
Service cost	354,550
Interest on the total pension liability	227,648
Difference between expected and actual experience	309,267
Changes of assumptions and other inputs	2,299,692
Benefit payments made	<u>(466,485)</u>
Net change in total pension liability	<u>2,724,672</u>
Ending balance of the total pension liability	<u>\$ 9,940,974</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### **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	\$ 3,660,022	\$ 1,233,241	\$ 4,893,263
Pension liability	10,942,188	9,940,974	20,883,162
Proportion of the net pension liability (asset)	0.3062%	N/A	

#### **Deferred Outflows of Resources**

Differences between expected and actual experience	1,381,806	317,528	1,699,334
Changes of assumptions	814,313	2,038,981	2,853,294
Net difference between projected and actual earnings on pension plan investments	1,539,820	-	1,539,820
Changes in proportion and differences between employer contributions and proportionate share of contributions	62,641	-	62,641
Employer contributions (LGERS) and benefit payments and administration costs (SSA) subsequent to the measurement date	2,169,107	238,534	2,407,641
	<u>\$ 5,967,687</u>	<u>\$ 2,595,043</u>	<u>\$ 8,562,730</u>

#### **Deferred Inflows of Resources**

Differences between expected and actual experience	\$ -	\$ 1,554	\$ 1,554
Changes of assumptions	-	141,914	141,914
Changes in proportion and differences between employer contributions and proportionate share of contributions	204,368	-	204,368
	<u>\$ 204,368</u>	<u>\$ 143,468</u>	<u>\$ 347,836</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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021

**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, 2021 were \$471,212, which consisted of \$235,949 from the City and \$235,263 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 \$327,654 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, 2021, the City contributed \$1,320 to this account.

### **Other Post-Employment Benefits – Healthcare Benefits**

**Plan Description.** The City has established a policy as a single-employer defined benefit plan providing group medical and dental benefits to employees eligible to retire under the requirements of the Local Government Employees' Retirement System noted above. Currently, seventy-three (73) retirees are eligible. The benefit provided by the City varies from -0-% to 75% of the monthly premium, depending on years of service. The retiree is required to make up the difference in the benefit provided and the actual cost of the insurance. The coverage provided is the same type as was in effect immediately preceding the retirement date. If the retiree is or becomes eligible for Medicare, the City's policy pays secondary to Medicare. A separate report was not issued for the plan.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Membership of the Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	<b>All Employees</b>
Retirees and dependents receiving benefits	98
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	358
Total	<u>456</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 \$79,748,260 was measured as of June 30, 2020 and was determined by an actuarial valuation as that date.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2020 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	2.21 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030 Medicare - 5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024 Dental - 4.00%

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the total OPEB liability.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at July 1, 2020	<u>\$ 53,789,123</u>
Changes for the year:	
Service cost	2,848,823
Interest	1,962,992
Differences between expected and actual experience	5,366,062
Changes of assumptions or other inputs	16,895,783
Benefit payments	<u>(1,114,523)</u>
Net changes	25,959,137
Balance at June 30, 2021	<u><u>\$ 79,748,260</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.50% to 2.21%.

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, 2020 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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB liability	<u>\$100,456,595</u>	<u>\$ 79,748,260</u>	<u>\$ 64,392,874</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**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:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 62,702,856</u>	<u>\$ 79,748,260</u>	<u>\$103,517,210</u>

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$6,756,004. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,865,226	\$ 211,915
Changes of assumptions	18,176,633	5,791,846
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>1,537,663</u>	<u>-</u>
Total	<u>\$ 24,579,522</u>	<u>\$ 6,003,761</u>

\$1,537,663 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 ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2022	\$ 1,937,703
2023	1,937,703
2024	1,937,703
2025	1,937,703
2026	2,007,441
Thereafter	<u>7,279,845</u>
Total	<u>\$ 17,038,098</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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:

	<b>Deferred Outflows of Resources</b>
Contributions to pension plan in current fiscal year	\$ 2,407,641
Changes in proportion and differences between employer contributions and proportionate share of contributions	62,641
Differences between expected and actual experience	6,564,560
Changes of assumptions	21,029,927
Net difference between projected and actual earnings on pension plan investments	1,539,820
Benefit payments and administrative costs for OPEB	1,537,663
Total	<u>\$ 33,142,252</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

	<b>Deferred Inflows of Resources</b>	
	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Taxes receivable, net	\$ -	\$ 434,606
Cabarrus County contribution - fire station	-	286,051
Differences between expected and actual experience	213,469	-
Changes in assumptions	5,933,760	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	204,368	-
Total	<u>\$ 6,351,597</u>	<u>\$ 720,657</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

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2021</b>	<b>Current Portion</b>
Direct placement notes payable	\$ 24,785,248	\$ -	\$ 3,361,251	\$ 2,755,983	\$ 24,179,980	\$ 3,472,849
Direct placement U.S. government obligations	100,000	-	50,000	-	50,000	50,000
Limited obligation bonds	30,490,000	-	2,017,000	70,825,003	99,298,003	5,751,999
Premium on debt issuance	1,666,808	-	121,223	-	1,545,585	121,223
Special obligation bonds	-	-	-	7,330,000	7,330,000	733,000
Net pension liability (LGERS)	6,478,199	2,384,973	-	-	8,863,172	-
Compensated absences	1,354,003	2,476,303	2,273,056	-	1,557,250	1,168,000
Total OPEB liability	43,338,664	20,915,649	-	-	64,254,313	-
Total pension liability (SSA)	5,845,205	2,206,984	-	-	8,052,189	-
Total	<u>\$ 114,058,127</u>	<u>\$ 27,983,909</u>	<u>\$ 7,822,530</u>	<u>\$ 80,910,986</u>	<u>\$ 215,130,492</u>	<u>\$ 11,297,071</u>



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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.	\$ 210,769
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.	324,278
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.	524,707
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.	33,726
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.	14,935,000
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.	2,708,017
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.	2,755,983
Total	<u>\$ 24,179,980</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 \$210,769 and \$470,448 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, 2021**

The City's outstanding note from direct placements related to governmental activities of \$324,278 and \$255,721 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 \$524,707 and \$481,984 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 \$33,726 and \$40,265 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 \$14,935,000 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 \$2,708,017 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.

The City's outstanding note from direct placements related to governmental activities of \$2,755,983 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, 2021

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 3,472,849	\$ 484,939	\$ 3,957,788
2023	3,356,142	414,377	3,770,519
2024	3,016,653	347,002	3,363,655
2025	3,061,653	284,667	3,346,320
2026	3,100,653	221,504	3,322,157
2027-2031	4,578,440	466,953	5,045,393
2032-2036	1,612,500	177,840	1,790,340
2037-2041	572,501	8,892	581,393
2042-2046	312,500	-	312,500
2047-2051	312,500	-	312,500
2052-2056	312,500	-	312,500
2057-2061	471,089	-	471,089
Total	<u>\$ 24,179,980</u>	<u>\$ 2,406,174</u>	<u>\$ 26,586,154</u>

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

A direct placement Section 108 loan of \$742,000 was executed on August 28, 2006 with the Department of Housing and Urban Development. A principal payment of \$50,000 was due August 2021. 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, 2021 was \$50,000.

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	<u>\$ 50,000</u>	<u>\$ 1,393</u>	<u>\$ 51,393</u>

### Governmental Activities – 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 \$14,900,000 in Series 2018 limited obligation bonds in January 2018. \$7,900,000 of these bonds are for downtown capital projects; \$6,000,000 to renovate College Station and \$1,900,000 for Streetscape Downtown.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$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 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 2021 limited obligation bonds in February 2021. The City used the funds for the acquisition of a parking facility constructed as part of a multi-use project located in downtown Kannapolis.

The City's limited obligation bonds payable at June 30, 2021 are comprised of the following individual issues:

\$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.	\$ 17,750,000
\$7,900,000 Series 2018 limited obligation bonds, issued in January 2018, due in annual installments of \$745,000, excluding interest beginning April 1, 2019 through 2038. Interest is payable semi-annually at a rate of 3.62%	6,715,003
\$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%	9,435,000
\$52,000,000 Series 2018C limited obligation bonds, issued in November 2018, due in annual installments of \$2,600,000 excluding interest on October 1, 2020 through 2039. Interest is payable semi-annually ranging from 3.27% to 4.57%	49,400,000
\$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%	1,288,000
\$14,710,000 Series 2021 limited obligation bonds, issued in April 2021, due in annual installments ranging from \$735,000 to \$740,000 excluding interest on October 1, 2021 through 2041. Interest is payable semi-annually at rates ranging from 0.293% to 2.767%	<u>14,710,000</u>
Total	<u>\$ 99,298,003</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City's limited obligation bonds of \$99,298,003 are secured by the assets acquired or constructed with the proceeds of the bonds. In the event of default, the lenders may declare the entire principal and accrued interest immediately due and payable. The lenders can also enforce their security interests in the City's assets.

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

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 5,751,999	\$ 3,698,108	\$ 9,450,107
2023	5,746,999	3,470,655	9,217,654
2024	5,741,999	3,267,954	9,009,953
2025	5,741,999	3,061,769	8,803,768
2026	5,741,999	2,850,752	8,592,751
2027-2031	28,709,995	8,626,663	37,336,658
2032-2036	25,887,995	5,805,914	31,693,909
2037-2041	<u>15,975,018</u>	<u>1,364,620</u>	<u>17,339,638</u>
Total	<u>\$ 99,298,003</u>	<u>\$ 32,146,435</u>	<u>\$ 131,444,438</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.

<b>Year Ending</b>	
<b>June 30</b>	<b>Principal</b>
2022	\$ 121,223
2023	121,223
2024	121,223
2025	121,223
2026	121,223
2027-2031	606,115
2032-2034	<u>333,355</u>
Total	<u>\$ 1,545,585</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Governmental 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, 2021 was \$7,330,000. 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:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	733,000	227,267	960,267
2027-2031	3,665,000	611,872	4,276,872
Total	<u>\$ 7,330,000</u>	<u>\$ 1,957,991</u>	<u>\$ 9,287,991</u>

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

	Balance July 1, 2020	Additions	Retirements	Transfers	Balance June 30, 2021	Current Maturities
<b>Water and Sewer Fund:</b>						
Revenue bonds	\$ 44,064,000	\$ 11,675,000	\$ 2,716,800	\$ -	\$ 53,022,200	\$ 3,431,000
Direct placement notes payable	1,216,957	-	356,510	-	860,447	311,395
Net pension liability (LGERS)	1,039,711	382,773	-	-	1,422,484	-
Total OPEB liability	7,223,111	3,485,941	-	-	10,709,052	-
Total pension liability (SSA)	938,119	354,207	-	-	1,292,326	-
Compensated absences	219,579	236,010	254,949	-	200,640	150,500
Total	<u>54,701,477</u>	<u>16,133,931</u>	<u>3,328,259</u>	<u>-</u>	<u>67,507,149</u>	<u>3,892,895</u>
<b>Stormwater Fund:</b>						
Direct placement notes payable	1,185,605	-	432,283	-	753,322	378,487
Limited obligation bonds	6,299,998	-	350,001	-	5,949,997	350,001
Net pension liability (LGERS)	399,890	147,220	-	-	547,110	-
Total OPEB liability	2,458,932	1,186,703	-	-	3,645,635	-
Total pension liability (SSA)	360,815	136,234	-	-	497,049	-
Compensated absences	35,540	123,145	108,889	-	49,796	37,300
Total	<u>10,740,780</u>	<u>1,593,302</u>	<u>891,173</u>	<u>-</u>	<u>11,442,909</u>	<u>765,788</u>
<b>Environmental Services Fund:</b>						
Direct placement notes payable	557,898	-	218,398	-	339,500	224,716
Net pension liability (LGERS)	79,978	29,444	-	-	109,422	-
Total pension liability (SSA)	72,163	27,247	-	-	99,410	-
Total OPEB liability	768,416	370,844	-	-	1,139,260	-
Compensated absences	29,430	12,791	21,292	-	20,929	15,700
Total	<u>1,507,885</u>	<u>440,326</u>	<u>239,690</u>	<u>-</u>	<u>1,708,521</u>	<u>240,416</u>
<b>Downtown Kannapolis Fund:</b>						
Direct placement notes payable	3,011,209	-	255,226	(2,755,983)	-	-
Limited obligation bonds	59,110,002	14,710,000	2,994,999	(70,825,003)	-	-
Special obligation bonds	8,064,000	-	734,000	(7,330,000)	-	-
Total	<u>70,185,211</u>	<u>14,710,000</u>	<u>3,984,225</u>	<u>(80,910,986)</u>	<u>-</u>	<u>-</u>
<b>Business-Type Activities:</b>						
Revenue bonds	44,064,000	11,675,000	2,716,800	-	53,022,200	3,431,000
Direct placement notes payable	5,971,669	-	1,262,417	(2,755,983)	1,953,269	914,598
Limited obligation bonds	65,410,000	14,710,000	3,345,000	(70,825,003)	5,949,997	350,001
Special obligation bonds	8,064,000	-	734,000	(7,330,000)	-	-
Net pension liability (LGERS)	1,519,579	559,437	-	-	2,079,016	-
Total OPEB liability	10,450,459	5,043,488	-	-	15,493,947	-
Total pension liability (SSA)	1,371,097	517,688	-	-	1,888,785	-
Compensated absences	284,549	371,946	385,130	-	271,365	203,500
Total	<u>\$ 137,135,353</u>	<u>\$ 32,877,559</u>	<u>\$ 8,443,347</u>	<u>\$ (80,910,986)</u>	<u>\$ 80,658,579</u>	<u>\$ 4,899,099</u>

# **CITY OF KANNAPOLIS, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

At June 30, 2021, the City had no authorized, but unissued, debt and a legal debt margin of approximately \$282,734,000.

