

**CITY OF KANNAPOLIS
NORTH CAROLINA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

**CITY OF KANNAPOLIS
NORTH CAROLINA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

Prepared by:
Finance Department

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CITY OF KANNAPOLIS, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
GFOA Certificate of Achievement for Excellence in Financial Reporting	vi
Mayor and City Officials	vii
Organizational Chart	viii
FINANCIAL SECTION	
Independent Auditor's Report	1-4
Management's Discussion and Analysis	5-17
<u>Exhibit</u>	
Basic Financial Statements:	
Government-Wide Financial Statements:	
A	Statement of Net Position 18-19
B	Statement of Activities 20-21
Fund Financial Statements:	
C	Balance Sheet - Governmental Funds 22-23
D	Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds 24
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities 25
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual 26
G	Statement of Net Position - Proprietary Funds 27-28
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds 29
I	Statement of Cash Flows - Proprietary Funds 30

CITY OF KANNAPOLIS, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Notes to the Financial Statements	31-80
	Required Supplementary Information:	
A-1	Special Separation Allowance - Schedule of Changes in Total Pension Liability	81-82
A-2	Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll	83-84
A-3	Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios	85
A-4	Local Governmental Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset)	86-87
A-5	Local Governmental Employees' Retirement System - City of Kannapolis' Contributions	88-89
	Combining and Individual Fund Statements and Schedules:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	90-94
B-2	Combining Balance Sheet - Nonmajor Governmental Funds	95
B-3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	96
	Special Revenue Funds:	
C-1	Combining Balance Sheet - Nonmajor Special Revenue Funds	97
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	98
C-3	Community Development Block Grant - Schedule of Revenues and Expenditures - Budget and Actual	99-104
C-4	Transit Tax Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	105

CITY OF KANNAPOLIS, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Capital Project Funds:	
D-1	Combining Balance Sheet - Nonmajor Capital Project Funds	106
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Project Funds	107
D-3	Irish Buffalo Creek Greenway Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual	108
D-4	Little Texas Road Sidewalk Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual	109
D-5	Fire Station Improvements Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual	110
D-6	Bethpage Sidewalks Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual	111
	Enterprise Funds:	
E-1	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	112-113
E-2	Water and Sewer Capital Project - Revenue Bonds 2020 Fund Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	114
E-3	Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	115
E-4	Environmental Services Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	116
	Additional Financial Data:	
F-1	Schedule of Ad Valorem Taxes Receivable	117
F-2	Analysis of Current Tax Levy	118
F-3	Analysis of Current Tax Levy - Secondary Market Disclosures	119

CITY OF KANNAPOLIS, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Table</u>		<u>Page</u>
	STATISTICAL SECTION	
1	Net Position by Component - Last Ten Fiscal Years	120
2	Changes in Net Position - Last Ten Fiscal Years	121-122
3	Fund Balances, Governmental Funds - Last Ten Fiscal Years	123
4	Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	124
5	Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	125
6	Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	126
7	Principal Property Taxpayers - Current Year and Nine Years Ago	127
8	Property Tax Levies and Collections - Last Ten Fiscal Years	128
9	Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	129
10	Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	130
11	Direct and Overlapping Governmental Activities Debt as of June 30, 2023	131
12	Legal Debt Margin Information - Last Ten Fiscal Years	132
13	Pledged - Revenue Coverage - Last Ten Fiscal Years	133
14	Demographic and Economic Statistics - Last Ten Fiscal Years	134
15	Principal Employers - Current Year and Nine Years Ago	135
16	Property Values and Construction - Last Ten Fiscal Years	136
17	Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	137
18	Operating Indicators by Functional Area - Last Ten Fiscal Years	138-139
19	Capital Asset Statistics by Function - Last Ten Fiscal Years	140

CITY OF KANNAPOLIS, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	141-142
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	143-145
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	146-148
Schedule of Findings, Responses, and Questioned Costs	149-151
Corrective Action Plan	152
Schedule of Prior Year Audit Findings	153
Schedule of Expenditures of Federal and State Awards	154

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Introductory Section

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

November 30, 2023

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, 2023.

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, 2023. 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 55,448 and the assessed valuation for property tax purposes is \$5,727,372,525. 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. Management cannot overspend the approved budget at the functional level without approval of the governing board. Budget amendments require governing board approval to increase total appropriation to allow for increased expenditures. Encumbrances outstanding at year-end can expire and must again be appropriated by City Council in the subsequent year.

LOCAL ECONOMY

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

The City has contracted with the non-profit Development Finance Initiative (DFI), at the UNC-CH School of Government to assist in the revitalization of downtown Kannapolis. DFI has assisted the City in adopting a long-range strategic plan for the Center City. Currently, the City has entered into a public-private partnership with LMG & Associates to redevelop and revitalize three downtown blocks. The initial project, Project Vida, along with the three subsequent projects all focus on mixed-uses including a 285 multi-family apartment complex soon to be occupied, more than 40,000 square feet of retail and restaurant space, of which most are leased and currently being upfitted, along with a 485 space parking deck 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 5,000 seat, \$52 million Sports and Entertainment Venue (SEV) opened in May 2020 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 \$1,515,555.28 from fiscal year 22. In addition, the property tax collection rate saw a slight increase by .04% 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.

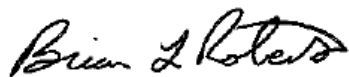
AWARDS AND ACKNOWLEDGEMENTS

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, 2022. 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, 2023. 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 that reads "Brian L. Roberts". The signature is written in a cursive style with a large, stylized initial "B".

Brian L. Roberts
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kannapolis
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

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

Jeanne Dixon – Council Member

OFFICIALS

Michael B. Legg
City Manager

R. Edward Smith
Deputy City Manager

Wilmer Melton
Assistant City Manager

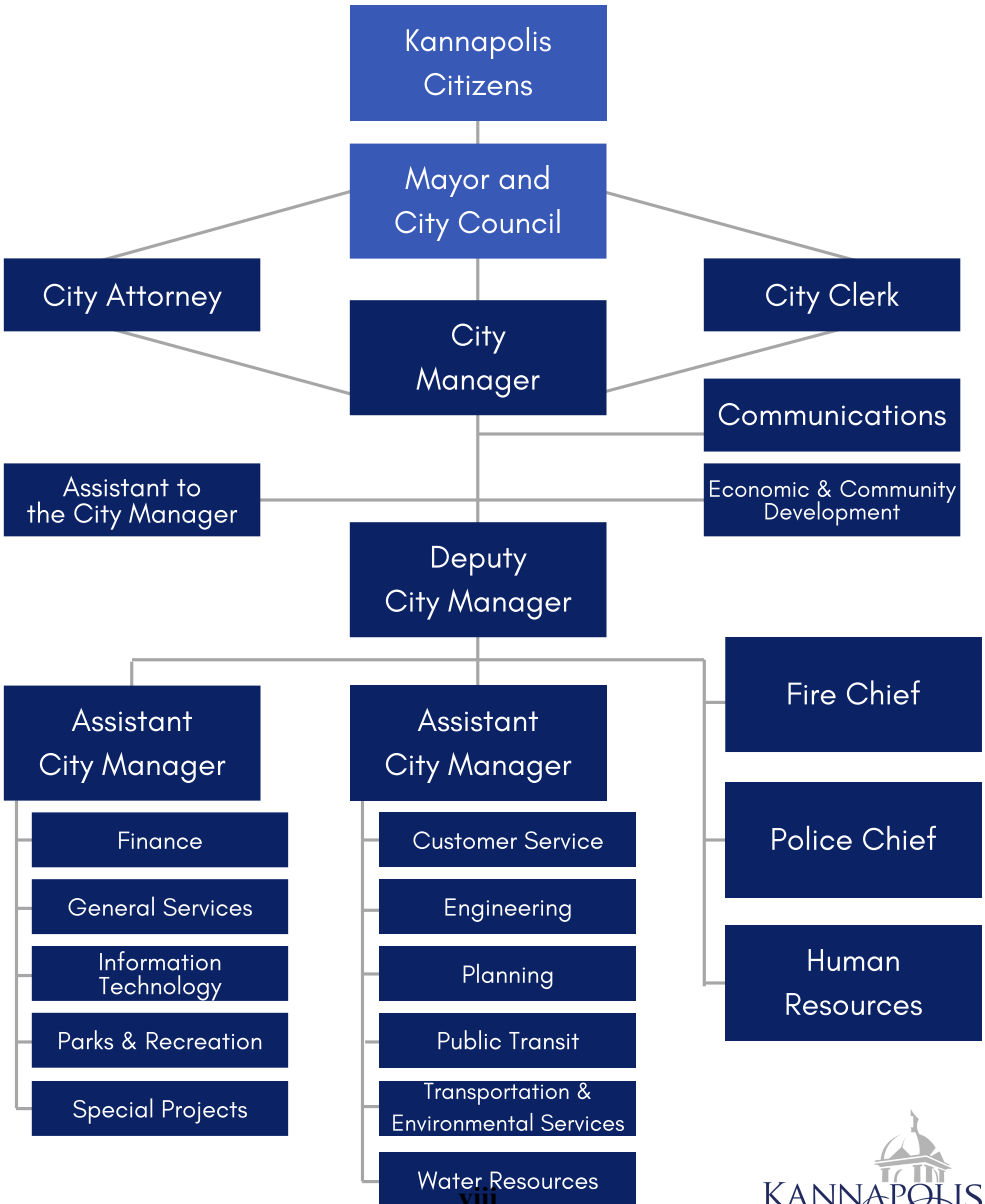
Walter M. Safrit, II
City Attorney

Eric Davis
Assistant City Manager

Bridgette L. Bell
City Clerk

Tina H. Cline
Human Resources Director

CITY ORGANIZATION



Financial Section

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

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, 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.