### **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.

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.

On January 27, 2021 the City issued \$11,675,000 in 2021 revenue bonds. The proceeds will be used to pay for water system improvements and heavy equipment.



# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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:

### 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%	\$ 5,691,000
\$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%	15,646,000
\$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%	5,445,200
\$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%	14,565,000
\$11,675,000 enterprise system revenue bonds, Series 2021, due annually in amounts ranging from \$509,000 to \$646,000 through April 2041; interest rate of 1.72%	<u>11,675,000</u>
Total	<u>\$ 53,022,200</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 3,431,000	\$ 1,790,463	\$ 5,221,463
2023	3,567,600	1,652,034	5,219,634
2024	3,673,600	1,542,362	5,215,962
2025	3,788,000	1,429,210	5,217,210
2026	2,449,000	1,312,335	3,761,335
2027-2031	12,741,000	5,359,159	18,100,159
2032-2036	15,098,000	3,002,496	18,100,496
2037-2041	8,274,000	480,256	8,754,256
Total	<u>\$ 53,022,200</u>	<u>\$ 16,568,315</u>	<u>\$ 69,590,515</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 Series 2018, and Series 2021 since their adoption. Section 6.6 of the bond order requires the debt service parity coverage ratio to be no less than 120% and

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

110% and the total debt service coverage ratio to be no less than 100%. Additional indebtedness constituted by the Series 2011, Series 2013, Series 2017, Series 2018, and Series 2021 revenue bonds is to be considered in the calculation of the debt service parity coverage ratio.

The debt service parity coverage ratio calculation for the year ended June 30, 2021 is as follows:

2022 budgeted revenues	\$ 20,992,624
50% of surplus fund at June 30, 2021	1,570,586
2022 budgeted expenses *	<u>(11,367,951)</u>
Operating income	<u>\$ 11,195,259</u>
Debt service on parity indebtedness (120%)	\$ 6,265,756
Debt service on subordinate indebtedness	<u>338,106</u>
Total	<u>\$ 6,603,862</u>
Debt service parity coverage ratio	<u>170%</u>
2022 budgeted revenues	\$ 20,992,624
2022 budgeted expenses *	<u>(11,367,951)</u>
Operating income	<u>\$ 9,624,673</u>
Debt service on parity indebtedness (110%)	\$ 5,743,609
Debt service on subordinate indebtedness	<u>338,106</u>
Total	<u>\$ 6,081,715</u>
Debt service parity coverage ratio	<u>158%</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 \$70,097,300 in water and sewer system revenue bonds issued in 2011, 2013, 2017, 2018 and 2021. 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 2041. Annual principal and interest payments on the bonds are expected to require about 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$69,590,515. Principal and interest paid for in the current year and total customer net revenues were \$4,361,978 and \$21,028,417, 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, 2021

### 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	\$ 76,633
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	121,829
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.	166,889
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	481,984
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	255,721
4.05% note, payable in annual installments of \$94,090, including interest beginning June 2011 through June 2025; secured by personal property	470,448
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	40,265
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	<u>339,500</u>
Total	<u>\$ 1,953,269</u>

The City's outstanding note from direct placements related to business-type activities of \$76,633 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 \$121,829 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.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City's outstanding note from direct placements related to business-type activities of \$166,889 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 \$339,500 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:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 914,598	\$ 48,395	\$ 962,993
2023	619,856	25,055	644,911
2024	109,261	13,389	122,650
2025	109,261	9,202	118,463
2026	109,261	5,015	114,276
2027-2031	75,859	7,525	83,384
2032	15,173	376	15,549
Total	<u>\$ 1,953,269</u>	<u>\$ 108,957</u>	<u>\$ 2,062,226</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 of these bonds are for downtown stormwater capital projects. The bonds are secured by the stormwater system assets. In the event of default, the lender may declare the entire principal and accrued interest immediately due and payable. The lender can also enforce their security interests in the City's assets.

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

\$ 5,949,997

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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
2022	\$ 350,001	\$ 215,391	\$ 565,392
2023	350,001	202,721	552,722
2024	350,001	190,051	540,052
2025	350,001	177,381	527,382
2026	350,001	164,710	514,711
2027-2031	1,750,005	633,502	2,383,507
2032-2036	1,750,005	316,751	2,066,756
2037-2038	699,982	38,010	737,992
Total	<u>\$ 5,949,997</u>	<u>\$ 1,938,517</u>	<u>\$ 7,888,514</u>

### 3. Interfund Balances and Activity

Interfund transfers for the fiscal year ended June 30, 2021 consist of the following:

	From	To	Purpose
General Fund	\$ -	\$ 200,000	
Nonmajor governmental funds:			
Transit Tax Fund	200,000	-	Operating surplus
General Fund	6,959,289	-	
Major enterprise funds:			
Environmental Services Fund	-	150,000	Operating expenditures
Downtown Kannapolis Fund	-	6,809,289	Operating and debt service
Water and Sewer Fund	495,700	-	
Environmental Services Fund	-	495,700	Operating expenditures
Stormwater Fund	400,000	-	
Environmental Service Fund	-	400,000	Operating expenditures
Total	<u>\$ 8,054,989</u>	<u>\$ 8,054,989</u>	

In addition, the City transferred the capital assets and related debt and accrued interest in the Downtown Kannapolis Fund (a business-type activity) to the governmental activities at June 30, 2021. This transfer consisted of the net book value of capital assets of \$84,739,998, long-term debt of \$80,910,986, and accrued interest associated with the long-term debt of \$809,169, for a net transfer \$3,019,843 from business-type activities to governmental activities. Because the transfer involved long-term assets and liabilities, it has not been included in the governmental fund financial statement, which are reported on the modified accrual basis of accounting.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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 \$3,180,516 from WSACC for the year ended June 30, 2021.

### 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	\$246,753,583; Inland marine-equipment \$3,237,522; Computer equipment/media \$4,256,100; Fine arts \$413,675; Portable equipment \$1,648,069
Impounded Auto	\$100,000 each accident
Police Official's Liability	\$5,000,000 per occurrence, \$5,000,000 aggregate
Public Official's Liability	\$5,000,000 per occurrence, \$5,000,000 aggregate
General Liability	\$5,000,000 per occurrence
Automobile Liability	\$5,000,000 / uninsured \$1,000,000
Workers' Compensation	Statutory / \$600,000 specific retention
Employee Crime/Dishonesty	\$250,000 per occurrence
Employment Practices	\$5,000,000 per occurrence, \$5,000,000 aggregate
Finance Director Bond	\$50,000
Tax Collector	\$10,000
Employee Benefits Liability	\$5,000,000
Liquor	\$5,000,000

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

The City does not carry flood insurance.

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

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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>2021</u>	<u>2020</u>
Unpaid claims:		
Beginning of year - July 1	\$ 560,146	\$ 374,538
Incurred claims	2,758,148	3,271,230
Claim payments	<u>(3,173,457)</u>	<u>(3,085,622)</u>
End of year - June 30	<u>\$ 144,837</u>	<u>\$ 560,146</u>

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

	<u>2021</u>	<u>2020</u>
Unpaid claims:		
Beginning of year - July 1	\$ 778,283	\$ 802,220
Incurred claims	523,523	717,564
Claim payments	<u>(572,425)</u>	<u>(741,501)</u>
End of year - June 30	<u>\$ 729,381</u>	<u>\$ 778,283</u>

Claims typically have been liquidated in the General Fund.

### 7. Claims and Judgments

At June 30, 2021, 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.

### 8. Summary Disclosure of Significant Contingencies

#### Federal and State-Assisted Programs

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.

# CITY OF KANNAPOLIS, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may continue to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

### 9. Net Investment in Capital Assets

The City's net investment in capital assets at June 30, 2021 is calculated as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net capital assets	<u>\$ 271,013,887</u>	<u>\$ 138,773,438</u>
Total debt, gross	132,403,568	60,925,466
Less:		
Unexpended proceeds	<u>3,958,370</u>	<u>6,476,024</u>
Total capital debt	<u>128,445,198</u>	<u>54,449,442</u>
Net investment in capital assets	<u><u>\$ 142,568,689</u></u>	<u><u>\$ 84,323,996</u></u>

### 10. Subsequent Events

As part of pandemic relief provided by the federal government, the City of Kannapolis was awarded \$9,352,893 from the American Rescue Plan (ARP.) The City received the first installment of \$4,676,447 in June 2021, with the remaining \$4,676,446 expected to be received within the next 12 months.

In September 2021, the City issued 2021 Series B, C and D Water & Sewer System Revenue Bonds with a total not to exceed amount of \$29,870,000.



## Required Supplemental Financial Data

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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-Employee Payroll
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<i>Other Post-Employment Benefits –</i>	Schedule of Changes in the Total OPEB Liability and Related Ratios
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<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 FIVE FISCAL YEARS**

	<b>Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 7,216,302	\$ 6,750,759	\$ 6,880,354	\$ 6,222,001	\$ 6,217,278
Service cost	354,550	300,522	329,181	281,075	285,670
Interest on the total pension liability	227,648	238,288	211,502	233,152	215,961
Difference between expected and actual experience in the measurement of the total pension liability	309,267	99,050	(3,831)	72,037	-
Changes in assumptions or other inputs	2,299,692	236,476	(291,964)	435,699	(161,019)
Benefit payments	<u>(466,485)</u>	<u>(408,793)</u>	<u>(374,483)</u>	<u>(363,610)</u>	<u>(335,889)</u>
Ending balance of the total pension liability	<u>\$ 9,940,974</u>	<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-EMPLOYEE PAYROLL  
SPECIAL SEPARATION ALLOWANCE  
LAST FIVE FISCAL YEARS**

	<b>Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 9,940,974	\$ 7,216,302	\$ 6,750,759	\$ 6,880,354	\$ 6,222,001
Covered-employee payroll	19,428,166	18,045,500	17,591,780	16,792,511	15,604,787
Total pension liability as a percentage of covered-employee payroll	51.17%	39.99%	38.37%	40.97%	39.87%

**Notes to Schedules:**

The City of Kannapolis has no assets accumulated in a trust that meet 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 FOUR FISCAL YEARS

	Other Post-Employment Benefits			
	2021	2020	2019	2018
Service cost	\$ 2,848,823	\$ 2,520,369	\$ 2,352,520	\$ 2,728,341
Interest	1,962,992	1,779,798	1,637,169	1,474,701
Differences between expected and actual experience	5,366,062	(212,404)	50,872	219,695
Changes of assumptions or other inputs	16,895,783	4,178,746	(3,401,790)	(6,426,198)
Benefit payments	(1,114,523)	(456,739)	(1,283,419)	(726,438)
Net change in total OPEB liability	25,959,137	7,809,770	(644,648)	(2,729,899)
Total OPEB liability - beginning	53,789,123	45,979,353	46,624,001	49,353,900
Total OPEB liability - ending	<u>\$ 79,748,260</u>	<u>\$ 53,789,123</u>	<u>\$ 45,979,353</u>	<u>\$ 46,624,001</u>
Covered-employee payroll	\$ 17,654,823	\$ 15,757,086	\$ 15,757,086	\$ 13,974,196
Total OPEB liability as a percentage of covered-employee payroll	451.71%	341.36%	291.80%	333.64%