In our opinion, the accompanying 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Governmental 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 is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 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, 2023

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, 2023. 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 \$233,781,966 (*net position*).
- The government's total net position increased by \$14,238,878, 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 \$60,525,834, which is an increase of \$4,435,569 in fund balance. Approximately 20% of this total amount, or \$12,229,158, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$48,754,646.
- The City of Kannapolis' total debt decreased \$17,651,065, or 9%, during the current fiscal year due to principal payments made throughout the year and forgiveness of Rowan County debt of \$2,687,500.
- The City maintained the following underlying bond ratings:

Water and Sewer Revenue Bonds

Standard & Poor's	A+
-------------------	----

Limited Obligation Bonds

Moody's	A1
---------	----

Standard & Poor's	A+
-------------------	----

Issuer Credit Rating

Moody's	Aa3
---------	-----

Standard & Poor's	AA-
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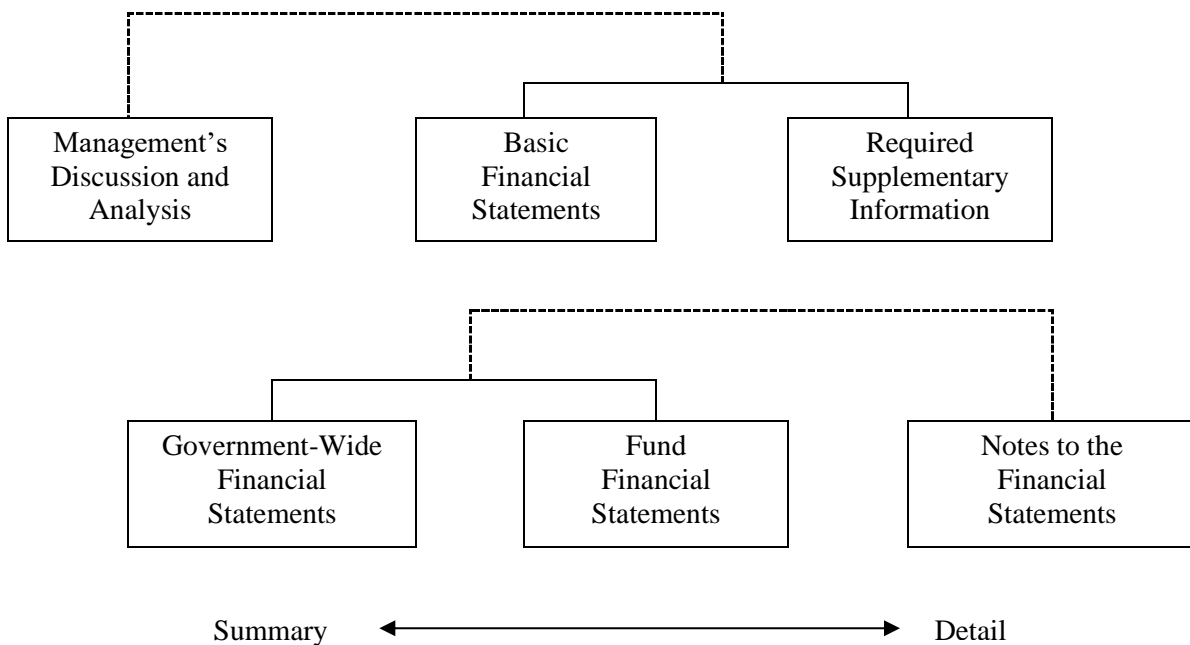
- In August 2023, the Standard & Poor's upgraded the ratings for the Limited Obligation Bonds to AA- and the Issuer Credit Rating to AA.

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 and environmental services operations.

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 and environmental services operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

The basic proprietary fund financial statements can be found on pages 27 through 30 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 31 through 80 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 81 through 89 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 90 through 111 of this report for the City's governmental funds and on pages 112 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 (101%) 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 \$11,007,071 and (\$14,166,879), respectively, and may be used to meet the government's ongoing obligations to citizens and creditors. The restricted net position may be used only to pay restricted current and future obligations as dictated by restrictive covenants pertaining to these assets.

City of Kannapolis' Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current assets	\$ 63,535,638	\$ 80,427,546	\$ 31,556,935	\$ 33,702,608	\$ 95,092,573	\$ 114,130,154
Capital & right to use assets	<u>282,799,592</u>	<u>265,635,779</u>	<u>139,444,337</u>	<u>141,411,958</u>	<u>422,243,929</u>	<u>407,047,737</u>
Total assets	<u>346,335,230</u>	<u>346,063,325</u>	<u>171,001,272</u>	<u>175,114,566</u>	<u>517,336,502</u>	<u>521,177,891</u>
Deferred Outflows of Resources						
	<u>25,957,612</u>	<u>25,196,068</u>	<u>7,312,054</u>	<u>7,231,375</u>	<u>33,269,666</u>	<u>32,427,443</u>
Liabilities:						
Long-term liabilities outstanding	165,189,744	194,301,359	72,305,525	80,998,102	237,495,269	275,299,461
Other liabilities	<u>16,619,733</u>	<u>17,536,164</u>	<u>7,397,552</u>	<u>7,931,514</u>	<u>24,017,285</u>	<u>25,467,678</u>
Total liabilities	<u>181,809,477</u>	<u>211,837,523</u>	<u>79,703,077</u>	<u>88,929,616</u>	<u>261,512,554</u>	<u>300,767,139</u>
Deferred Inflows of Resources						
	<u>48,269,710</u>	<u>27,934,702</u>	<u>7,041,938</u>	<u>5,360,405</u>	<u>55,311,648</u>	<u>33,295,107</u>
Net Position:						
Net investment in capital assets	151,564,033	142,693,066	85,377,741	80,114,170	236,941,774	222,807,236
Restricted	11,007,071	10,023,589	-	-	11,007,071	10,023,589
Unrestricted	<u>(20,357,449)</u>	<u>(21,229,487)</u>	<u>6,190,570</u>	<u>7,941,750</u>	<u>(14,166,879)</u>	<u>(13,287,737)</u>
Total net position	<u>\$ 142,213,655</u>	<u>\$ 131,487,168</u>	<u>\$ 91,568,311</u>	<u>\$ 88,055,920</u>	<u>\$ 233,781,966</u>	<u>\$ 219,543,088</u>

The City's total net position increased by \$14,238,878, while unrestricted net position decreased this fiscal year by \$879,142. Several aspects of the City's financial operations that influenced the total net position are \$6.4 million in capital grants, \$2.7 million in Rowan County debt forgiveness, \$2.7 million in investment income, and \$3.5 million increase of property, sales and franchise taxes over last year.

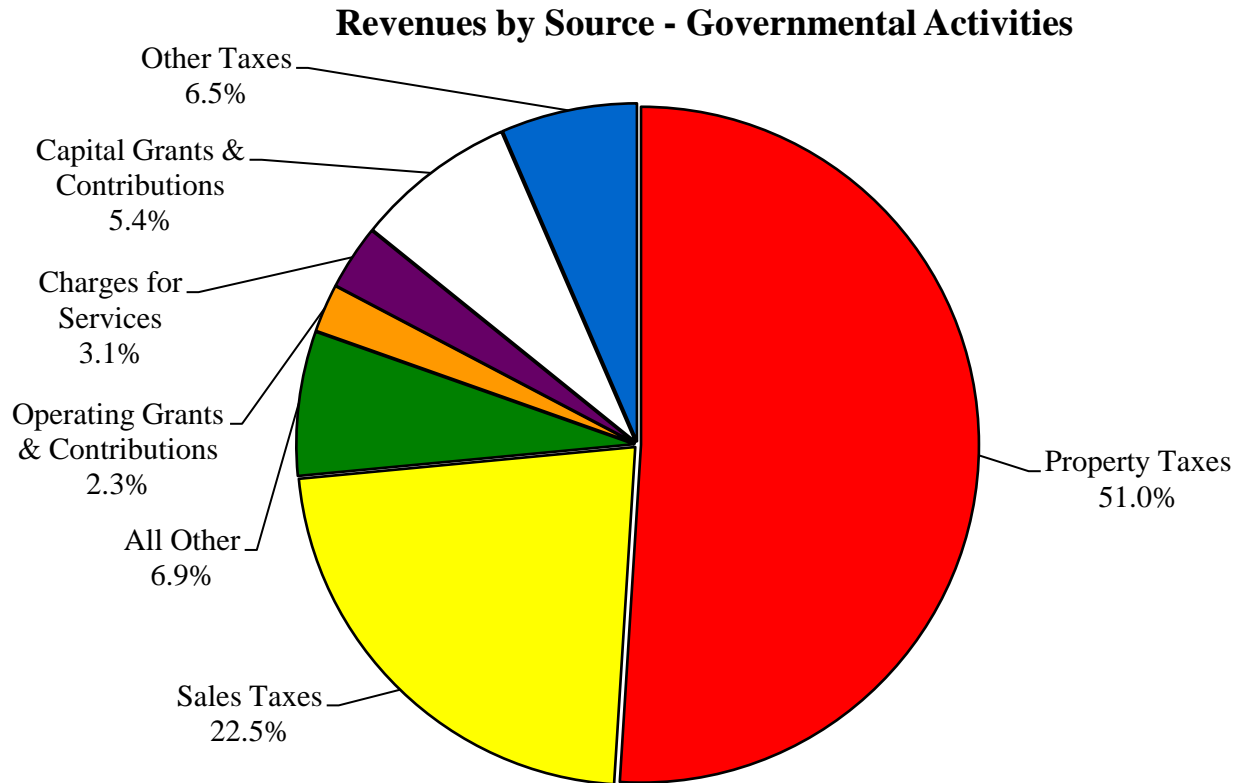
City of Kannapolis' Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,202,953	\$ 2,762,716	\$ 31,432,329	\$ 30,757,832	\$ 33,635,282	\$ 33,520,548
Operating grants and contributions	1,643,044	13,845,920	45,731	-	1,688,775	13,845,920
Capital grants and contributions	5,444,045	3,989,941	1,000,000	2,500,000	6,444,045	6,489,941
General revenues:						
Property taxes	36,142,354	34,529,225	-	-	36,142,354	34,529,225
Other taxes	20,532,017	18,718,800	-	-	20,532,017	18,718,800
Other revenues	2,235,716	288,330	742,013	130,838	2,977,729	419,168
Total revenues	<u>68,200,129</u>	<u>74,134,932</u>	<u>33,220,073</u>	<u>33,388,670</u>	<u>101,420,202</u>	<u>107,523,602</u>
Expenses:						
General government	13,920,335	12,557,486	-	-	13,920,335	12,557,486
Public safety	24,995,571	25,978,658	-	-	24,995,571	25,978,658
Public works	7,889,057	7,152,248	-	-	7,889,057	7,152,248
Community development	3,085,815	2,058,328	-	-	3,085,815	2,058,328
Parks and recreation	5,996,923	5,442,351	-	-	5,996,923	5,442,351
Water and sewer	-	-	22,317,140	19,492,768	22,317,140	19,492,768
Stormwater	-	-	2,863,333	2,934,067	2,863,333	2,934,067
Environmental services	-	-	4,612,751	4,035,705	4,612,751	4,035,705
Other	4,187,899	4,408,205	-	-	4,187,899	4,408,205
Total expenses	<u>60,075,600</u>	<u>57,597,276</u>	<u>29,793,224</u>	<u>26,462,540</u>	<u>89,868,824</u>	<u>84,059,816</u>
Change in net position before transfers	8,124,529	16,537,656	3,426,849	6,926,130	11,551,378	23,463,786
Special item	2,687,500	-	-	-	2,687,500	-
Transfers	(85,542)	7,514,713	85,542	(7,514,713)	-	-
Change in net position	<u>10,726,487</u>	<u>24,052,369</u>	<u>3,512,391</u>	<u>(588,583)</u>	<u>14,238,878</u>	<u>23,463,786</u>
Net Position:						
Beginning of year - July 1	131,487,168	106,483,694	88,055,920	88,444,641	219,543,088	194,928,335
Restatement	-	951,105	-	199,862	-	1,150,967
Beginning of year - July 1, as restated	<u>131,487,168</u>	<u>107,434,799</u>	<u>88,055,920</u>	<u>88,644,503</u>	<u>219,543,088</u>	<u>196,079,302</u>
End of year - June 30	<u>\$ 142,213,655</u>	<u>\$ 131,487,168</u>	<u>\$ 91,568,311</u>	<u>\$ 88,055,920</u>	<u>\$ 233,781,966</u>	<u>\$ 219,543,088</u>

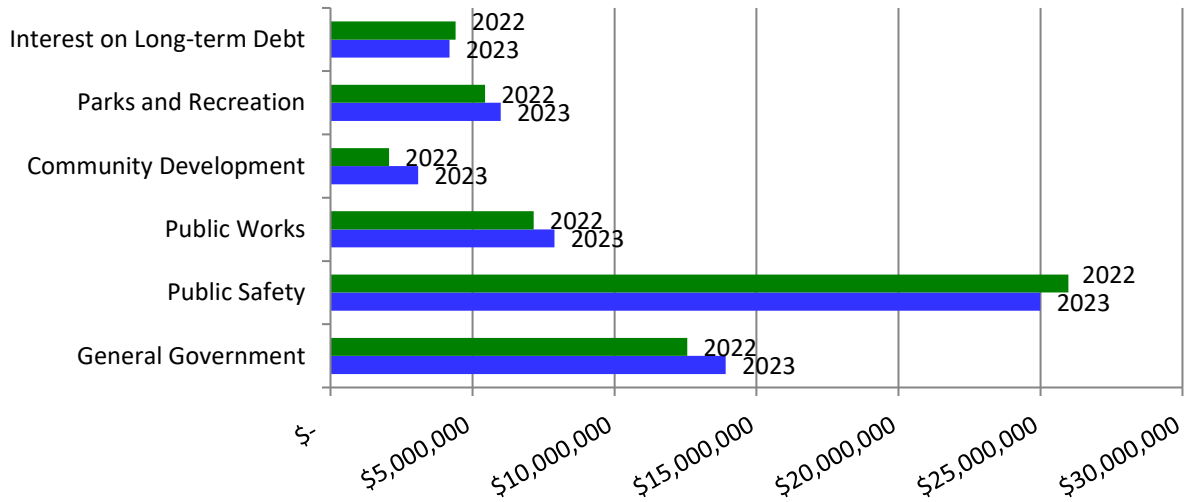
Governmental Activities. Net position increased in the City's governmental activities this fiscal year by \$10,726,487. Key elements of this increase are as follows:

- The city received \$5,560,990 in operating grants and contributions
- Forgiveness of Rowan County debt \$2,687,500
- \$3.5 million increase in property, sales and franchise taxes over the prior year
- \$2.7 million increase of investment income over the prior year.



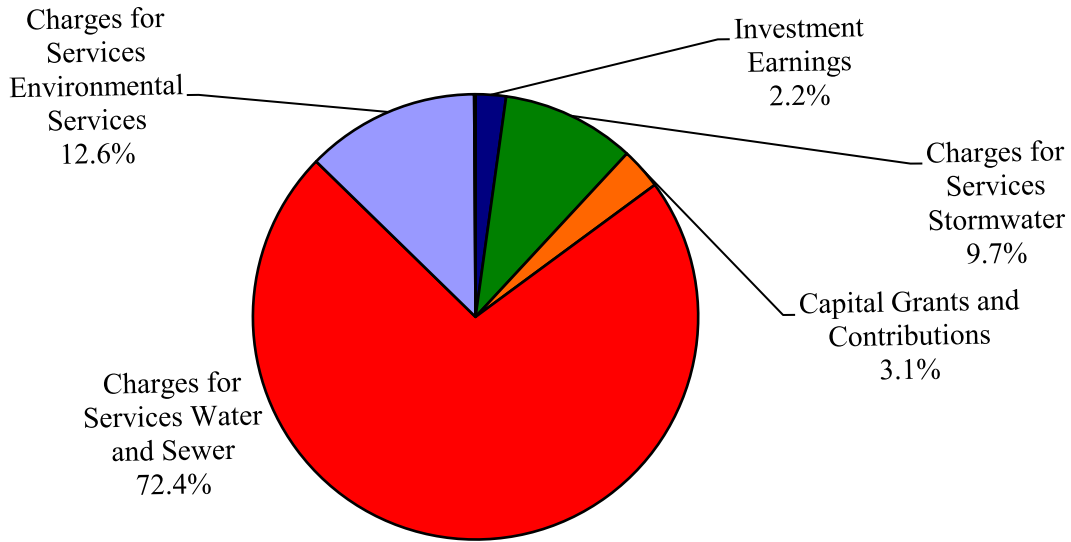
As shown in the above chart, the City's main source of revenue is from property taxes. The second largest source of revenue is sales taxes. Property taxes total \$36,142,354, while sales taxes total \$15,933,250. The third largest source of revenue is franchise tax. The City received grants from various 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 in the City of Kannapolis' net position by \$3,512,391. The major elements of this increase over last year are the increase in revenue over expenses and a \$1,000,000 capital contribution. Additional reasons for the change includes a combination of investments for future growth in which revenues will be realized after expansion; the impact of a return to more normal patterns as the pandemic subsided; and sanitation service enhancements.

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 \$48,754,646, while total fund balance reached \$58,301,203. This is an increase of \$3,474,597 in unassigned and an increase of \$3,686,232 in total fund balance from fiscal year 2022. The increase seen in total fund balance for the General Fund is attributable to normal growth. The City currently has an available fund balance of 79.8% of General Fund expenditures and transfers out, while total fund balance represents 89.8% 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, 2023, the governmental funds of the City of Kannapolis reported a combined fund balance of \$60,525,834, with a net increase in fund balance of \$4,435,569. The City had \$1,827,986 of expenditures over revenues. The City transferred out \$85,542 to Special Revenue Funds and the Environmental Services 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 \$12,452,261 or 20%. 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 \$4,788,095 or 8%, more than the original 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 \$635,673, while sales tax revenue was overbudget by \$2,034,088. Total revenue increased by 2% from fiscal year 2022.

The total variance from the final budget numbers to the actual results for expenditures totaled \$10,354,463, or 16%, of the final budget, compared to a variance of 8% 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, 2023 was \$7,314,445 compared to \$7,941,750 at June 30, 2022. Specifically, the unrestricted portion of net position for Water and Sewer was \$7,573,723, resulting in a change from prior year of \$8,167,414. Water and Sewer had an increase in net investment in capital assets of \$3,572,164 combined with a decrease in capital contributions of \$1,500,000. Operating revenues increased by 2.0% mostly driven by increased water and sewer tap fees. Operating expenses increased by 10.4% mostly driven by an increase in operating costs at the filter plant. The unrestricted portion of net position for Stormwater was (\$1,161,469), resulting in a change from prior year of (\$1,143,709). Stormwater had an increase in net investment in capital assets of \$396,533. Operating revenues increased due to an increase in charges for services of 2.4%, but an increase in operating expenses of 4.0% resulting in a decrease of operating income compared to the prior year. The unrestricted portion of net position of Environmental Services was \$902,191, resulting in a change from prior year of \$918,045. Environmental Services had an increase in net investment in capital assets of \$170,999. Operating revenues increased by 2.6% due to increased charges in services. Operating expenses increased by 14.5%.