**Notes to the Required Schedules:**

The City of Kannapolis has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

*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
2021	2.21%
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 EIGHT FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Proportion of the net pension liability (asset) (%)	0.3062%	0.2929%	0.3000%	0.3003%
Proportion of the net pension liability (asset) (\$)	\$ 10,942,188	\$ 7,997,778	\$ 7,117,026	\$ 4,588,210
Covered payroll	\$ 19,492,000	\$ 18,098,484	\$ 16,923,466	\$ 16,028,418
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	56.14%	44.19%	42.05%	28.63%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

\* 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  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST EIGHT FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability (asset) (%)	0.2851%	0.3032%	0.2992%	0.3131%
Proportion of the net pension liability (asset) (\$)	\$ 6,050,778	\$ 1,360,608	\$ (1,764,816)	\$ 3,774,057
Covered payroll	\$ 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	39.22%	8.69%	-12.67%	30.11%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

**CITY OF KANNAPOLIS, NORTH CAROLINA**

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

	<b>Local Government Employees' Retirement System</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 2,169,107	\$ 1,779,294	\$ 1,434,929	\$ 1,306,347
Contributions in relation to the contractually required contribution	<u>2,169,107</u>	<u>1,779,294</u>	<u>1,434,929</u>	<u>1,306,347</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 21,022,556	\$ 19,492,000	\$ 18,098,484	\$ 16,923,466
Contributions as a percentage of covered payroll	10.32%	9.13%	7.93%	7.72%

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 EIGHT FISCAL YEARS**

	<b>Local Government Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,200,412	\$ 1,055,969	\$ 1,121,348	\$ 992,728
Contributions in relation to the contractually required contribution	<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>
Covered payroll	\$ 16,028,418	\$ 15,428,072	\$ 15,658,317	\$ 13,923,927
Contributions as a percentage of covered payroll	7.49%	6.84%	7.16%	7.13%

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## General Fund

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Current year, net of refund	\$ 31,212,486	\$ 32,336,841	\$ 1,124,355
Prior year, net of refunds	<u>426,147</u>	<u>551,841</u>	<u>125,694</u>
Total	<u>31,638,633</u>	<u>32,888,682</u>	<u>1,250,049</u>
<b>Other Taxes and Licenses:</b>			
Vehicle licenses	389,559	428,740	39,181
Local option sales tax	9,216,589	11,905,688	2,689,099
Other taxes and licenses	<u>20,000</u>	<u>29,356</u>	<u>9,356</u>
Total	<u>9,626,148</u>	<u>12,363,784</u>	<u>2,737,636</u>
<b>Unrestricted Intergovernmental:</b>			
Franchise tax	2,660,000	2,601,306	(58,694)
Beer and wine	210,000	206,004	(3,996)
ABC profit distribution	90,000	140,850	50,850
Rowan County contribution	<u>4,000</u>	<u>4,020</u>	<u>20</u>
Total	<u>2,964,000</u>	<u>2,952,180</u>	<u>(11,820)</u>
<b>Restricted Intergovernmental:</b>			
"State Street-Aid" allocation	1,065,744	1,259,163	193,419
Controlled substance tax	-	4,691	4,691
Federal asset forfeiture funds	-	21,671	21,671
TIF contribution Cabarrus County	<u>1,336,792</u>	<u>1,347,324</u>	<u>10,532</u>
Total	<u>2,402,536</u>	<u>2,632,849</u>	<u>230,313</u>
<b>Sales and Services:</b>			
Public safety fees	222,000	223,860	1,860
Rents	410,000	129,526	(280,474)
Other fees	<u>715,000</u>	<u>385,679</u>	<u>(329,321)</u>
Total	<u>1,347,000</u>	<u>739,065</u>	<u>(607,935)</u>
<b>Investment Earnings</b>	<u>210,000</u>	<u>105,945</u>	<u>(104,055)</u>
<b>Miscellaneous</b>	<u>938,000</u>	<u>3,662,359</u>	<u>2,724,359</u>
Total revenues	<u>49,126,317</u>	<u>55,344,864</u>	<u>6,218,547</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and employee benefits	104,863	107,079	(2,216)
Operating expenditures	<u>115,800</u>	<u>109,397</u>	<u>6,403</u>
Total	<u>220,663</u>	<u>216,476</u>	<u>4,187</u>
<b>City Manager:</b>			
Salaries and employee benefits	1,485,627	1,478,220	7,407
Operating expenditures	<u>60,000</u>	<u>63,223</u>	<u>(3,223)</u>
Total	<u>1,545,627</u>	<u>1,541,443</u>	<u>4,184</u>
<b>Human Resources:</b>			
Salaries and employee benefits	465,860	463,765	2,095
Operating expenditures	<u>112,650</u>	<u>86,608</u>	<u>26,042</u>
Total	<u>578,510</u>	<u>550,373</u>	<u>28,137</u>
<b>Attorney:</b>			
Salaries and employee benefits	342,258	340,073	2,185
Operating expenditures	<u>108,330</u>	<u>59,203</u>	<u>49,127</u>
Total	<u>450,588</u>	<u>399,276</u>	<u>51,312</u>
<b>Finance:</b>			
Salaries and employee benefits	549,184	537,901	11,283
Operating expenditures	<u>282,000</u>	<u>276,258</u>	<u>5,742</u>
Total	<u>831,184</u>	<u>814,159</u>	<u>17,025</u>
<b>Information Technology:</b>			
Salaries and employee benefits	547,391	553,173	(5,782)
Contract services	25,000	-	25,000
Operating expenditures	1,139,864	1,042,821	97,043
Capital outlay	<u>12,000</u>	<u>11,880</u>	<u>120</u>
Total	<u>1,724,255</u>	<u>1,607,874</u>	<u>116,381</u>
<b>General Services:</b>			
Salaries and employee benefits	628,242	597,106	31,136
Operating expenditures	1,335,444	1,238,866	96,578
Capital outlay	<u>187,791</u>	<u>185,926</u>	<u>1,865</u>
Total	<u>2,151,477</u>	<u>2,021,898</u>	<u>129,579</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, 2021**

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Over/Under</u></b>
<b>Economic Development:</b>			
Operating expenditures	<u>1,272,809</u>	<u>363,854</u>	<u>908,955</u>
<b>Communications:</b>			
Operating expenditures	<u>194,700</u>	<u>112,111</u>	<u>82,589</u>
<b>Non-Departmental:</b>			
Operating expenditures	<u>542,379</u>	<u>(420,852)</u>	<u>963,231</u>
Total general government	<u>9,512,192</u>	<u>7,206,612</u>	<u>2,305,580</u>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits	7,723,173	8,000,852	(277,679)
Operating expenditures	1,619,735	1,047,937	519,061
Capital outlay	<u>698,708</u>	<u>685,595</u>	<u>13,113</u>
Total	<u>10,041,616</u>	<u>9,734,384</u>	<u>254,495</u>
<b>Fire:</b>			
Salaries and employee benefits	7,401,185	7,619,497	(218,312)
Operating expenditures	1,125,813	1,132,237	(6,424)
Capital outlay	<u>70,031</u>	<u>70,010</u>	<u>21</u>
Total	<u>8,597,029</u>	<u>8,821,744</u>	<u>(224,715)</u>
Total public safety	<u>18,638,645</u>	<u>18,556,128</u>	<u>82,517</u>
<b>Public Works:</b>			
<b>Engineering:</b>			
Salaries and employee benefits	798,429	815,335	(16,906)
Operating expenditures	56,398	38,883	17,515
Contract services	<u>161,884</u>	<u>137,163</u>	<u>24,721</u>
Total	<u>1,016,711</u>	<u>991,381</u>	<u>25,330</u>
<b>Streets and Highways:</b>			
Salaries and employee benefits	889,735	860,509	29,226
Operating expenditures	<u>1,228,079</u>	<u>912,986</u>	<u>315,093</u>
Total	<u>2,117,814</u>	<u>1,773,495</u>	<u>344,319</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, 2021**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Powell Bill:</b>			
Operating expenditures	1,543,099	460,503	1,082,596
Capital outlay	8,000	7,680	320
Total	1,551,099	468,183	1,082,916
 Total public works	 4,685,624	 3,233,059	 1,452,565
 <b>Community Development:</b>			
<b>Planning:</b>			
Salaries and employee benefits	754,103	734,137	19,966
Operating expenditures	220,675	187,076	33,599
Total	974,778	921,213	53,565
 Total community development	 974,778	 921,213	 53,565
 <b>Parks and Recreation Programs:</b>			
Salaries and employee benefits	1,693,799	1,634,460	59,339
Operating expenditures	1,876,242	1,261,166	615,076
Capital outlay	165,800	97,624	68,176
Total	3,735,841	2,993,250	742,591
 <b>Stadium:</b>			
Operating expenditures	125,000	87,689	37,311
 Total parks and recreation	 3,860,841	 3,080,939	 779,902
 <b>Debt Service:</b>			
Principal retirement	5,536,252	5,378,251	158,001
Interest and fees	1,731,059	1,675,343	55,716
Total debt service	7,267,311	7,053,594	213,717
 Total expenditures	 44,939,391	 40,051,545	 4,887,846



## 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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	<u>4,186,926</u>	<u>15,293,319</u>	<u>11,106,393</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	200,000	200,000	-
Transfers out	(7,229,289)	(6,959,289)	270,000
Appropriated fund balance	<u>2,842,363</u>	<u>-</u>	<u>(2,842,363)</u>
Total other financing sources (uses)	<u>(4,186,926)</u>	<u>(6,759,289)</u>	<u>(2,572,363)</u>
Net change in fund balance	<u>\$ -</u>	<u>8,534,030</u>	<u>\$ 8,534,030</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>20,866,134</u>	
End of year - June 30		<u>\$ 29,400,164</u>	

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## CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2021

	<i>Schedule C-1</i>	<i>Schedule D-1</i>	
	<b>Special</b>	<b>Capital</b>	
	<b>Revenue</b>	<b>Project</b>	
	<b>Funds</b>	<b>Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 1,175,031	\$ 127,374	\$ 1,302,405
Long-term receivable	174,013	-	174,013
Due from other governments	13,680	7,886	21,566
Cash and cash equivalents, restricted	4,720,675	-	4,720,675
 Total assets	 \$ 6,083,399	 \$ 135,260	 \$ 6,218,659
 <b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 170,079	\$ 3,765	\$ 173,844
Payable from restricted assets:			
Advances from grantors	4,676,447	-	4,676,447
Due to other funds	-	1,272,081	1,272,081
Total liabilities	4,846,526	1,275,846	6,122,372
 <b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	187,693	7,886	195,579
Restricted, all other	902,202	-	902,202
Committed	146,978	55,872	202,850
Unassigned	-	(1,204,344)	(1,204,344)
Total fund balances	1,236,873	(1,140,586)	96,287
 Total liabilities and fund balances	 \$ 6,083,399	 \$ 135,260	 \$ 6,218,659

## CITY OF KANNAPOLIS, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<i>Schedule C-2</i> <b>Special Revenue Funds</b>	<i>Schedule D-2</i> <b>Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Other taxes and licenses	\$ 857,338	\$ -	\$ 857,338
Restricted intergovernmental	1,308,411	-	1,308,411
Total revenues	<u>2,165,749</u>	<u>-</u>	<u>2,165,749</u>
<b>Expenditures:</b>			
Economic development	1,034,285	-	1,034,285
Public safety	709,155	-	709,155
Contracted services	-	342,846	342,846
Capital outlay	-	2,213,366	2,213,366
Debt service:			
Principal retirement	50,000	-	50,000
Interest and fees	2,771	-	2,771
Total expenditures	<u>1,796,211</u>	<u>2,556,212</u>	<u>4,352,423</u>
Revenues over (under) expenditures	369,538	(2,556,212)	(2,186,674)
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balances	169,538	(2,556,212)	(2,386,674)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>1,067,335</u>	<u>1,415,626</u>	<u>2,482,961</u>
End of year - June 30	<u>\$ 1,236,873</u>	<u>\$ (1,140,586)</u>	<u>\$ 96,287</u>