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, 2023 totaled \$402,878,954 (net of accumulated depreciation). This is a decrease from June 30, 2022 of \$6,418,046. These assets include land, buildings, improvements, machinery and equipment, and infrastructure. Major capital asset transactions during the year included the following:

- Machinery and Equipment Additions/Replacements \$2,158,996

City of Kannapolis' Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 28,608,892	\$ 28,558,370	\$ 839,066	\$ 839,066	\$ 29,447,958	\$ 29,397,436
Construction in progress	935,683	863,063	8,539,403	8,250,993	9,475,086	9,114,056
Rowan County water rights	-	-	2,411,100	2,411,100	2,411,100	2,411,100
Buildings and systems	126,247,088	126,218,026	23,416,054	23,416,054	149,663,142	149,634,080
Improvements other than buildings	37,318,591	37,276,336	-	-	37,318,591	37,276,336
Machinery and equipment	22,470,248	21,498,922	9,431,612	8,583,840	31,901,860	30,082,762
Infrastructure	161,584,202	161,562,974	165,642,200	164,790,988	327,226,402	326,353,962
Right-to-use leased assets	2,955,833	2,955,833	-	-	2,955,833	2,955,833
Right-to-use subscription assets	6,675	-	-	-	6,675	-
Total	380,127,212	378,933,524	210,279,435	208,292,041	590,406,647	587,225,565
Less accumulated depreciation and amortization	116,692,595	111,048,482	70,835,098	66,880,083	187,527,693	177,928,565
Capital assets, net	<u>\$ 263,434,617</u>	<u>\$ 267,885,042</u>	<u>\$ 139,444,337</u>	<u>\$ 141,411,958</u>	<u>\$ 402,878,954</u>	<u>\$ 409,297,000</u>

For additional information on the City's capital assets, see pages 48 through 50 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Kannapolis had total debt outstanding of \$171,636,575. Of this amount, \$56,183,000 represents bonds secured solely by water and sewer revenues (i.e. revenue bonds). The City also had \$15,237,436 in outstanding installment obligations and \$100,216,139 in outstanding special obligation and limited obligation bonds. The City maintained its positive credit ratings this year.

Major debt transactions during the year included the following:

- Rowan County debt forgiveness of \$2,687,500.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Direct placement						
notes payable	\$ 14,817,462	\$ 20,769,631	\$ 419,974	\$ 1,038,648	\$ 15,237,436	\$ 21,808,279
Revenue bonds	-	-	56,183,000	60,312,000	56,183,000	60,312,000
Special obligation bonds	5,864,000	6,597,000	-	-	5,864,000	6,597,000
Limited obligation bonds	89,102,144	94,970,365	5,249,995	5,599,996	94,352,139	100,570,361
Total	\$ 109,783,606	\$ 122,336,996	\$ 61,852,969	\$ 66,950,644	\$ 171,636,575	\$ 189,287,640

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, 2023, the legal debt limit for the City totaled approximately \$348,601,000. 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 3(B) on pages 65 through 76 of this report.

Economic Factors and Next Year's Budgets and Rates

The total FY 2023-24 (FY 24) Budget for the City of Kannapolis is \$104,385,876 a 9.98% increase (\$9,469,837 actual) from the FY 2022-23 budget. This is the first time in our City's 39 year history that the total City budget has exceeded \$100 million. As a point of reference, the FY 2003-04 Budget (20 years ago) was \$30 million which translates into a \$54 million budget in today's dollars assuming 3% inflationary growth annually. In reality, the City's budget growth (largely facilitated by private sector investment in the City) has been nearly six times the inflationary growth factor.

The FY 24 Budget total is the sum of the General Fund, the Water and Sewer Fund, the Stormwater Fund, the Environmental Fund, the Public Transit Fund, the Separation Pay Fund, and the Insurance and Risk Fund (new for FY 24). This total budget figure excludes any interfund transfers (as defined by transfers between the annually adopted funds). Interfund transfers total \$7,252,080, all from the General Fund (\$496,912 to the Separation Pay Fund, \$323,031 to the Transit Fund, and \$1,147,817 to the Environmental Fund and \$5,284,320 to a new Insurance and Risk Fund).

The following overarching themes have driven the FY 24 budget: Budget Process and Structure; Employee Retention and Recruitment; Implementation of the Imagine Kannapolis Strategic Plan; Establishment of a new Insurance and Risk Fund; and Cash Reserves/Fund Balance.

Amid the COVID-19 pandemic, The City cautiously prepared itself by delaying expenditures to guard against fund balance use. The adopted FY 24 Budget continues to “catch up” from the COVID years to the greatest extent possible within the current financial resources.

The tax rate remains unchanged at \$.63/\$100 of valuation for fiscal year 2024. General Fund Departmental and Non-Departmental budgets saw an overall increase of 12.62% or \$7,884,120 over FY 23 Adopted Budget. The FY 24 budget includes a number of initial funding priorities such as 8 new positions, 1 reclassification, continued employer contribution to 401K, and continuance of the increased allowance per employee in contributions to the medical flex spending plan.

There are no new General Fund Debt Service obligations added to the FY 24 Budget. The existing debt includes a principal balance of \$10,106,904 (down from \$10,742,368 in FY 23). Interest obligations on this debt is currently \$3,877,187 (down from \$4,218,027 in FY 23).

The fiscal year 2024 Water and Sewer Budget increased \$916,437 or 3.92% from the fiscal year 2023 budget. There were no rate increases for fiscal year 2024. Steady organic growth in charges and fees is likely on both the residential and commercial side. The budget projects a 5% increase in overall water and sewer charges and fees revenue. There are no new Water and Sewer Capital Improvement Projects included in the proposed FY 24 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 24 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 2024 totaled \$3,530,000, which represents a 7.24% increase from the FY 23 adopted budget of \$3,291,706 (\$238,294 actual). No fee increase is proposed for FY 24 (the seventh consecutive year with no increased fees). The Stormwater Fund continues to be fully self-sustaining.

The Environmental Fund budget for fiscal year 2024 totaled \$5,683,817, which represents a 15.81% increase from the FY 23 adopted budget of \$4,908,080 (\$775,737 actual). Charges and Fees are expected to experience organic growth (1.64% growth rate). No fee increase is proposed for FY 24. The Fund is still reliant upon inter-fund transfers to support its operations. The fee was increased in FY 22 from \$15.60 to \$18.10. Unfortunately, significant increases in recycling costs and the addition of supplemental funding to address service delivery lapses by the City’s solid waste collection contractor prevented this fee increase from achieving the goal of self-sustainability. To make it fully self-sustaining a fee increase of at least \$5.00 will still be necessary in the future.

The Insurance and Risk Fund budget is \$6,046,460 which is a 100% increase over FY 23 because this is a new internal service fund in FY 24. This new fund brings all Medical and Workers Compensation insurance components together in one place in the City’s budget structure. Other insurance premiums and claims (liability, dental, vision, etc.) will be added to this fund in the future. The intent is establish a foundation for the new Fund in the first year then adjust in subsequent budget years.

Requests for Information

This financial report is designed to provide a general overview of the City of Kannapolis' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Director, City of Kannapolis, 401 Laureate Way, Kannapolis, North Carolina 28081.

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Basic Financial Statements

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 53,296,835	\$ 18,065,609	\$ 71,362,444
Taxes receivable	154,776	-	154,776
Accounts receivable, net	848,019	5,943,755	6,791,774
Lease receivable, net	395,168	-	395,168
Due from other governments	4,516,888	428,754	4,945,642
Cash and cash equivalents, restricted	3,838,253	7,118,817	10,957,070
Prepaid items	485,699	-	485,699
Total current assets	<u>63,535,638</u>	<u>31,556,935</u>	<u>95,092,573</u>
Non-current assets:			
Lease receivable, non-current	19,364,975	-	19,364,975
Intangible asset, net of amortization	-	1,398,438	1,398,438
Capital assets not being depreciated/amortized	29,544,575	9,378,469	38,923,044
Capital assets, net of accumulated depreciation/ amortization	<u>233,890,042</u>	<u>128,667,430</u>	<u>362,557,472</u>
Total capital assets, net	<u>263,434,617</u>	<u>138,045,899</u>	<u>401,480,516</u>
Total non-current assets	<u>282,799,592</u>	<u>139,444,337</u>	<u>422,243,929</u>
Total assets	<u>346,335,230</u>	<u>171,001,272</u>	<u>517,336,502</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	-	1,123,875	1,123,875
OPEB deferrals	15,130,007	3,648,371	18,778,378
Pension deferrals	<u>10,827,605</u>	<u>2,539,808</u>	<u>13,367,413</u>
Total deferred outflows of resources	<u>25,957,612</u>	<u>7,312,054</u>	<u>33,269,666</u>
Liabilities:			
Current liabilities:			
Accounts payable	307,747	999,541	1,307,288
Accrued expenses	2,651,400	261,852	2,913,252
Accrued interest	1,124,982	424,918	1,549,900
Current compensated absences	1,016,000	217,000	1,233,000
Current maturities of long-term debt	11,519,604	5,037,922	16,557,526
Liabilities to be paid from restricted assets	-	456,319	456,319
Total current liabilities	<u>16,619,733</u>	<u>7,397,552</u>	<u>24,017,285</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Non-current liabilities:			
Net pension liability - LGERS	14,449,395	3,389,365	17,838,760
Total pension liability - SSA	7,383,860	1,685,015	9,068,875
Total OPEB liability	42,667,506	10,046,218	52,713,724
Non-current compensated absences	338,003	72,380	410,383
Long-term debt	100,350,980	57,112,547	157,463,527
Total non-current liabilities	165,189,744	72,305,525	237,495,269
Total liabilities	181,809,477	79,703,077	261,512,554
Deferred Inflows of Resources:			
Leases	19,023,755	-	19,023,755
OPEB deferrals	27,680,631	6,674,762	34,355,393
Pension deferrals	1,565,324	367,176	1,932,500
Total deferred inflows of resources	48,269,710	7,041,938	55,311,648
Net Position:			
Net investment in capital assets	151,564,033	85,377,741	236,941,774
Restricted - stabilization by state statute	5,984,895	-	5,984,895
Restricted - streets	2,515,598	-	2,515,598
Restricted - community development	2,376,135	-	2,376,135
Restricted - public safety	104,256	-	104,256
Restricted - parks and recreation	26,187	-	26,187
Unrestricted	(20,357,449)	6,190,570	(14,166,879)
Total net position	\$ 142,213,655	\$ 91,568,311	\$ 233,781,966

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, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 13,920,335	\$ 548,063	\$ 1,287,968	\$ 2,273,036
Public safety	24,995,571	337,303	125,732	-
Public works	7,889,057	-	-	1,583,146
Community development	3,085,815	308,216	229,344	678,379
Parks and recreation	5,996,923	1,009,371	-	909,484
Interest on long-term debt	4,187,899	-	-	-
Total governmental activities	<u>60,075,600</u>	<u>2,202,953</u>	<u>1,643,044</u>	<u>5,444,045</u>
Business-Type Activities:				
Water and sewer	22,317,140	24,038,947	45,731	1,000,000
Stormwater	2,863,333	3,219,956	-	-
Environmental services	4,612,751	4,173,426	-	-
Total business-type activities	<u>29,793,224</u>	<u>31,432,329</u>	<u>45,731</u>	<u>1,000,000</u>
Total primary government	<u>\$ 89,868,824</u>	<u>\$ 33,635,282</u>	<u>\$ 1,688,775</u>	<u>\$ 6,444,045</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, 2023

	Net (Expense) Revenue		
	and Changes in Net Position		
	Primary Government		
	Governmental	Business-Type	Total
Functions/Programs	Activities	Activities	
Primary Government:			
Governmental Activities:			
General government	\$ (9,811,268)	\$ -	\$ (9,811,268)
Public safety	(24,532,536)	-	(24,532,536)
Public works	(6,305,911)	-	(6,305,911)
Community development	(1,869,876)	-	(1,869,876)
Parks and recreation	(4,078,068)	-	(4,078,068)
Interest on long-term debt	(4,187,899)	-	(4,187,899)
Total governmental activities	(50,785,558)	-	(50,785,558)
Business-Type Activities:			
Water and sewer	-	2,767,538	2,767,538
Stormwater	-	356,623	356,623
Environmental services	-	(439,325)	(439,325)
Total business-type activities	-	2,684,836	2,684,836
Total primary government	(50,785,558)	2,684,836	(48,100,722)
General Revenues:			
Taxes:			
Ad valorem taxes	36,142,354	-	36,142,354
Sales tax	15,933,250	-	15,933,250
Other taxes and licenses	1,549,668	-	1,549,668
Franchise tax	3,049,099	-	3,049,099
Unrestricted intergovernmental revenues	255,633	-	255,633
Investment earnings	1,980,083	742,013	2,722,096
Total general revenues, not including special item and transfers	58,910,087	742,013	59,652,100
Special item - Rowan County debt forgiveness	2,687,500	-	2,687,500
Transfers	(85,542)	85,542	-
Total general revenues, special item and transfers	61,512,045	827,555	62,339,600
Change in net position	10,726,487	3,512,391	14,238,878
Net Position:			
Beginning of year - July 1	131,487,168	88,055,920	219,543,088
End of year - June 30	\$ 142,213,655	\$ 91,568,311	\$ 233,781,966

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

CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 52,112,912	\$ 1,183,923	\$ 53,296,835
Taxes receivable	154,776	-	154,776
Accounts receivable	674,006	-	674,006
Lease receivable	19,760,143	-	19,760,143
Long-term receivable	-	174,013	174,013
Due from other governments	3,985,316	531,572	4,516,888
Due from other funds	857,089	-	857,089
Cash and cash equivalents - restricted	2,646,041	1,192,212	3,838,253
Prepaid items	485,699	-	485,699
Total assets	<u>\$ 80,675,982</u>	<u>\$ 3,081,720</u>	<u>\$ 83,757,702</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 307,747	\$ -	\$ 307,747
Accrued liabilities	2,651,400	-	2,651,400
Due to other funds	-	857,089	857,089
Total liabilities	<u>2,959,147</u>	<u>857,089</u>	<u>3,816,236</u>
Deferred Inflows of Resources:			
Leases	19,023,755	-	19,023,755
Property taxes receivable	154,776	-	154,776
Other unavailable revenue	237,101	-	237,101
Total deferred inflows of resources	<u>19,415,632</u>	<u>-</u>	<u>19,415,632</u>
Fund Balances:			
Non-spendable:			
Prepaid items	485,699	-	485,699
Leases	736,388	-	736,388
Restricted:			
Stabilization by state statute	5,279,310	705,585	5,984,895
Restricted for community development	-	2,376,135	2,376,135
Restricted for parks and recreation	26,187	-	26,187
Restricted for streets	2,515,598	-	2,515,598
Restricted for public safety	104,256	-	104,256
Committed	399,119	-	399,119
Unassigned	48,754,646	(857,089)	47,897,557
Total fund balances	<u>58,301,203</u>	<u>2,224,631</u>	<u>60,525,834</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 80,675,982</u>	<u>\$ 3,081,720</u>	<u>\$ 83,757,702</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Total Governmental Funds
	<u> </u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance - governmental funds	\$ 60,525,834
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	263,434,617
Net pension liability - LGERS	(14,449,395)
Total pension liability - SSA	(7,383,860)
Total OPEB liability	(42,667,506)
Deferred outflows - pension	10,827,605
Deferred outflows - OPEB	15,130,007
Deferred inflows - pension	(1,565,324)
Deferred inflows - OPEB	(27,680,631)
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.	391,877
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	(111,870,584)
Accrued interest	(1,124,982)
Compensated absences	<u>(1,354,003)</u>
Net position of governmental activities	<u>\$ 142,213,655</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, 2023

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 36,224,405	\$ -	\$ 36,224,405
Other taxes and licenses	16,477,471	864,822	17,342,293
Unrestricted intergovernmental	3,445,357	-	3,445,357
Restricted intergovernmental	3,198,748	1,674,161	4,872,909
Sales and services	3,198,889	-	3,198,889
Investment earnings	1,962,635	17,448	1,980,083
Miscellaneous	1,376,937	-	1,376,937
Total revenues	<u>65,884,442</u>	<u>2,556,431</u>	<u>68,440,873</u>
Expenditures:			
Current:			
General government	12,126,572	-	12,126,572
Public safety	23,024,124	-	23,024,124
Public works	5,190,267	-	5,190,267
Community development	1,119,667	1,966,148	3,085,815
Capital outlay	-	144,181	144,181
Parks and recreation	5,491,687	-	5,491,687
Debt service:			
Principal retirement	10,674,842	-	10,674,842
Interest and fees	4,187,899	-	4,187,899
Total expenditures	<u>61,815,058</u>	<u>2,110,329</u>	<u>63,925,387</u>
Revenues over (under) expenditures	<u>4,069,384</u>	<u>446,102</u>	<u>4,515,486</u>
Other Financing Sources (Uses):			
Transfers (out)	(388,777)	303,235	(85,542)
Subscription liability issued	5,625	-	5,625
Total other financing sources (uses)	<u>(383,152)</u>	<u>303,235</u>	<u>(79,917)</u>
Net change in fund balances	3,686,232	749,337	4,435,569
Fund Balances:			
Beginning of year - July 1	<u>54,614,971</u>	<u>1,475,294</u>	<u>56,090,265</u>
End of year - June 30	<u>\$ 58,301,203</u>	<u>\$ 2,224,631</u>	<u>\$ 60,525,834</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, 2023

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

Net changes in fund balances - total governmental funds (Exhibit D)	\$ 4,435,569
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/amortization expense.	1,495,681
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(5,918,493)
Pension expense - LGERS	(1,576,907)
Pension expense - SSA	(494,710)
OPEB plan expense	(515,074)
In the Statement of Activities, only the gain or loss on the reduction of capital assets is reported; whereas, in governmental funds, the proceeds of the sale increase the financial resources. Thus, the changes in net position differs from the change in fund balance by the cost of the assets less any depreciation or amortization.	(182,261)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(240,744)
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.	247,386
Governmental funds report the effect of bond premiums when the debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	121,223
Proceeds from issuance of debt, and the related premium, are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(5,625)
Debt forgiveness	2,687,500
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.	10,674,842
Transfer of capital assets from business-type activities to the governmental activities	<u>(1,900)</u>
Total change in net position of governmental activities (Exhibit B)	<u>\$ 10,726,487</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 35,588,732	\$ 35,588,732	\$ 36,224,405	\$ 635,673
Other taxes and licenses	14,321,551	14,321,551	16,477,471	2,155,920
Unrestricted intergovernmental	3,014,296	3,014,296	3,445,357	431,061
Restricted intergovernmental	2,976,245	3,156,764	3,198,748	41,984
Sales and services	2,743,175	2,743,175	3,198,889	455,714
Investment earnings	210,000	825,000	1,962,635	1,137,635
Miscellaneous	530,000	531,150	1,376,937	845,787
Total revenues	<u>59,383,999</u>	<u>60,180,668</u>	<u>65,884,442</u>	<u>5,703,774</u>
Expenditures:				
Current:				
General government	12,916,519	15,444,428	12,126,572	3,317,856
Public safety	20,265,066	24,597,617	23,024,124	1,573,493
Public works	4,853,405	6,493,456	5,190,267	1,303,189
Community development	1,102,225	1,149,227	1,119,667	29,560
Parks and recreation	5,650,799	9,657,460	5,491,687	4,165,773
Debt service:				
Principal retirement	10,742,638	10,676,350	10,674,842	1,508
Interest and fees	4,218,028	4,188,028	4,187,899	129
Total expenditures	<u>59,748,680</u>	<u>72,206,566</u>	<u>61,815,058</u>	<u>10,391,508</u>
Revenues over (under) expenditures	<u>(364,681)</u>	<u>(12,025,898)</u>	<u>4,069,384</u>	<u>16,095,282</u>
Other Financing Sources (Uses):				
Transfers (out)	(388,777)	(388,777)	(388,777)	-
Subscription liability issued	-	5,625	5,625	-
Appropriated fund balance	753,458	12,409,050	-	(12,409,050)
Total other financing sources (uses)	<u>364,681</u>	<u>12,025,898</u>	<u>(383,152)</u>	<u>(12,409,050)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,686,232</u>	<u>\$ 3,686,232</u>
Fund Balance:				
Beginning of year - July 1			<u>54,614,971</u>	
End of year - June 30			<u>\$ 58,301,203</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, 2023