## Special Revenue Funds

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

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

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

***CARES Fund*** – This fund is used to account for Coronavirus Aid, Relief, and Economic Security (CARES) Funds.

***ARPA Fund*** – This fund is used to account for American Rescue Plan Act (ARPA) funds.

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## CITY OF KANNAPOLIS, NORTH CAROLINA

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2021

	<b>Community Development Block Grant</b>	<b>Transit Tax Fund</b>	<b>CARES Fund</b>	<b>ARPA Fund</b>	<b>Total</b>
<b>Assets:</b>					
Cash and investments	\$ 163,428	\$ 1,011,603	\$ -	\$ -	\$ 1,175,031
Long-term receivable	174,013	-	-	-	174,013
Due from other governments	13,680	-	-	-	13,680
Restricted cash	<u>44,228</u>	<u>-</u>	<u>-</u>	<u>4,676,447</u>	<u>4,720,675</u>
Total assets	<u>\$ 395,349</u>	<u>\$ 1,011,603</u>	<u>\$ -</u>	<u>\$ 4,676,447</u>	<u>\$ 6,083,399</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 16,450	\$ 153,629	\$ -	\$ -	\$ 170,079
Payable from restricted assets:					
Advances from grantors	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,676,447</u>	<u>4,676,447</u>
Total liabilities	<u>16,450</u>	<u>153,629</u>	<u>-</u>	<u>4,676,447</u>	<u>4,846,526</u>
<b>Fund Balances:</b>					
Restricted:					
Stabilization by state statute	187,693	-	-	-	187,693
Restricted, all other	44,228	857,974	-	-	902,202
Committed	<u>146,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,978</u>
Total fund balances	<u>378,899</u>	<u>857,974</u>	<u>-</u>	<u>-</u>	<u>1,236,873</u>
Total liabilities and fund balances	<u>\$ 395,349</u>	<u>\$ 1,011,603</u>	<u>\$ -</u>	<u>\$ 4,676,447</u>	<u>\$ 6,083,399</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, 2021**

	<b>Community Development Block Grant</b>	<b>Transit Tax Fund</b>	<b>CARES Fund</b>	<b>ARPA Fund</b>	<b>Total</b>
<b>Revenues:</b>					
Other taxes and licenses	\$ -	\$ 857,338	\$ -	\$ -	\$ 857,338
Restricted intergovernmental	599,256	-	709,155	-	1,308,411
Total revenues	599,256	857,338	709,155	-	2,165,749
<b>Expenditures:</b>					
Current:					
Economic development	492,339	541,946	-	-	1,034,285
Public safety	-	-	709,155	-	709,155
Debt service:					
Principal retirement	50,000	-	-	-	50,000
Interest and fees	2,771	-	-	-	2,771
Total expenditures	545,110	541,946	709,155	-	1,796,211
Revenues over (under) expenditures	54,146	315,392	-	-	369,538
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	-	(200,000)	-	-	(200,000)
Net change in fund balances	54,146	115,392	-	-	169,538
<b>Fund Balances:</b>					
Beginning of year - July 1	324,753	742,582	-	-	1,067,335
End of year - June 30	\$ 378,899	\$ 857,974	\$ -	\$ -	\$ 1,236,873



# 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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total To Date
<b>Revenues:</b>				
CDBG 2006	\$ 2,139,282	\$ 2,139,282	\$ -	\$ 2,139,282
CDBG 2017	341,246	341,246	-	341,246
CDBG 2018	336,305	336,306	-	336,306
CDBG 2019	348,206	248,021	67,675	315,696
CDBG 2020	375,358	-	191,508	191,508
CDBG 2021	391,661	-	113,720	113,720
CDBG-C 2021	495,294	-	100,000	100,000
CDBG 2020 Program Income	5,076	5,076	-	5,076
CDBG 2021 Program Income	4,112	-	4,112	4,112
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	134,868	-	134,868
2020 HOME Program Grant	168,274	-	-	-
2021 HOME Program Grant	143,680	-	-	-
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	1,000	14,386
2021 Consortium HOME Program Income	13,386	-	-	-
2018 Urgent Repair Grant	100,000	100,000	-	100,000
2019 Urgent Repair Grant	100,000	100,000	-	100,000
2021 Urgent Repair Grant	100,000	-	100,000	100,000
Investment income	-	255	-	255
Total revenues	5,721,031	3,905,521	585,870	4,491,391
<b>Expenditures:</b>				
CDBG 2006:				
Section 108 loan payments	2,139,282	1,923,742	23,067	1,946,809
CDBG 2017:				
Administration	68,200	68,200	-	68,200
Infrastructure improvements	100,766	76,839	-	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	298,269	-	298,269

**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, 2021**

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>
CDBG 2018:				
Administration	67,261	67,261	-	67,261
Infrastructure improvements	88,089	6,250	25,601	31,851
Public service	44,000	44,000	-	44,000
Section 108 loan payments	60,955	60,955	-	60,955
Urgent Repair Program	56,000	56,000	-	56,000
Demolition	20,000	-	-	-
Total	<u>336,305</u>	<u>234,466</u>	<u>25,601</u>	<u>260,067</u>
CDBG 2019:				
Administration	69,640	69,640	-	69,640
Infrastructure improvements	88,000	-	-	-
Public service	46,000	46,000	-	46,000
Section 108 loan payments	56,903	55,558	1,346	56,904
Urgent Repair Program	59,000	59,000	-	59,000
Demolition	28,663	-	5,290	5,290
Total	<u>348,206</u>	<u>230,198</u>	<u>6,636</u>	<u>236,834</u>
CDBG 2020:				
Urgent Repair Program	<u>5,076</u>	<u>598</u>	<u>4,478</u>	<u>5,076</u>
CDBG 2020:				
Administration	75,071	75,071	(37,344)	37,727
Infrastructure improvements	85,000	-	7,855	7,855
Public service	55,000	52,581	34,500	87,081
Section 108 loan payments	51,304	-	51,425	51,425
Urgent Repair Program	78,983	31,525	48,100	79,625
Demolition	30,000	-	-	-
Total	<u>375,358</u>	<u>159,177</u>	<u>104,536</u>	<u>263,713</u>
CDBG-C	<u>495,294</u>	<u>-</u>	<u>230,437</u>	<u>230,437</u>
CDBG 2021:				
Administration	391,661	-	40,014	40,014
Urgent Repair Program	4,112	-	2,005	2,005
Total	<u>395,773</u>	<u>-</u>	<u>42,019</u>	<u>42,019</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, 2021**

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>
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	16,432	3,568	20,000
Total	104,483	100,915	3,568	104,483
2018 HOME Program Grant:				
Administration	18,410	18,410	-	18,410
Program rehabilitation	52,271	52,271	-	52,271
Senior housing	63,367	63,367	-	63,367
Total	134,048	134,048	-	134,048
2018 Urgent Repair Grant:				
Rehabilitation	205,000	105,000	26,405	131,405
2019 HOME Program Income:				
Program rehabilitation	26,770	26,770	-	26,770
2019 HOME Program Grant:				
Administration	9,739	9,739	-	9,739
Program rehabilitation	132,331	52,733	-	52,733
Downpayment assistance	10,000	5,000	5,000	10,000
Construction	20,000	20,000	-	20,000
Total	172,070	87,472	5,000	92,472
2019 Urgent Repair Grant:				
Rehabilitation	-	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, 2021**

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>
2020 HOME Program Grant:				
Administration	8,767	2,657	425	3,082
Program rehabilitation	146,122	-	-	-
Total	154,889	2,657	425	3,082
2021 HOME Program Income:				
Program rehabilitation	26,771	-	8,829	8,829
2021 HOME Program Grant:				
Administration	8,133	-	-	-
Program rehabilitation	115,547	-	-	-
Downpayment assistance	20,000	-	1,531	1,531
Total	143,680	-	1,531	1,531
2021 Urgent Repair Grant:				
Rehabilitation	100,000	-	62,578	62,578
Total expenditures	5,726,031	3,585,768	545,110	4,130,878
Revenues over (under) expenditures	(5,000)	319,753	40,760	360,513
<b>Other Financing Sources (Uses):</b>				
Transfers in	5,000	5,000	-	5,000
Net change in fund balance	\$ -	\$ 324,753	40,760	\$ 365,513
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Current year loan repayments			13,386	
Net change in fund balance			\$ 54,146	

## 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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Other taxes and licenses:			
Vehicle license tax	\$ 500,000	\$ 857,338	\$ 357,338
<b>Expenditures:</b>			
Contracted services	<u>500,000</u>	<u>541,946</u>	<u>(41,946)</u>
Revenues over (under) expenditures	<u>-</u>	<u>315,392</u>	<u>315,392</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	(200,000)	(200,000)	-
Appropriated fund balance	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 115,392</u>	<u>\$ 115,392</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

## CARES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ <u>709,155</u>	\$ <u>709,155</u>	\$ <u>-</u>
<b>Expenditures:</b>			
Salaries and employee benefits	703,855	703,855	-
Contracted services	<u>5,300</u>	<u>5,300</u>	-
Total expenditures	<u>709,155</u>	<u>709,155</u>	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Capital Project Funds

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

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

***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, 2021

	<b>Irish Buffalo Creek Greenway</b>	<b>Little Texas Road Sidewalk</b>	<b>Bethpage Sidewalks</b>	<b>Total</b>
<b>Assets:</b>				
Cash and investments	\$ -	\$ 71,502	\$ 55,872	\$ 127,374
Due from other governments	<u>7,886</u>	<u>-</u>	<u>-</u>	<u>7,886</u>
Total assets	<u>\$ 7,886</u>	<u>\$ 71,502</u>	<u>\$ 55,872</u>	<u>\$ 135,260</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 3,765	\$ -	\$ -	\$ 3,765
Due to other funds	<u>1,121,185</u>	<u>150,896</u>	<u>-</u>	<u>1,272,081</u>
Total liabilities	<u>1,124,950</u>	<u>150,896</u>	<u>-</u>	<u>1,275,846</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by state statute	7,886	-	-	7,886
Committed	-	-	55,872	55,872
Unassigned	<u>(1,124,950)</u>	<u>(79,394)</u>	<u>-</u>	<u>(1,204,344)</u>
Total fund balances	<u>(1,117,064)</u>	<u>(79,394)</u>	<u>55,872</u>	<u>(1,140,586)</u>
Total liabilities and fund balances	<u>\$ 7,886</u>	<u>\$ 71,502</u>	<u>\$ 55,872</u>	<u>\$ 135,260</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, 2021**

	<b>Irish Buffalo Creek Greenway</b>	<b>Little Texas Road Sidewalk</b>	<b>Bethpage Sidewalks</b>	<b>Total</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Contracted services	\$ 342,846	\$ -	\$ -	\$ 342,846
Capital outlay	<u>2,030,813</u>	<u>182,553</u>	<u>-</u>	<u>2,213,366</u>
Total expenditures	<u>2,373,659</u>	<u>182,553</u>	<u>-</u>	<u>2,556,212</u>
Net change in fund balances	(2,373,659)	(182,553)	-	(2,556,212)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>1,256,595</u>	<u>103,159</u>	<u>55,872</u>	<u>1,415,626</u>
End of year - June 30	<u><u>\$ (1,117,064)</u></u>	<u><u>\$ (79,394)</u></u>	<u><u>\$ 55,872</u></u>	<u><u>\$ (1,140,586)</u></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, 2021**