	Business-Type Activities			Total Business-Type Activities
	Major Enterprise Funds			
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	
Assets:				
Current assets:				
Cash and investments	\$ 14,616,031	\$ 2,185,407	\$ 1,264,171	\$ 18,065,609
Accounts receivable, net	4,263,412	678,447	1,001,896	5,943,755
Due from other governments	341,544	37,295	49,915	428,754
Cash and investments, restricted	7,118,817	-	-	7,118,817
Total current assets	26,339,804	2,901,149	2,315,982	31,556,935
Non-current assets:				
Lease receivable, net	-	-	-	-
Intangible asset, net of amortization	1,398,438	-	-	1,398,438
Capital assets:				
Non-depreciable assets	9,378,469	-	-	9,378,469
Other capital assets net of depreciation	117,974,547	10,616,181	76,702	128,667,430
Total capital assets	127,353,016	10,616,181	76,702	138,045,899
Total non-current assets	128,751,454	10,616,181	76,702	139,444,337
Total assets	155,091,258	13,517,330	2,392,684	171,001,272
Deferred Outflows of Resources:				
Charge on refunding	1,123,875	-	-	1,123,875
OPEB deferrals	2,521,668	858,441	268,262	3,648,371
Pension deferrals	1,737,765	668,370	133,673	2,539,808
Total deferred outflows of resources	5,383,308	1,526,811	401,935	7,312,054
Liabilities:				
Current liabilities:				
Accounts payable	777,043	2,462	220,036	999,541
Accrued expenses	183,776	48,525	29,551	261,852
Accrued interest	377,287	47,631	-	424,918
Current portion of compensated absences	153,600	45,900	17,500	217,000
Current portion of total pension liability - SSA	32,000	12,500	2,500	47,000
Current portion of total OPEB liability	173,000	59,000	18,500	250,500
Current maturities of long-term debt	4,372,859	367,563	-	4,740,422
Liabilities to be paid from restricted assets	456,319	-	-	456,319
Total current liabilities	6,525,884	583,581	288,087	7,397,552
Non-current liabilities:				
Net pension liability - LGERS	2,319,038	891,939	178,388	3,389,365
Total pension liability - SSA	1,153,062	443,294	88,659	1,685,015
Total OPEB liability	6,945,866	2,355,695	744,657	10,046,218
Compensated absences	51,236	15,326	5,818	72,380
Long-term debt	52,177,430	4,935,117	-	57,112,547
Total non-current liabilities	62,646,632	8,641,371	1,017,522	72,305,525
Total liabilities	69,172,516	9,224,952	1,305,609	79,703,077

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Business-Type Activities</u>			<u>Total Business-Type Activities</u>
	<u>Major Enterprise Funds</u>			
	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Environmental Services Fund</u>	
Deferred Inflows of Resources:				
OPEB deferrals	4,613,439	1,570,532	490,791	6,674,762
Pension deferrals	<u>251,225</u>	<u>96,625</u>	<u>19,326</u>	<u>367,176</u>
Total deferred inflows of resources	<u>4,864,664</u>	<u>1,667,157</u>	<u>510,117</u>	<u>7,041,938</u>
Net Position:				
Net investment in capital assets	78,863,663	5,313,501	76,702	84,253,866
Unrestricted	<u>7,573,723</u>	<u>(1,161,469)</u>	<u>902,191</u>	<u>7,314,445</u>
Total net position	<u>\$ 86,437,386</u>	<u>\$ 4,152,032</u>	<u>\$ 978,893</u>	<u>\$ 91,568,311</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities			
	Major Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	
Operating Revenues:				
Charges for services	\$ 20,774,329	\$ 3,219,956	\$ 4,123,755	\$ 28,118,040
Water and sewer taps	2,698,228	-	-	2,698,228
Other operating revenues	566,390	-	49,671	616,061
Total operating revenues	<u>24,038,947</u>	<u>3,219,956</u>	<u>4,173,426</u>	<u>31,432,329</u>
Operating Expenses:				
Administration	1,135,715	-	-	1,135,715
Distribution	5,202,305	-	-	5,202,305
Filter plant	3,747,110	-	-	3,747,110
General services	1,922,482	-	-	1,922,482
Contracted services	-	14,469	-	14,469
Sewage treatment	4,484,853	-	-	4,484,853
Stormwater	-	2,522,812	-	2,522,812
Environmental services	-	-	4,590,953	4,590,953
Depreciation and amortization	3,794,455	275,618	21,785	4,091,858
Total operating expenses	<u>20,286,920</u>	<u>2,812,899</u>	<u>4,612,738</u>	<u>27,712,557</u>
Operating income (loss)	<u>3,752,027</u>	<u>407,057</u>	<u>(439,312)</u>	<u>3,719,772</u>
Non-Operating Revenues (Expenses):				
Grant revenue	45,731	-	-	45,731
Interest earned on investments	706,635	22,150	13,228	742,013
Interest and fees on long-term debt	(2,030,220)	(50,434)	(13)	(2,080,667)
Total non-operating revenues (expenses)	<u>(1,277,854)</u>	<u>(28,284)</u>	<u>13,215</u>	<u>(1,292,923)</u>
Income (loss) before capital contributions and transfers	<u>2,474,173</u>	<u>378,773</u>	<u>(426,097)</u>	<u>2,426,849</u>
Capital Contributions	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Transfers:				
Transfers (out)	(495,700)	-	-	(495,700)
Transfers in	-	-	581,242	581,242
Total transfers	<u>(495,700)</u>	<u>-</u>	<u>581,242</u>	<u>85,542</u>
Change in net position	2,978,473	378,773	155,145	3,512,391
Net Position:				
Beginning of year - July 1	<u>83,458,913</u>	<u>3,773,259</u>	<u>823,748</u>	<u>88,055,920</u>
End of year - June 30	<u>\$ 86,437,386</u>	<u>\$ 4,152,032</u>	<u>\$ 978,893</u>	<u>\$ 91,568,311</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities			
	Major Enterprise Funds			Total Business-Type Activities
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 24,926,613	\$ 3,189,049	\$ 4,106,702	\$ 32,222,364
Cash paid for goods and services	(9,452,622)	(1,434,212)	(4,412,959)	(15,299,793)
Cash paid to employees	(7,049,024)	(1,136,022)	(4,920)	(8,189,966)
Net cash provided (used) by operating activities	<u>8,424,967</u>	<u>618,815</u>	<u>(311,177)</u>	<u>8,732,605</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to) other funds	(495,700)	-	-	(495,700)
Transfers from other funds	-	-	581,242	581,242
Net cash provided (used) by non-capital financing activities	<u>(495,700)</u>	<u>-</u>	<u>581,242</u>	<u>85,542</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets and capital projects	(965,960)	-	(78,000)	(1,043,960)
Principal paid on long-term debt	(4,309,469)	(523,364)	(114,784)	(4,947,617)
Grant revenue	45,731	-	-	45,731
Interest and fees paid on long-term debt	(2,131,474)	(58,920)	11,995	(2,178,399)
Net cash provided (used) by capital and related financing activities	<u>(7,361,172)</u>	<u>(582,284)</u>	<u>(180,789)</u>	<u>(8,124,245)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>706,635</u>	<u>22,150</u>	<u>-</u>	<u>728,785</u>
Net increase (decrease) in cash and cash equivalents	1,274,730	58,681	89,276	1,422,687
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>20,460,118</u>	<u>2,126,726</u>	<u>1,174,895</u>	<u>23,761,739</u>
End of year - June 30	<u>\$ 21,734,848</u>	<u>\$ 2,185,407</u>	<u>\$ 1,264,171</u>	<u>\$ 25,184,426</u>
Reconciliation of Operating Income (Loss) to Provided (Used) By Operating Activities:				
Operating income (loss)	\$ 3,752,027	\$ 407,057	\$ (439,312)	\$ 3,719,772
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,794,455	275,618	21,785	4,091,858
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	853,475	(30,907)	(66,724)	755,844
Increase (decrease) in total pension liability	(139,684)	(53,724)	(10,745)	(204,153)
Increase (decrease) in net pension liability	1,712,383	658,609	131,722	2,502,714
Increase (decrease) in deferred inflows of resources for pensions	(3,442,167)	(263,817)	(52,764)	(3,758,748)
(Increase) decrease in deferred outflows of resources for pensions	(554,292)	(213,189)	(42,638)	(810,119)
Increase (decrease) in deferred inflows for OPEB	3,760,195	1,280,066	400,020	5,440,281
(Increase) decrease in deferred outflows for OPEB	448,686	152,744	47,733	649,163
Increase (decrease) in accounts payable and accrued liabilities	2,321,118	(183,899)	131,724	2,268,943
Increase (decrease) in other post-employment benefits	(4,115,420)	(1,409,743)	(431,978)	(5,957,141)
Increase (decrease) in customer deposits	34,191	-	-	34,191
Net cash provided (used) by operating activities	<u>\$ 8,424,967</u>	<u>\$ 618,815</u>	<u>\$ (311,177)</u>	<u>\$ 8,732,605</u>
Summary of Non-Cash Activities:				
Transfer of capital assets and related debt	<u>\$ (1,900)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,900)</u>
Capital asset contributions	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, cultural and recreational activities, and general governmental services.

The City reports the following nonmajor governmental funds:

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

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

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

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

Fire Station Improvements. This fund is used to account for fire station improvements.

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 one separate water and sewer capital project fund for accounting purposes: Revenue Bonds 2020 Fund. For financial reporting purposes, this fund has 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, 2023

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/amortization 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 leases and IT subscriptions are reported as other financing sources.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

D. Budgetary Data

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

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, 2023

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) 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 North Carolina Capital Management Trust (NCCMT) is authorized by G.S. 159-30. The NCCMT Government Portfolio is an SEC-registered (2a-7) money market mutual fund, which invests in treasuries and government agencies and is rated AAAM by S&P and AAA-mf by Moody Investor Services. The Government Portfolio is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 60 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 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 and downtown rents/room 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. The unexpended debt proceeds in the enterprise are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

General Fund:

Federal asset forfeiture funds	\$ 104,256
Downtown rents/room deposits	26,187
Powell Bill	<u>2,515,598</u>
Total	<u>2,646,041</u>

Other Governmental Funds:

HUD Section 108 - required debt service reserve	<u>1,192,212</u>
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Enterprise Funds:

Unspent debt proceeds - revenue bonds	6,662,498
Customer deposits	<u>456,319</u>
Total	<u>7,118,817</u>

Total restricted cash	<u>\$ 10,957,070</u>
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Ad Valorem Taxes Receivable

In accordance with state law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022. 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.

Leases Receivable

The City's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflows of resources are recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on a straight-line basis over the term of each lease.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Prepaid Items

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$250,000 for general infrastructure and \$5,000 for other capital asset classifications. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are reported at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The City has elected not to capitalize monuments and works of art that are held for public exhibition. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The City's capital assets also include certain right to use lease assets. The right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The right to use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right to use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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*, represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criteria – deferred charge on refunding, 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*, represent an acquisition of net assets that applies to future periods 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, leases, 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.

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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.

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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. \$1,192,212 in the CDBG Fund is restricted for HUD Section 108 Loan payment. \$1,183,923 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 Downtown Kannapolis rents and room deposits.

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Restricted fund balance at June 30, 2023 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Restricted, All Other:		
Streets	\$ 2,515,598	\$ -
Public safety	104,256	-
Community development	-	2,376,135
Parks and recreation	26,187	-
Total	<u>\$ 2,646,041</u>	<u>\$ 2,376,135</u>

Committed Fund Balance

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

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

Committed fund balance at June 30, 2023 is as follows:

<u>Purpose</u>	<u>General Fund</u>
City employee separation	<u>\$ 399,119</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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

Fund Balance Available for Appropriation

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

Total fund balance - General Fund	\$ 58,301,203
Less:	
Prepaid items	(485,699)
Leases	(736,388)
Stabilization by state statute	<u>(5,279,310)</u>
Fund balance available for appropriation	<u>\$ 51,799,806</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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

period in which the contributions are due. The City of Kannapolis' employer contributions are recognized when due, and the City of Kannapolis has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Revenues, Expenditures, and Expenses

Other Resources

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

Management Estimates

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

2. Stewardship, Compliance, and Accountability

Deficit in Fund Balance or Net Position of Individual Funds

The City's Irish Buffalo Creek Greenway Fund has a deficit net position of \$374,649 and the Fire Station Improvements Fund has a deficit net position of \$152,353. These funds operations were funded by proceeds of Certificates of Participation and interest income on those proceeds. The deficit net position has decreased for the past fiscal year and will be eliminated in the fiscal year ending June 30, 2024.

3. Detail Notes on All Funds

A. Assets

Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved 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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, the City's deposits had a carrying amount of \$13,570,513 and a bank balance of \$14,025,535. 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, 2023, the City's had no petty cash.

Investments

At June 30, 2023, the City had the following investments and maturities:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	<u>\$ 68,749,001</u>	<u>\$ 68,749,001</u>

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

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

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

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). To best mitigate against credit risk, the City requires a diversification of investments. The City has no formal policy on credit risk. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Receivables

Receivables at the government-wide level at June 30, 2023 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 744,427	\$ 775,436	\$ 3,985,316	\$ 5,505,179
Governmental	<u>174,013</u>	<u>-</u>	<u>531,572</u>	<u>705,585</u>
Total receivables	918,440	775,436	4,516,888	6,210,764
Allowance for doubtful accounts	<u>(70,421)</u>	<u>(620,660)</u>	<u>-</u>	<u>(691,081)</u>
Total	<u>\$ 848,019</u>	<u>\$ 154,776</u>	<u>\$ 4,516,888</u>	<u>\$ 5,519,683</u>
Business-Type Activities:				
Water and sewer	\$ 5,768,552	\$ -	\$ 341,544	\$ 6,110,096
Stormwater	768,158	-	37,295	805,453
Environmental services	1,024,324	-	49,915	1,074,239
Allowance for doubtful accounts	<u>(1,617,279)</u>	<u>-</u>	<u>-</u>	<u>(1,617,279)</u>
Total	<u>\$ 5,943,755</u>	<u>\$ -</u>	<u>\$ 428,754</u>	<u>\$ 6,372,509</u>

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

Local option sales tax	\$ 2,601,329
Property taxes	541,995
Other	<u>1,802,318</u>
Total	<u>\$ 4,945,642</u>

Lease Receivable

On 07/01/2021, City of Kannapolis, NC entered into a 25-month lease as Lessor for the use of Dulcueria Las Princesas 471 N. Cannon. An initial lease receivable was recorded in the amount of \$55,394. As of 06/30/2023, the value of the lease receivable is \$2,236. The lessee is required to make monthly fixed payments of \$2,377. The lease has an interest rate of 0.5140%. The value of the deferred inflow of resources as of 06/30/2023 was \$2,216, and City of Kannapolis, NC recognized lease revenue of \$26,589 during the fiscal year. The lease has a guaranteed residual value payment of \$2,150.

On 07/01/2021, City of Kannapolis, NC entered into a 363-month lease as Lessor for the use of Ballpark - Temerity. An initial lease receivable was recorded in the amount of \$12,759,299. As of 06/30/2023, the value of the lease receivable is \$12,384,347. The lessee is required to make semi-annual fixed payments of \$225,000. The lease has an interest rate of 2.5830%. The value of the deferred inflow of resources as of 06/30/2023 was \$11,915,709, and City of Kannapolis, NC recognized lease revenue of \$421,795 during the fiscal year.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2021, City of Kannapolis, NC entered into a 39-month lease as Lessor for the use of Elegancia Events 443 N. Cannon. An initial lease receivable was recorded in the amount of \$126,832. As of 06/30/2023, the value of the lease receivable is \$49,649. The lessee is required to make monthly fixed payments of \$3,459. The lease has an interest rate of 0.7270%. The value of the deferred inflow of resources as of 06/30/2023 was \$48,781, and City of Kannapolis, NC recognized lease revenue of \$39,025 during the fiscal year. The lease has a guaranteed residual value payment of \$3,095.

On 07/01/2021, City of Kannapolis, NC entered into a 24-month lease as Lessor for the use of Hacienda Western Wear 461 N. Cannon. An initial lease receivable was recorded in the amount of \$25,012. As of 06/30/2023, the value of the lease receivable is \$1,020. The lessee is required to make monthly fixed payments of \$1,108. The lease has an interest rate of 0.5140%. The value of the deferred inflow of resources as of 06/30/2023 was \$477, and City of Kannapolis, NC recognized lease revenue of \$12,267 during the fiscal year. The lease has a guaranteed residual value payment of \$992.

On 07/01/2021, City of Kannapolis, NC entered into a 32-month lease as Lessor for the use of Trey Cannon Photography 479 N. Cannon. An initial lease receivable was recorded in the amount of \$37,969. As of 06/30/2023, the value of the lease receivable is \$10,892. The lessee is required to make monthly fixed payments of \$1,127. The lease has an interest rate of 0.7270%. The value of the deferred inflow of resources as of 06/30/2023 was \$10,102, and City of Kannapolis, NC recognized lease revenue of \$13,933 during the fiscal year. The lease has a guaranteed residual value payment of \$1,100.

On 07/01/2021, City of Kannapolis, NC entered into a 205-month lease as Lessor for the use of Rowan Cabarrus Community College. An initial lease receivable was recorded in the amount of \$2,428,800. As of 06/30/2023, the value of the lease receivable is \$2,237,945. The lessee is required to make monthly fixed payments of \$18,107. The lease has an interest rate of 5.4581%. The value of the deferred inflow of resources as of 06/30/2023 was \$2,144,730, and City of Kannapolis, NC recognized lease revenue of \$142,035 during the fiscal year.

On 07/01/2021, City of Kannapolis, NC entered into a 205-month lease as Lessor for the use of Rowan Cabarrus Community College. An initial lease receivable was recorded in the amount of \$971,037. As of 06/30/2023, the value of the lease receivable is \$873,854. The lessee is required to make monthly fixed payments of \$5,629. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of 06/30/2023 was \$857,465, and City of Kannapolis, NC recognized lease revenue of \$56,786 during the fiscal year.

On 01/01/2022, City of Kannapolis, NC entered into a 30-month lease as Lessor for the use of Lee Warehouse Apparel 248/250 West Ave. An initial lease receivable was recorded in the amount of \$56,036. As of 06/30/2023, the value of the lease receivable is \$22,462. The lessee is required to make monthly fixed payments of \$1,875. The lease has an interest rate of 0.3160%. The value of the deferred inflow of resources as of 06/30/2023 was \$22,414, and City of Kannapolis, NC recognized lease revenue of \$22,414 during the fiscal year.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2021, City of Kannapolis, NC entered into a 57-month lease as Lessor for the use of Dollar General. An initial lease receivable was recorded in the amount of \$195,156. As of 06/30/2023, the value of the lease receivable is \$113,516. The lessee is required to make monthly fixed payments of \$3,465. The lease has an interest rate of 0.5140%. The value of the deferred inflow of resources as of 06/30/2023 was \$112,985, and City of Kannapolis, NC recognized lease revenue of \$41,085 during the fiscal year. The lessee has 1 extension option(s), each for 36 months.

On 07/01/2021, City of Kannapolis, NC entered into a 600-month lease as Lessor for the use of VIDA Parking Garage Lease. An initial lease receivable was recorded in the amount of \$4,071,745. As of 06/30/2023, the value of the lease receivable is \$4,064,222. The lessee is required to make monthly fixed payments of \$7,523. The lease has an interest rate of 2.4810%. The value of the deferred inflow of resources as of 06/30/2023 was \$3,908,876, and City of Kannapolis, NC recognized lease revenue of \$81,435 during the fiscal year. The lessee has 1 extension option(s), each for 588 months.