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Proceeds from grants	\$ 3,116,000	\$ 2,165,748	\$ -	\$ 2,165,748
Contributions	647,245	647,245	-	647,245
Total revenues	<u>3,763,245</u>	<u>2,812,993</u>	<u>-</u>	<u>2,812,993</u>
<b>Expenditures:</b>				
Capital outlay	4,424,263	2,288,826	2,030,813	4,319,639
Contract engineering	<u>988,982</u>	<u>647,572</u>	<u>342,846</u>	<u>990,418</u>
Total expenditures	<u>5,413,245</u>	<u>2,936,398</u>	<u>2,373,659</u>	<u>5,310,057</u>
Revenues over (under) expenditures	<u>(1,650,000)</u>	<u>(123,405)</u>	<u>(2,373,659)</u>	<u>(2,497,064)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	1,380,000	1,380,000	-	1,380,000
Transfers out	(404,976)	(404,976)	-	(404,976)
Transfers in	<u>674,976</u>	<u>404,976</u>	<u>-</u>	<u>404,976</u>
Total other financing sources (uses)	<u>1,650,000</u>	<u>1,380,000</u>	<u>-</u>	<u>1,380,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,256,595</u>	<u>\$ (2,373,659)</u>	<u>\$ (1,117,064)</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**CAPITAL PROJECT FUND - LITTLE TEXAS ROAD SIDEWALK**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>
		<b>Years</b>	<b>Year</b>	<b>Date</b>
<b>Revenues:</b>				
Proceeds from grants	\$ 2,051,200	\$ 333,435	\$ -	\$ 333,435
<b>Expenditures:</b>				
Capital outlay	<u>2,564,000</u>	<u>418,783</u>	<u>182,553</u>	<u>601,336</u>
Revenues over (under) expenditures	<u>(512,800)</u>	<u>(85,348)</u>	<u>(182,553)</u>	<u>(267,901)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	324,293	-	-	-
Transfers in	<u>188,507</u>	<u>188,507</u>	<u>-</u>	<u>188,507</u>
Total other financing sources (uses)	<u>512,800</u>	<u>188,507</u>	<u>-</u>	<u>188,507</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 103,159</u>	<u>\$ (182,553)</u>	<u>\$ (79,394)</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, 2021

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

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## **Enterprise Funds**

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

The City of Kannapolis has four Enterprise Funds:

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

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

***Revenue Bonds 2020 Fund***

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

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

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## CITY OF KANNAPOLIS, NORTH CAROLINA

## WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Charges for services:			
Water and sewer charges	\$ 18,665,000	\$ 18,639,356	\$ (25,644)
Water and sewer taps	1,390,000	2,038,075	648,075
Penalties	400,000	71,130	(328,870)
Other	254,310	279,856	25,546
Total operating revenues	<u>20,709,310</u>	<u>21,028,417</u>	<u>319,107</u>
<b>Non-Operating Revenues:</b>			
Interest on investments	<u>30,000</u>	<u>2,432</u>	<u>(27,568)</u>
Total revenues	<u>20,739,310</u>	<u>21,030,849</u>	<u>291,539</u>
<b>Expenditures:</b>			
<b>Administration:</b>			
Salaries and employee benefits	633,248	645,496	(12,248)
Operating expenditures	286,618	274,781	11,837
Capital outlay	143,245	111,037	32,208
Total	<u>1,063,111</u>	<u>1,031,314</u>	<u>31,797</u>
<b>Distribution:</b>			
Salaries and employee benefits	2,121,451	2,190,184	(68,733)
Operating expenditures	1,168,101	1,109,355	58,746
Repairs and maintenance	275,652	266,865	8,787
Capital outlay	244,323	311,617	(67,294)
Total	<u>3,809,527</u>	<u>3,878,021</u>	<u>(68,494)</u>
<b>Filter Plant:</b>			
Salaries and employee benefits	1,023,313	1,089,864	(66,551)
Operating expenditures	1,922,051	1,832,620	89,431
Repairs and maintenance	389,221	383,409	5,812
Total	<u>3,334,585</u>	<u>3,305,893</u>	<u>28,692</u>
<b>General Services</b>	<u>2,143,921</u>	<u>2,143,921</u>	<u>-</u>
<b>Sewage Treatment</b>	<u>3,407,618</u>	<u>2,934,389</u>	<u>473,229</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Debt Service:</b>			
Principal	3,073,310	3,073,310	-
Interest and fees	2,258,567	1,812,126	446,441
Total debt service	5,331,877	4,885,436	446,441
 Total expenditures	 19,090,639	 18,178,974	 911,665
 Revenues over (under) expenditures	 1,648,671	 2,851,875	 1,203,204
 <b>Other Financing Sources (Uses):</b>			
Transfers out	(1,653,700)	(495,700)	1,158,000
Appropriated fund balance	5,029	-	(5,029)
Total other financing sources (uses)	(1,648,671)	(495,700)	1,152,971
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 2,356,175	 \$ 2,356,175

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

Depreciation and amortization	(3,723,301)
Capital outlay	422,654
Payment of debt principal	3,073,310
Change in accrued interest	(26,949)
Change in OPEB liability	(3,485,941)
Change in compensated absences	18,939
Change in total pension liability - SSA	(354,207)
Change in net pension liability - LGERS	(382,773)
Change in deferred outflows of resources - pensions	412,543
Change in deferred inflows of resources - pensions	28,497
Change in deferred outflows of resources - OPEB	2,502,172
Change in deferred inflows of resources - OPEB	152,632
Interest from capital projects	266
Contributions from developer	2,940,970
Total	1,578,812
 Change in net position	 \$ 3,934,987

## 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, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 266	\$ 266
<b>Expenditures:</b>				
Downtown sewer outfall	4,750,000	40,150	152,350	192,500
Lane Street water line	4,338,500	941,410	2,815,688	3,757,098
High Bridge water line	13,400,000	999,017	159,573	1,158,590
Sludge Lagoon dewatering	1,311,500	331,186	670,247	1,001,433
Mooreville Road water line	4,680,708	102,169	65,150	167,319
Rodgers Lake Road bridge water	200,000	-	-	-
Concrete spillway	3,500,000	65,788	99,742	165,530
Bulk storage replacement	700,000	98,782	421,928	520,710
Clearwell pre-construction engineering	1,158,000	-	8,700	8,700
Sewer cleaner truck	650,000	-	630,309	630,309
Debt issuance cost	4,150,000	26,790	32,195	58,985
Total expenditures	38,838,708	2,605,292	5,055,882	7,661,174
Revenues over (under) expenditures	(38,838,708)	(2,605,292)	(5,055,616)	(7,660,908)
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	37,900,000	-	11,675,000	11,675,000
Transfer in	1,158,000	-	-	-
Transfer (out)	(219,292)	(219,291)	-	(219,291)
Total other financing sources (uses)	38,838,708	(219,291)	11,675,000	11,455,709
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (2,824,583)	\$ 6,619,384	\$ 3,794,801

## CITY OF KANNAPOLIS, NORTH CAROLINA

## STORMWATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,100,000	\$ 3,078,995	\$ (21,005)
<b>Expenditures:</b>			
Salaries and employee benefits	886,328	876,506	9,822
Operating expenditures	834,600	633,207	201,393
General services	470,579	470,579	-
Total	<u>2,191,507</u>	<u>1,980,292</u>	<u>211,215</u>
<b>Debt Service:</b>			
Principal	782,284	782,284	-
Interest	251,209	251,159	50
Total	<u>1,033,493</u>	<u>1,033,443</u>	<u>50</u>
Total expenditures	<u>3,225,000</u>	<u>3,013,735</u>	<u>211,265</u>
Revenues over (under) expenditures	<u>(125,000)</u>	<u>65,260</u>	<u>190,260</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(400,000)	(400,000)	-
Appropriated fund balance	525,000	-	(525,000)
Total other financing sources (uses)	<u>125,000</u>	<u>(400,000)</u>	<u>(525,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(334,740)</u>	<u>\$ (334,740)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Reconciling items:			
Depreciation and amortization		(311,148)	
Change in interest accrued		4,899	
Change in compensated absences		(14,256)	
Change in total pension liability - SSA		(136,234)	
Change in net pension liability - LGERS		(147,220)	
Change in deferred outflows of resources - pensions		158,671	
Change in deferred inflows of resources - pensions		10,961	
Change in OPEB liability		(1,186,703)	
Change in deferred outflows of resources - OPEB		851,803	
Change in deferred inflows of resources - OPEB		51,959	
Payment of debt principal		782,284	
Total		<u>65,016</u>	
Change in net position		<u>\$ (269,724)</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,448,487	\$ 3,318,845	\$ (129,642)
Miscellaneous revenue	36,000	139,421	103,421
Total revenues	<u>3,484,487</u>	<u>3,458,266</u>	<u>(26,221)</u>
<b>Expenditures:</b>			
Salaries and employee benefits	465,825	462,832	2,993
Operating expenditures	272,590	252,708	19,882
Contracted services	<u>3,959,736</u>	<u>3,499,718</u>	<u>460,018</u>
Total	<u>4,698,151</u>	<u>4,215,258</u>	<u>482,893</u>
<b>Debt Service:</b>			
Principal	218,398	218,398	-
Interest	<u>13,638</u>	<u>13,638</u>	<u>-</u>
Total	<u>232,036</u>	<u>232,036</u>	<u>-</u>
Total expenditures	<u>4,930,187</u>	<u>4,447,294</u>	<u>482,893</u>
Revenues over (under) expenditures	<u>(1,445,700)</u>	<u>(989,028)</u>	<u>456,672</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,045,700	1,045,700	-
Appropriated fund balance	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Total other financing sources (uses)	<u>1,445,700</u>	<u>1,045,700</u>	<u>(400,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>56,672</u>	<u>\$ 56,672</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Reconciling items:			
Depreciation and amortization		(225,445)	
Change in interest accrued		1,441	
Change in total pension liability - SSA		(27,247)	
Change in net pension liability - LGERS		(29,444)	
Change in deferred outflows of resources - pensions		31,733	
Change in deferred inflows of resources - pensions		2,192	
Change in OPEB liability		(370,844)	
Change in deferred outflows of resources - OPEB		266,189	
Change in deferred inflows of resources - OPEB		16,238	
Change in compensated absences		8,501	
Payment of debt principal		<u>218,398</u>	
Total		<u>(108,288)</u>	
Change in net position		<u>\$ (51,616)</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Sales and services	\$ 603,918	\$ 510,711	\$ (93,207)
Investment earnings	-	41,677	41,677
Sale of capital asset	-	2,234,504	2,234,504
Total revenues	<u>603,918</u>	<u>2,786,892</u>	<u>2,182,974</u>
<b>Expenditures:</b>			
Operating expenditures	299,410	203,661	95,749
Contracted services	692,561	499,999	192,562
Capital outlay	1,856,653	1,082,832	773,821
Total	<u>2,848,624</u>	<u>1,786,492</u>	<u>1,062,132</u>
<b>Debt Service:</b>			
Principal	3,984,225	3,984,225	-
Interest and fees	2,825,064	2,827,064	(2,000)
Total	<u>6,809,289</u>	<u>6,811,289</u>	<u>(2,000)</u>
Total expenditures	<u>9,657,913</u>	<u>8,597,781</u>	<u>1,060,132</u>
Revenues over (under) expenditures	<u>(9,053,995)</u>	<u>(5,810,889)</u>	<u>3,243,106</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	6,809,289	6,809,289	-
Appropriated fund balance	2,244,706	-	(2,244,706)
Total other financing sources (uses)	<u>9,053,995</u>	<u>6,809,289</u>	<u>(2,244,706)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>998,400</u>	<u>\$ 998,400</u>
<b>Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Reconciling items:			
Capital outlay		1,082,832	
Depreciation and amortization		(512,357)	
Capital project expenses not capitalized		(712,391)	
Change in accrued interest		(23,790)	
Investment earnings from capital projects		(4,997)	
Capital assets transferred to governmental activities, net of related debt		(3,019,843)	
Book value of assets sold		(475,334)	
Payment of debt principal		3,984,225	
Total		<u>318,345</u>	
Change in net position		<u>\$ 1,316,745</u>	

## CITY OF KANNAPOLIS, NORTH CAROLINA

**DOWNTOWN CAPITAL PROJECT - DEMONSTRATION PROJECT PARKING DECK**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 124	\$ -
<b>Expenditures:</b>				
Contracted services	48,500	-	-	-
Capital outlay	14,670,228	-	14,384,310	14,384,310
Debt issuance costs	116,438	-	116,438	116,438
Total expenditures	14,835,166	-	14,500,748	14,500,748
Revenues over (under) expenditures	(14,835,166)	-	(14,500,624)	(14,500,748)
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	14,700,000	-	14,710,000	14,710,000
Transfer in (out)	135,166	-	-	-
Total other financing sources (uses)	14,835,166	-	14,710,000	14,710,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 209,376	\$ 209,252

## 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, 2021**

		<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Investment income (loss)	\$ -	\$ 1,150,907	\$ (5,121)	\$ 1,145,786
<b>Expenditures:</b>				
Contracted services	3,850,000	3,656,348	439	3,656,787
Small equipment and tools	2,025,000	1,403,944	595,514	1,999,458
Capital outlay	46,125,000	43,231,267	2,811,752	46,043,019
Total expenditures	52,000,000	48,291,559	3,407,705	51,699,264
Revenues over (under) expenditures	(52,000,000)	(47,140,652)	(3,412,826)	(50,553,478)
<b>Other Financing Sources (Uses):</b>				
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	\$ -	\$ 4,648,768	\$ (3,412,826)	\$ 1,235,942



## 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, 2021**

		<u>Actual</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ 28,903	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Capital outlay	<u>4,278,281</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(4,249,378)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	4,526,662	-	-	-
Transfer in (out)	<u>(277,284)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>4,249,378</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

**DOWNTOWN CAPITAL PROJECT - COLLEGE STATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<u>Actual</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ 18,444	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Capital outlay	<u>6,058,828</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(6,040,384)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	6,000,000	-	-	-
Transfer in (out)	<u>40,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>6,040,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Additional Financial Data**

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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, 2021

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020 - 2021	\$ -	\$ 32,779,493	\$ 32,302,475	\$ 477,018
2019 - 2020	566,398	-	440,651	125,747
2018 - 2019	139,833	-	49,677	90,156
2017 - 2018	72,635	-	19,207	53,428
2016 - 2017	46,521	-	11,409	35,112
2015 - 2016	53,313	-	6,249	47,064
2014 - 2015	51,108	-	4,778	46,330
2013 - 2014	52,403	-	4,277	48,126
2012 - 2013	31,985	-	2,136	29,849
2011 - 2012	38,779	-	1,418	37,361
2010 - 2011	38,274	-	38,274	-
Total	<u>\$ 1,091,249</u>	<u>\$ 32,779,493</u>	<u>\$ 32,880,551</u>	990,191
Less: Allowance for uncollectible accounts				<u>555,585</u>
Ad valorem taxes receivable - net				<u>\$ 434,606</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 32,888,682
Reconciling items:				
Penalties and interest				(153,579)
Taxes written off - state statute				38,274
Miscellaneous adjustment				<u>107,174</u>
Total collections and credits				<u>\$ 32,880,551</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2021

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 5,169,278,752	\$ 0.6300	\$ 32,566,456	\$ 29,686,279	\$ 2,880,177
Motor vehicles taxed at prior year's rate	385,714	0.6300	2,430	2,430	-
Penalties	-		20,146	20,146	-
Total	<u>5,169,664,466</u>		<u>32,589,032</u>	<u>29,708,855</u>	<u>2,880,177</u>
<b>Discoveries:</b>					
Current year taxes	22,373,503	0.6300	140,953	140,953	-
Prior year taxes	18,350,043	0.6300	115,605	115,605	-
Penalties	-		22,090	22,090	-
Total	<u>40,723,546</u>		<u>278,648</u>	<u>278,648</u>	<u>-</u>
<b>Releases:</b>					
Property taxed at current year's rate	(13,965,254)	0.6300	(87,981)	(87,981)	-
Property taxed at prior year's rate	<u>(32,656)</u>	0.6300	<u>(206)</u>	<u>(206)</u>	<u>-</u>
Total	<u>(13,997,910)</u>		<u>(88,187)</u>	<u>(88,187)</u>	<u>-</u>
Total property valuation	<u>\$ 5,196,390,102</u>				
<b>Net Levy</b>			32,779,493	29,899,316	2,880,177
Less uncollected taxes at June 30, 2021			<u>477,018</u>	<u>477,018</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 32,302,475</u>	<u>\$ 29,422,298</u>	<u>\$ 2,880,177</u>
<b>Percent Current Year Collected</b>			<u>98.54%</u>	<u>98.40%</u>	<u>100.00%</u>

## CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
SECONDARY MARKET DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2021**Assessed Valuation:**

Assessment ratio (1)		<u>100.00%</u>
Real property	\$	4,411,304,057
Personal property		683,109,991
Public service companies (2)		<u>101,976,054</u>
Total assessed valuation	\$	<u><u>5,196,390,102</u></u>
Tax Rate per \$100		<u>0.6300</u>
Levy (includes discoveries, releases, penalties, and abatements)	\$	<u><u>32,779,493</u></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.

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# Statistical Section

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

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

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

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

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

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

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

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

Demographic and Economic Statistics	Table 14
Principal Employers	Table 15
Property Values and Construction	Table 16

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

Full-time Equivalent City Government Employees by Function	Table 17
Operating Indicators by Function	Table 18
Capital Asset Statistics by Function/Program	Table 19

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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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 104,875	\$ 105,486	\$ 110,812	\$ 115,035	\$ 110,342	\$ 115,399	\$ 116,405	\$ 117,862	\$ 126,260	\$ 142,569
Restricted	3,643	3,242	9,131	3,909	3,626	8,591	9,291	15,207	7,607	8,280
Unrestricted	(1,135)	640	(6,850)	(2,942)	1,750	(11,002)	(38,986)	(41,417)	(37,939)	(44,365)
Total governmental activities net position	\$ 107,383	\$ 109,368	\$ 113,093	\$ 116,003	\$ 115,718	\$ 112,988	\$ 86,710	\$ 91,652	\$ 95,928	\$ 106,484
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 57,456	\$ 58,647	\$ 60,310	\$ 61,843	\$ 62,887	\$ 71,696	\$ 77,496	\$ 80,925	\$ 83,602	\$ 84,323
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,252	4,917	6,551	6,564	9,331	5,054	(1,438)	945	(88)	4,121
Total business-type activities net position	\$ 63,708	\$ 63,564	\$ 66,861	\$ 66,304	\$ 72,218	\$ 76,750	\$ 76,058	\$ 81,870	\$ 83,514	\$ 88,444
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 162,331	\$ 164,133	\$ 171,122	\$ 176,879	\$ 173,229	\$ 187,095	\$ 193,901	\$ 198,787	\$ 209,862	\$ 226,892
Restricted	3,643	3,242	9,131	3,909	3,626	8,591	9,291	15,207	7,607	8,280
Unrestricted	5,117	5,557	(299)	3,621	11,081	(5,948)	(40,424)	(40,472)	(38,027)	(40,244)
Total primary government net position	\$ 171,091	\$ 172,932	\$ 179,954	\$ 184,410	\$ 187,936	\$ 189,738	\$ 162,768	\$ 173,522	\$ 179,442	\$ 194,928

## CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Dollars in Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses</b>										
Governmental activities:										
General government	\$ 8,103	\$ 7,777	\$ 9,674	\$ 5,292	\$ 744	\$ 7,325	\$ 10,748	\$ 9,492	\$ 8,761	\$ 5,819
Public safety	12,522	15,028	15,708	14,412	18,549	17,463	18,459	18,626	20,005	24,248
Public works	7,668	5,492	5,639	5,037	10,485	7,236	6,330	5,462	5,520	4,890
Community development	1,533	1,754	1,760	1,829	1,420	1,432	1,685	2,108	2,114	1,955
Parks and recreation	1,931	2,172	2,101	2,365	2,479	143	2,783	3,271	3,260	4,327
Interest on long-term debt	2,276	2,283	2,205	3,026	3,110	2,982	3,328	3,105	2,803	1,683
Total governmental activities	34,033	34,506	37,087	31,962	36,787	36,581	43,333	42,064	42,463	42,922
Business-type activities:										
Water and sewer	13,045	11,427	12,569	12,363	14,130	14,819	14,891	16,640	18,260	19,541
Stormwater	1,436	1,691	1,545	1,552	1,684	1,901	2,113	2,288	2,292	2,949
Environmental services	427	3,314	3,355	3,523	3,632	3,645	3,814	3,822	4,391	4,556
Downtown					1,630	1,561	1,639	4,207	8,103	3,020
Total business-type activities	14,908	16,432	17,469	17,437	21,076	21,926	22,457	26,957	33,046	30,066
Total primary government expenses	\$ 48,941	\$ 50,938	\$ 54,556	\$ 49,400	\$ 57,863	\$ 58,507	\$ 65,790	\$ 69,021	\$ 75,509	\$ 72,988
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government	\$ 2,422	\$ 2,118	\$ 87	\$ 62	\$ 94	\$ 118	\$ 155	\$ 204	\$ 145	\$ 166
Public safety	135	118	133	102	246	142	160	230	136	283
Public works	44	25	13	62	144	84	74	116	-	-
Community development	33	136	291	99	118	110	150	184	155	120
Parks and recreation	275	279	256	257	132	280	444	425	383	207
Operating grants and contributions:										
General government	27	65	933	769	829	1,376	975	3,653	769	3,662
Public safety	29	970	791	212	-	92	39	56	11	736
Public works	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	104	13	68	71	85	75	-
Parks and recreation	-	-	-	-	67	-	-	-	-	-
Capital grants and contributions:										
General government	3	1,536	5,499	1,520	1,523	1,522	1,524	1,523	1,523	1,347
Public safety	382	299	2,722	-	-	-	-	-	-	-
Public works	1,731	1,468	1,264	1,572	1,590	1,324	1,316	1,880	4,995	1,259
Community development	445	358	506	686	-	355	322	2,132	498	599
Parks and recreation	-	-	-	-	457	121	66	46	25	-
Total governmental activities program revenues	5,526	7,372	12,495	5,445	5,213	5,592	5,296	10,534	8,715	8,379

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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Program Revenues (Continued):</b>										
Business-type activities										
Charges for services:										
Water and sewer	13,627	13,661	14,573	13,708	16,315	15,803	17,032	17,113	19,249	21,028
Stormwater	1,504	1,671	1,699	1,773	2,449	2,372	2,941	2,991	3,039	3,079
Environmental services	631	1,264	1,274	1,609	1,932	2,366	2,534	3,274	3,369	3,458
Downtown					764	913	841	765	696	511
Operating grants and contributions:										
Downtown	-	-	-	-	-	-	100	51	17	-
Capital grants and contributions:										
Water and sewer	1,137	237	1,655	1,330	1,205	1,116	1,654	1,153	2,635	2,941
Environmental services	67	3	-	-	-	-	-	-	-	-
Downtown	-	-	-	-	-	-	-	1,103	-	-
Total business-type activities program revenues	16,966	16,836	19,201	18,420	22,665	22,570	25,102	26,450	29,005	31,017
Total primary government program revenues	\$ 22,492	\$ 24,208	\$ 31,696	\$ 23,865	\$ 27,878	\$ 28,162	\$ 30,398	\$ 36,984	\$ 37,720	\$ 39,396
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (28,505)	\$ (27,132)	\$ (24,592)	\$ (26,517)	\$ (31,574)	\$ (32,589)	\$ (38,037)	\$ (31,530)	\$ (33,748)	\$ (34,543)
Business-type activities	2,058	401	1,732	983	1,589	644	2,645	(507)	(4,041)	951
Total primary government net (expense)/revenue	\$ (26,447)	\$ (26,731)	\$ (22,860)	\$ (25,534)	\$ (29,985)	\$ (31,945)	\$ (35,392)	\$ (32,037)	\$ (37,789)	\$ (33,592)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Ad valorem taxes	\$ 18,585	\$ 19,274	\$ 19,935	\$ 21,586	\$ 23,620	\$ 24,802	\$ 25,379	\$ 26,139	\$ 27,679	\$ 32,759
Sales tax	5,698	6,212	6,486	7,341	8,168	9,246	9,561	10,358	10,469	11,906
Other taxes and licenses	786	944	1,189	946	758	685	693	1,165	1,326	1,456
Franchise tax	1,825	1,840	1,906	2,476	2,749	2,727	2,716	2,766	2,698	2,601
Unrestricted intergovernmental revenues	515	186	195	209	195	211	206	208	210	210
Investment earnings	78	113	125	193	204	299	349	889	706	106
Transfers	(316)	548	(1,520)	(1,100)	(2,360)	(4,941)	(2,201)	(5,053)	(5,065)	(3,939)
Total general revenues and transfers	27,171	29,117	28,316	31,651	33,334	33,029	36,703	36,472	38,023	45,099
Business-type activities:										
Investment earnings	36	3	45	20	13	16	309	1,266	621	40
Transfers	316	(548)	1,520	1,100	2,360	4,941	2,201	5,053	5,065	3,939
Total business-type activities	352	(545)	1,565	1,120	2,373	4,957	2,510	6,319	5,686	3,979
<b>Change in Net Position</b>										
Governmental activities	\$ (1,334)	\$ 1,985	\$ 3,724	\$ 5,135	\$ 1,760	\$ 440	\$ (1,334)	\$ 4,942	\$ 4,275	\$ 10,556
Business-type activities	2,410	(144)	3,297	2,103	3,962	5,601	5,155	5,812	1,645	4,930
Total primary government	\$ 1,076	\$ 1,841	\$ 7,021	\$ 7,238	\$ 5,722	\$ 6,041	\$ 3,821	\$ 10,754	\$ 5,920	\$ 15,486

## CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 3

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund:										
Nonspendable	\$ 35	\$ 50	\$ 53	\$ 65	\$ 220	\$ 264	\$ 128	\$ 91	\$ 113	\$ 503
Committed					46	146	237	340	367	367
Restricted	2,518	2,285	11,013	7,712	7,471	7,765	8,827	11,962	4,272	11,141
Unassigned	4,135	6,706	3,069	9,860	12,016	9,911	9,609	10,031	16,114	17,389
Total General Fund	\$ 6,688	\$ 9,041	\$ 14,135	\$ 17,637	\$ 19,753	\$ 18,086	\$ 18,801	\$ 22,424	\$ 20,866	\$ 29,400
NCRC Project Development										
Financing 2010 Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	11,336	5,692	-	-	-	-	-	-	-	-
Total NCRC Financing 2010 Fund	\$ 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										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 187	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,124	954	5,321	11,175	1,262	1,167	1,023	3,152	3,334	1,098
Committed	308	3,680	93	214	218	620	440	269	74	203
Unassigned	-	-	-	(185)	(285)	(182)	(5)	(695)	(925)	(1,204)
Assigned	(224)	(29)	(29)	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,208	\$ 4,605	\$ 5,385	\$ 1,204	\$ 1,382	\$ 1,605	\$ 1,458	\$ 2,726	\$ 2,483	\$ 97

## 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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Ad valorem taxes	\$ 18,600	\$ 19,032	\$ 20,243	\$ 21,728	\$ 23,809	\$ 24,859	\$ 25,435	\$ 26,134	\$ 27,543	\$ 32,889
Other taxes and licenses	6,484	7,156	7,675	8,287	8,926	9,848	10,168	11,434	11,697	13,221
Unrestricted intergovernmental revenues	2,340	2,028	2,100	2,685	2,945	3,021	3,009	3,063	3,006	2,952
Restricted intergovernmental revenues	2,129	4,247	6,784	3,976	3,570	3,508	3,272	6,833	6,500	3,941
Sales and services	2,101	1,767	780	594	745	744	993	1,169	830	739
Investment earnings	78	113	125	193	204	299	349	889	706	106
Miscellaneous	808	909	933	887	908	1,350	1,040	1,264	1,395	3,662
Total revenues	32,540	35,252	38,640	38,350	41,107	43,629	44,266	50,786	51,677	57,510
Expenditures:										
General Government	7,141	8,358	6,534	5,129	6,122	7,132	10,455	8,468	7,948	7,207
Public safety	11,676	13,865	13,461	15,310	15,440	15,706	17,878	16,012	16,771	19,265
Public works	5,831	3,088	3,449	4,022	4,343	4,282	4,544	3,518	3,780	3,233
Community development	1,679	1,702	1,760	1,829	1,375	1,432	1,684	2,108	3,561	1,956
Parks and recreation	4,474	1,549	1,665	1,829	1,655	2,573	2,408	2,599	4,355	3,080
Capital Outlay	10,294	3,527	4,764	21,245	11,618	2,315	1,184	9,990	2,529	2,556
Debt service:										
Principal	2,405	8,803	3,050	2,852	3,693	4,717	4,374	5,200	26,237	5,428
Interest and fees	1,735	2,368	2,257	2,814	3,146	2,826	3,111	3,288	3,273	1,678
Total expenditures	45,235	43,260	36,940	55,030	47,392	40,983	45,638	51,183	68,454	44,403
Excess of revenues over (under) expenditures	(12,695)	(8,008)	1,700	(16,680)	(6,285)	2,646	(1,372)	(397)	(16,777)	13,107
Other Financing Sources (Uses)										
Transfers from other funds	704	6,863	6,628	893	840	2,326	862	53	1,883	200
Transfers to other funds	(373)	(6,315)	(8,148)	(1,993)	(3,174)	(7,267)	(3,063)	(5,106)	(6,948)	(7,159)
Proceeds of installment financing	3,000	7,566	-	-	-	335	14,560	-	18,685	-
Debt service reserve	(19)	-	-	-	-	-	-	-	-	-
Capitalized interest	(826)	-	-	-	-	-	-	-	-	-
Payments to bondholders	-	-	-	-	-	-	-	-	-	-
Premium on long-term debt	-	-	-	2,303	-	-	-	-	-	-
Proceeds of limited obligation bonds	-	-	-	25,990	-	-	-	-	-	-
Total other financing sources (uses)	2,486	8,114	(1,520)	27,193	(2,334)	(4,606)	12,359	(5,053)	13,620	(6,959)
Special item - sale of land	-	-	-	-	-	-	-	1,278	-	-
Net change in fund balances	\$ (10,209)	\$ 106	\$ 180	\$ 10,513	\$ (8,619)	\$ (1,960)	\$ 10,987	\$ (4,172)	\$ (3,157)	\$ 6,148
Debt service as a percentage of noncapital expenditures	9.40%	30.05%	15.65%	18.10%	26.57%	21.00%	18.54%	21.07%	48.22%	19.13%

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

## CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 5

## ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Public Service Companies <sup>(2)</sup>	Total Assessed Value	Total Direct Tax Rate <sup>(3)</sup>
2012 <sup>(1)</sup>	3,535,916,122	191,820,297	64,092,442	3,791,828,861	0.490
2013 <sup>(1)</sup>	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 <sup>(1)</sup>	3,193,371,079	470,988,564	81,056,490	3,745,416,133	0.630
2017 <sup>(1)</sup>	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 <sup>(1)</sup>	3,667,643,181	612,586,049	98,253,902	4,378,483,132	0.630
2021	4,411,304,057	683,109,991	101,976,054	5,196,390,102	0.630

Notes: <sup>(1)</sup> Increases in FY 2013 and FY 2017 include Cabarrus County revaluation. Increase in FY 2012, FY 2016 and FY 2020 includes Rowan County revaluation

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

These amounts included both real and personal property

<sup>(3)</sup> 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)

	2012 <sup>(1)</sup>	2013 <sup>(2)</sup>	2014	2015	2016 <sup>(3)</sup>	2017 <sup>(4)</sup>	2018	2019	2020 <sup>(5)</sup>	2021
<b>City of Kannapolis:</b>										
General fund	0.4900	0.5600	0.5600	0.6000	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300
<b>County Rates:</b>										
Cabarrus	0.6300	0.7000	0.7000	0.7000	0.7000	0.7000	0.7200	0.7400	0.7400	0.7400
Rowan	0.6225	0.6225	0.6225	0.6625	0.6625	0.6625	0.6625	0.6575	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 2021			Fiscal Year 2012		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Castle and Cooke NC LLC	Real Estate	\$ 217,003,784	1	4.18%	\$ -	-	-
Kannapolis Logistics Center, LLC	Real Estate	70,781,620	2	1.36%	290,340,743	1	7.66%
6200 Glen Afton LLC	Real Estate	68,462,928	3	1.32%	-	-	-
Duke Energy Corporation	Utility	56,586,660	4	1.09%	55,805,377	3	1.47%
Shoe Show, Inc	Retail	53,908,663	5	1.04%	-	-	-
Centennial Afton Ridge, LLC	Real Estate	47,567,140	6	0.92%	29,006,730	7	0.76%
Kannapolis Investments, LLC	Real Estate	47,546,576	7	0.91%	-	-	-
Integra POE LP	Real Estate	44,487,496	8	0.86%	-	-	-
Gateway Afton Ridge, Inc	Real Estate	42,138,640	9	0.81%	32,545,298	6	0.86%
Hilltop Copeland Strip, LLC	Real Estate	34,852,097	10	0.67%	-	-	0
Afton Ridge Joint Venture LLC/CKAfton Ridge Shopping Center	Real Estate	-	-	-	47,140,050	4	1.24%
BNP Paribus Leasing Corp.	Warehousing	-	-	-	40,645,220	5	1.07%
David Murdock	Real Estate	-	-	-	57,983,561	2	1.53%
Kellswater	Real Estate	-	-	-	26,629,548	8	0.70%
The Grand in Kannapolis LLC	Real Estate	-	-	-	21,075,510	9	0.56%
Target Corporation	Retail	-	-	-	16,009,847	10	0.42%
Total		\$ 683,335,604		13.15%	\$ 617,181,884		16.27%

**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		(SCH F-1) Uncollected Balance June 30, 2021
					Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2012	18,661,612	115,408	(35,161)	18,741,859	18,053,024	96.32%	650,056	18,703,080	99.79%	38,779
2013	19,281,030	197,718	(148,628)	19,330,120	18,620,309	96.33%	677,826	19,298,135	99.83%	31,985
2014	20,012,799	87,303	(83,385)	20,016,717	19,430,246	97.07%	534,068	19,964,314	99.74%	52,403
2015	21,392,417	190,276	(47,143)	21,535,550	21,050,962	97.75%	433,480	21,484,442	99.76%	51,108
2016	23,502,259	137,451	(29,535)	23,610,175	23,193,274	98.23%	363,588	23,556,862	99.77%	53,313
2017	24,743,633	192,065	(148,154)	24,787,544	24,421,144	98.52%	319,879	24,741,023	99.81%	46,521.00
2018	25,236,150	187,941	(68,744)	25,355,347	25,000,952	98.60%	281,760	25,282,712	99.71%	72,635.00
2019	25,989,681	245,309	(122,270)	26,112,720	25,672,563	98.31%	300,324	25,972,887	99.46%	139,833
2020	27,603,268	132,477	(115,083)	27,620,662	27,054,264	97.95%	-	27,054,264	97.95%	565,398
2021	32,589,032	278,648	(88,187)	32,779,493	32,302,475	98.54%	-	32,302,475	98.54%	477,018

Source: City of Kannapolis Finance Department

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years				
Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property <sup>(1)</sup>	Per Capita <sup>(2)</sup>	
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%	-	
2021	-	0.00%	-	

**Notes:**

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

<sup>(1)</sup> See Table 5 for total assessed value of property.<sup>(2)</sup> 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 <sup>(1)</sup>	Percentage of Personal Income <sup>(1)</sup>
	Installment Obligations	U.S. Gov. Guaranteed Notes	Limited Obligation Bonds		Installment Obligations	Special Obligation Bonds	W/S Revenue Bonds		Limited Obligation Bonds				
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	14,900,000	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	66,155,000	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	65,410,000	44,064,000	65,410,000	180,551,726	3,469	1.92%	
2021	24,179,980	50,000	99,298,003	1,545,585	1,953,269	7,330,000	5,949,997	53,022,200		193,329,034	3,640	*	

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

<sup>(1)</sup> 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.

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2021

(Dollars in Thousands)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
<b>Debt repaid with property taxes</b>			
Cabarrus County General Obligation Debt	36,746	16.24%	5,968
Cabarrus County COPS/LOBS	341,352	16.24%	55,436
Cabarrus County Capital Leases/Installment Debt	2,724	16.24%	442
Rowan County General Obligation Debt	4,960	4.07%	202
Rowan County Installment Financing	42,017	4.07%	1,710
Subtotal, overlapping debt			63,757
<b>City direct debt</b>			123,528
<b>Total direct and overlapping debt</b>			<u>\$187,285</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.

## CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 12

## LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Dollars in Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed Value of Property	\$ 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	\$ 5,196,390
Debt Limit, 8% of Assessed Value (Statutory Limitation)	303,346	268,993	277,489	286,736	299,633	314,367	321,583	331,051	350,279	415,711
Debt applicable to debt limitations:										
Limited obligation bonds	34,425	33,125	31,685	57,593	55,197	49,940	74,654	121,948	114,872	106,794
Installment obligations	21,256	21,744	18,920	17,516	14,933	13,282	19,094	16,311	13,552	26,183
Less: Amount of bonded debt incurred for water purposes	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limitations	55,681	54,869	50,605	75,109	70,130	63,222	93,748	138,259	128,424	132,977
Legal debt margin	\$ 247,665	\$ 214,124	\$ 226,884	\$ 211,627	\$ 229,503	\$ 251,145	\$ 227,835	\$ 192,792	\$ 221,855	\$ 282,734
Total net debt applicable to the limit as a percentage of debt limit	18.36%	20.40%	18.24%	26.19%	23.41%	20.11%	29.15%	41.76%	36.66%	31.99%

**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

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Water and Sewer Revenue Bonds		
				Principal	Debt Service Interest	Total
2012	13,662,511	8,822,600	4,839,911	1,547,514	932,191	2,479,705
2013	13,664,084	8,431,200	5,232,884	1,253,104	526,082	1,779,186
2014	14,618,245	8,933,072	5,685,173	1,387,555	864,802	2,252,357
2015	13,727,664	8,735,286	4,992,378	2,280,158	1,314,183	3,594,341
2016	16,327,038	10,556,224	5,770,814	1,959,530	1,148,822	3,108,352
2017	15,816,830	11,181,279	4,635,551	2,032,301	1,082,596	3,114,897
2018	17,256,872	10,706,300	6,550,572	2,098,027	1,121,971	3,219,998
2019	17,536,939	12,020,328	5,516,611	2,429,300	1,934,634	4,363,934
2020	19,415,386	13,402,746	6,012,640	2,619,000	1,738,616	4,357,616
2021	21,031,115	13,979,022	7,052,093	2,716,800	1,645,178	4,361,978

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

Utility service charges equal total operating revenues plus investment earning.

Principal and interest of revenue bonds only are shown here.

Coverage equals net revenues divided by total debt service requirements.



## CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 14

## DEMOGRAPHIC AND ECONOMIC STATISTICS

## Last Ten Fiscal Years

Year	Population <sup>(1)</sup>	Personal Income <sup>(2)</sup> (Dollars in Thousands)		Per Capita Personal Income <sup>(2)</sup>		Public School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>	
		Cabarrus County	Rowan County	Cabarrus County	Rowan County		Cabarrus County	Rowan County
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	11,002,886	6,230,504	46,615	40,213	5,626	3.6%	4.0%
2021	53,114	*	*	*	*	5,415	3.4%	4.7%

\* Information not yet available.

**Notes:**<sup>(1)</sup> 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.

2015-2021 population was estimated from the US Census Bureau

<sup>(2)</sup> Source: State of N.C. Office of State Budget and Management

The 2012 figures were determined from the N.C. OSBM figures released late 2011

The 2013 figures were determined from the Bureau of Economic Analysis | US Department of Commerce

The 2014-2015 figures were determined from the Bureau of Economic Analysis | US Department of Commerce

2016-2019 figures were determined from Federal Reserve Bank Economic Division

<sup>(3)</sup> Kannapolis City Schools<sup>(4)</sup> Source: N. C. Employment Security Commission - <https://desncc.com/PMINewsRates>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 15

PRINCIPAL EMPLOYERS

Current and Nine Years Ago

	Fiscal Year 2021			Fiscal Year 2012		
	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%	550	2	0.34%
Kannapolis City Schools	724	3	0.43%	750	1	0.47%
Cabarrus County Schools	463	4	0.28%	376	4	0.23%
City of Kannapolis	449	5	0.27%	381	3	0.24%
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%	-	-	-
Wayne Brothers	-	-	-	367	5	0.23%
Stanley Works	-	-	-	219	6	0.14%
Cabarrus Health Alliance	-	-	-	218	7	0.13%
Enironmental Services	-	-	-	208	8	0.11%
Food Lion	-	-	-	185	9	0.14%
Rowan Cabarrus Community College	-	-	-	150	10	0.09%
Kannapolis Health Care	-	-	-	150	10	0.09%
Total	5,335		3.18%	3,554		2.21%

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			
2021	141	11,827,508	888	184,545,267	196,372,775	12,713,586	209,086,361
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

Source: Cabarrus County Inspections Department

CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 17

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	29	28	21 <sup>(3)</sup>	31	40 <sup>(4)</sup>	41	43	45	53	53
Public safety	165	187	197	192	196	201	206	208	209	210
Public works admin and engineering	6	7	9	9	9	9	9	9	9	9
Parks and recreation	-	-	10 <sup>(3)</sup>	11	8	9	10	12	18	18
Streets and sign shops	9	8	11	8	12	12	13	15	15	15
Stormwater	13	13	13	13	13	16	16	16	16	16
Environmental	1	1	1	1	1	0	4	4	6	6
Water - Sewer billing and collections	6	7	9	7	7	8	8	8	9	10
Water - Sewer distribution	26	27	28	28	29	29	29	33	38	39
Water treatment plant	10	10	10	10	11	11	11	14	15	15
Total	265	288	309	310	326	336	349	364	388	391

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government:										
Collection rate for city taxes	96.32%	96.33%	97.07%	97.37%	98.23%	98.52%	98.60%	98.31%	97.95%	98.54%
Applications for employment processed	1,408	1,554	1,467	1,367	1,419	1,912	1,845	1,834	699	669
Hiring rate	3.27%	4.40%	2.65%	2.12%	8.97%	3.30%	2.39%	2.67%	9.47%	13.60%
Parks and Recreation:										
Concerts presented by the City	12	14	19	19	19	22	23	24	6	4
Shelter reservations	943	911	1580	956	1021	1528	1565	1601	505	448
Police:										
Homicide and death investigations	13	55	53	61	71	64	100	96	79	134
Assault investigations	70	34	39	38	49	42	48	47	42	42
Fire:										
Response to all in City incidents within six minutes	4274	90%	83.8%	80.7%	79.0%	85.0%	82.0%	80.0%	81.5%	78.0%
Average response time (minutes) for fire calls	NA	3:49	4:46	4:20	4:19	3:25	3:31	3:19	3:53	4:22
Number of fire inspections for businesses	1,550	682	1,420	1,689	5,946	1,058	687	234	1,200	759
Storm water:										
Shoulder work and ditches cleared (miles)	9.00	4.00	4.5	7.8	3.9	1.4	2.1	3.1	2.1	2.3
Drainage structures (repaired & constructed)	54	31	45	46	16	31	37	29	46	38
Streets And Sign Shop:										
Reconstruction resurfacing (miles)	2.83	1.52	3.20	3.65	3.65	3.84	2.94	3.16	0.73	1.40
Pavement repairs (including potholes)	935	1,242	1,654	4,615	7,370	7,370	5,322	6,387	4,678	5,297
Street name signs installed or repaired	202	760	358	182	218	218	239	316	293	293
Information signs installed or repaired	466	638	1,060	1,794	1,740	1,740	1,520	1,856	1,330	1,330
Water Sewer Distribution:										
Water services installed	39	54	53	46	46	93	150	215	157	144
Sewer services installed	11	11	55	15	10	54	127	189	126	130

Continued on next page.

## CITY OF KANNAPOLIS, NORTH CAROLINA

TABLE 18 (CONTINUED)

## OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water Treatment Plant:										
Total water treated (per billion gallons)	1,230	1,305	1,424	1,100	1,550	1,410	1,290	1,360	1,390	1,450
Unit cost of treatment (\$/1,000 Gal)	1,670	1,358	1,461	1,510	1,490	1,490	1,340	1,360	1,260	1,360
Water Sewer Billing Collections:										
Average number of walk in customers	6,900	6,221	6,145	6,527	6,421	4,180	6,325	5,765	2,751	5,668
Water and Sewer collection percentage	98.80%	97.63%	98.76%	98.00%	97.69%	97.57%	97.80%	97.80%	97.47%	77.00%

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

**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Ten Fiscal Years**

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Parks and recreation:</b>										
Park facilities	8	9	8	8	8	8	8	8	11	11
Acreage	114	114	114	114	128	172	172	172	257	257
Picnic shelters/structure	15	15	15	15	15	15	15	15	15	15
Softball fields	3	4	4	4	4	4	4	4	3	3
Playgrounds	6	7	7	7	7	7	7	7	6	6
Soccer fields	1	1	1	1	1	1	1	1	1	1
<b>Fire Protection:</b>										
Stations	5	5	5	5	5	5	5	5	5	5
Fire trucks (pumper)	10	10	9	8	8	8	9	9	9	9
Fire trucks (ladder)	2	2	2	2	2	2	3	3	3	3
<b>Police:</b>										
Patrol cars	65	56	57	59	60	66	66	66	68	76
Total police vehicles	102	104	103	104	109	114	114	114	110	113
<b>Streets:</b>										
Miles of streets	226	226	227	227	227	232	232	232	232	236
<b>Water:</b>										
Miles of water mains	330	329	320	324	324	335	335	335	346	351
<b>Wastewater:</b>										
Miles of sanitary sewers	318	317	325	316	317	325	325	325	326	331
Treatment capacity <sup>(1)</sup>	15	15	27	25	26	27	27	27	27	15

**Sources:** Various City departments.

<sup>(1)</sup> Data is by Million Gallons (MG)

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## Compliance Section

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- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
  - 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
  - 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
  - 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2021.

### **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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P. A.  
Hickory, North Carolina  
November 30, 2021

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

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## **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, 2021. 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, 2021.

## 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  
November 30, 2021

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

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## **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, 2021. 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, 2021.

## 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  
November 30, 2021



# CITY OF KANNAPOLIS, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

### 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>AL #</u>
COVID-19 Coronavirus Relief Fund	21.019

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

Auditee qualified as low-risk auditee? Yes

# CITY OF KANNAPOLIS, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

### 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, 2021**

None reported.

**CITY OF KANNAPOLIS, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal AL Number</b>	<b>State/ Pass-Through Grant Number</b>	<b>Federal (Direct and Pass-Through) Expenditures</b>	<b>State Expenditures</b>	<b>Local Expenditures</b>	<b>Pass-Through to Subrecipients Expenditures</b>
<b>U.S. Department of Housing and Urban Development:</b>						
<b>Office of Community Planning and Development</b>						
<b>Direct Program:</b>						
CDBG Entitlement Grants Cluster						
2006 Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-37-0017	\$ 23,067	\$ -	\$ -	\$ -
2018 Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-37-0017	25,601	-	-	-
2019 Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-37-0017	6,636	-	-	-
2020 Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-37-0017	104,536	-	-	-
2021 Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-37-0017	40,014	-	-	-
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	37149	230,437	-	-	-
Total CDBG Entitlement Grants Cluster			430,291	-	-	-
Passed Through City of Concord						
2013 Home Investment Partnership Program	14.239	M-13-DC-370209	3,568	-	-	-
2019 Home Investment Partnership Program	14.239	M-19-DC-370209	5,000	-	-	-
2020 Home Investment Partnership Program	14.239	M-20-DC-370209	425	-	-	-
2021 Home Investment Partnership Program	14.239	M-21-DC-370209	1,531	-	-	-
2020 Home Investment Partnership Program - Program Income	14.239	M-20-DC-370209	4,478	-	-	-
2020 Home Investment Partnership Program - Program Income	14.239	M-20-DC-370209	8,829	-	-	-
2021 Home Investment Partnership Program - Program Income	14.239	M-21-DC-370209	2,005	-	-	-
Total Home Investment Partnership Program			25,836	-	-	-
Total U.S. Department of Housing and Urban Development			456,127	-	-	-
<b>U.S. Department of Transportation:</b>						
Federal Highway Administration:						
Passed Through NC Department of Transportation:						
Highway Planning and Construction Cluster/						
Highway Planning, Research and Construction Cluster						
Highway Planning and Construction	20.205	46226.3.3	950,252	-	1,422,207	-
Highway Planning and Construction	20.205	47301.1.1	146,042	-	-	-
Total Highway Planning and Construction Cluster/			1,096,294	-	1,422,207	-
Highway Planning, Research and Construction Cluster						
<b>U.S. Department of Treasury:</b>						
Passed through the N.C. Office of State Budget and Management						
N.C. Pandemic Recovery Office						
Passed through Cabarrus County:						
COVID-19 Coronavirus Relief Fund	21.019	02-78	524,532	-	-	-
Passed through Rowan County:						
COVID-19 Coronavirus Relief Fund	21.019	02-78	184,623	-	-	-
Total U.S. Department of Treasury			709,155	-	-	-
Total Assistance - Federal Awards			2,261,576	-	1,422,207	-
<b>State Awards:</b>						
<b>N.C. Department of Transportation:</b>						
Powell Bill			-	469,172	-	-
<b>N.C. Housing Finance Agency:</b>						
Urgent Repair Program Grant			-	88,983	-	-
Total Assistance - State Awards			-	558,155	-	-
Total Federal and State Awards			\$ 2,261,576	\$ 558,155	\$ 1,422,207	\$ -

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, 2021. 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 the 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.