Principal and Interest Expected to Maturity

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 395,168	\$ 548,117
2025	338,984	537,684
2026	379,504	526,792
2027	360,480	514,631
2028	398,227	501,883
2029-2033	2,371,475	2,428,520
2034-2038	3,494,320	1,854,840
2039-2043	2,904,696	1,367,776
2044-2048	3,591,387	958,613
2049-2053	3,132,422	467,578
2054-2058	561,624	263,376
2059-2063	635,717	189,283
2064-2068	719,586	105,414
2069-2072	476,553	18,447
Total	<u>\$ 19,760,143</u>	<u>\$ 10,282,954</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital Assets Not Being Depreciated/Amortized:					
Land	\$ 28,558,370	\$ 50,522	\$ -	\$ -	\$ 28,608,892
Construction in progress	863,063	96,032	-	(23,412)	935,683
Total capital assets not being depreciated/amortized	29,421,433	146,554	-	(23,412)	29,544,575
Capital Assets Being Depreciated/Amortized:					
Buildings and improvements	126,218,026	29,062	-	-	126,247,088
Other improvements	37,276,336	58,732	-	(16,477)	37,318,591
Machinery and equipment	21,498,922	1,254,658	(300,093)	16,761	22,470,248
Infrastructure	161,562,974	-	-	21,228	161,584,202
Right-to-use leased assets	2,955,833	-	-	-	2,955,833
Right-to-use subscription assets	-	6,675	-	-	6,675
Total capital assets being depreciated/amortized	349,512,091	1,349,127	(300,093)	21,512	350,582,637
Less Accumulated Depreciation/Amortization:					
Building and improvements	8,841,757	834,735	-	-	9,676,492
Other improvements	3,462,344	861,814	-	-	4,324,158
Machinery and equipment	18,520,489	979,804	(274,380)	-	19,225,913
Infrastructure	79,517,322	2,532,152	-	-	82,049,474
Right-to-use leased assets	706,570	706,570	-	-	1,413,140
Right-to-use subscription assets	-	3,418	-	-	3,418
Total accumulated depreciated/amortization	111,048,482	\$ 5,918,493	\$ (274,380)	\$ -	116,692,595
Total capital assets being depreciated/amortized, net	238,463,609				233,890,042
Governmental activities capital assets, net	\$ 267,885,042				\$ 263,434,617

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

General government	\$ 1,765,446
Public safety	1,050,945
Public works	2,488,070
Parks and recreation	614,032
Total depreciation/amortization expense	\$ 5,918,493

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2023.

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2023</u>
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 839,066	\$ -	\$ -	\$ 839,066
Construction in progress	8,250,993	1,137,722	(849,312)	8,539,403
Total non-depreciable capital assets	<u>9,090,059</u>	<u>1,137,722</u>	<u>(849,312)</u>	<u>9,378,469</u>
Depreciable Capital Assets:				
Buildings	23,416,054	-	-	23,416,054
Distribution systems	150,301,905	-	851,212	151,153,117
Machinery and equipment	5,670,365	826,338	(56,566)	6,440,137
Total depreciable capital assets	<u>179,388,324</u>	<u>826,338</u>	<u>794,646</u>	<u>181,009,308</u>
Less Accumulated Depreciation:				
Buildings	11,676,783	369,002	-	12,045,785
Distribution systems	43,816,401	2,823,339	-	46,639,740
Machinery and equipment	3,932,187	473,615	(56,566)	4,349,236
Total accumulated depreciation	<u>59,425,371</u>	<u>3,665,956</u>	<u>(56,566)</u>	<u>63,034,761</u>
Total depreciable capital assets, net	<u>119,962,953</u>			<u>117,974,547</u>
Total Water and Sewer Fund capital assets, net	<u>129,053,012</u>			<u>127,353,016</u>
Stormwater Fund:				
Depreciable Capital Assets:				
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>
Less Accumulated Depreciation:				
Machinery and equipment	1,786,248	-	-	1,786,248
Infrastructure	3,597,284	275,618	-	3,872,902
Total accumulated depreciation	<u>5,383,532</u>	<u>275,618</u>	<u>-</u>	<u>5,659,150</u>
Total depreciable capital assets, net	<u>10,891,799</u>			<u>10,616,181</u>
Total Stormwater Fund capital assets, net	<u>10,891,799</u>			<u>10,616,181</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	Balance July 1, 2022	Additions	Transfers/ Retirements	Balance June 30, 2023
Environmental Services Fund:				
Depreciable Capital Assets:				
Machinery and equipment	1,127,227	78,000	-	1,205,227
Total depreciable capital assets	1,127,227	78,000	-	1,205,227
Less Accumulated Depreciation:				
Machinery and equipment	1,106,740	21,785	-	1,128,525
Total accumulated depreciation	1,106,740	21,785	-	1,128,525
Total depreciable capital assets, net	20,487			76,702
Total Environmental Services Fund capital assets, net	20,487			76,702
Total business-type capital assets, net	\$ 139,965,298			\$ 138,045,899

Proprietary Intangible Assets

The intangible assets of the Water and Sewer Fund at June 30, 2023 were as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Intangible Assets:				
Rowan County water rights	\$ 2,411,100	\$ -	\$ -	\$ 2,411,100
Less accumulated amortization	(964,440)	(48,222)	-	(1,012,662)
Intangible assets, net	\$ 1,446,660	\$ (48,222)	\$ -	\$ 1,398,438

Construction Commitments

The City has active construction projects as of June 30, 2023. At year-end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Total Contract
NJR Group resurfacing contract	\$ -	\$ 482,374	\$ 482,374
Kanna Crossing - contract 1 - waterline	1,794,735	121,940	1,916,675
Kanna Crossing - contract 2 - sewer	3,063,621	8,544	3,072,165
Kanna Crossing - contract 3 - elevated tank	1,113,449	400,786	1,514,235
CMH Solutions Booster pump station	620,348	26,821	647,169
Ruth Avenue sidewalk	28,059	291,486	319,545
DB The Farm at Riverpointe emergency access bridge	227,145	-	227,145

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2023 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>IBNR</u>	<u>Total</u>
Governmental Activities:				
General	\$ 307,747	\$ 2,008,359	\$ 643,041	\$ 2,959,147
Business-Type Activities:				
Water and sewer	\$ 777,043	\$ 183,776	\$ -	\$ 960,819
Stormwater	2,462	48,525	-	50,987
Environmental services	220,036	29,551	-	249,587
Total payables	<u>\$ 999,541</u>	<u>\$ 261,852</u>	<u>\$ -</u>	<u>\$ 1,261,393</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.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, was 13.10% of compensation for law enforcement officers and 12.10% 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 \$3,031,924 for the year ended June 30, 2023.

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.

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

At June 30, 2023, the City reported a liability of \$17,838,760 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the City's proportion was 0.3162%, which was an increase of 0.0119% from its proportion measured as of June 30, 2021.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

For the year ended June 30, 2023, the City recognized pension expense of \$4,978,723. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 768,656	\$ 75,362
Changes of assumptions	1,779,908	-
Net difference between projected and actual earnings on pension plan investments	5,895,897	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,090	114,688
Employer contributions subsequent to the measurement date	<u>3,031,924</u>	<u>-</u>
Total	<u>\$ 11,511,475</u>	<u>\$ 190,050</u>

\$3,031,924 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, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2024	\$ 2,586,261
2025	2,225,891
2026	668,433
2027	2,808,916
2028	-
Thereafter	<u>-</u>
Total	<u>\$ 8,289,501</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 actuarial valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	<u>6.0%</u>	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value on calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually 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.

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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 32,196,663	\$ 17,838,760	\$ 6,007,013

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, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	31
Active plan members	380
Total	411

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that 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, 2021 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	4.31 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, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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 \$454,160 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, 2023, the City reported a total pension liability of \$9,115,875. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$1,067,340.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments and administrative costs subsequent to measurement date	\$ 248,898	\$ -
Changes of assumptions and other inputs	839,880	1,742,414
Differences between expected and actual experience	767,160	36
Total	\$ 1,855,938	\$ 1,742,450

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$248,898 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, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 334,980
2025	32,629
2026	(296,591)
2027	(206,428)
2028	-
Thereafter	-
Total	<u>\$ (135,410)</u>

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	<u>\$ 10,020,784</u>	<u>\$ 9,115,875</u>	<u>\$ 8,306,874</u>

Schedule of Changes in Total Pension Liability Special Separation Allowance

Beginning balance	<u>\$ 10,190,363</u>
Service cost	541,529
Interest on the total pension liability	224,174
Difference between expected and actual experience	592,244
Changes of assumptions and other inputs	(1,978,275)
Benefit payments made	<u>(454,160)</u>
Net change in total pension liability	<u>(1,074,488)</u>
Ending balance of the total pension liability	<u>\$ 9,115,875</u>

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

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

	LGERS	SSA	Total
Pension expense	\$ 4,978,723	\$ 1,067,340	\$ 6,046,063
Pension liability	17,838,760	9,115,875	26,954,635
Proportion of the net pension liability (asset)	0.3162%	N/A	

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 768,656	\$ 767,160	\$ 1,535,816
Changes of assumptions	1,779,908	839,880	2,619,788
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,090	-	35,090
Employer contributions (LGERS) and benefit payments and administration costs (SSA) subsequent to the measurement date	3,031,924	248,898	3,280,822
	\$ 11,511,475	\$ 1,855,938	\$ 13,367,413

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 75,362	\$ 36	\$ 75,398
Changes of assumptions	-	1,742,414	1,742,414
Changes in proportion and differences between employer contributions and proportionate share of contributions	114,688	-	114,688
	\$ 190,050	\$ 1,742,450	\$ 1,932,500

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, 2023

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, 2023 were \$558,940, which consisted of \$273,747 from the City and \$285,193 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 three 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 \$546,957 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, 2023, the City contributed \$13,202 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, ninety-eight (98) retirees are eligible. The benefit provided by the City varies from -0-% to 75% of the monthly premium, depending on years of service. The retiree is required to make up the difference in the benefit provided and the actual cost of the insurance. The coverage provided is

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Membership of the Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

	All Employees
Retirees and dependents receiving benefits	102
Active plan members	365
Total	467

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 \$52,964,224 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2022 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	3.25%-8.41%, including wage inflation
Discount rate	3.54 percent
Municipal Bond Index Rate	Prior Measurement Date - 2.16% Measurement Date - 3.54%
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032 Medicare - 5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2025 Dental - 3.50% Medicare Part B 1.552% for 2022 decreasing to rate of 4.50% for 2033

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16 percent to 3.54 percent.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 TOL.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	<u>\$ 83,659,576</u>
Changes for the year:	
Service cost	4,400,569
Interest	1,885,739
Changes of benefit terms	(1,730,174)
Differences between expected and actual experience	(15,749,458)
Changes of assumptions or other inputs	(17,979,045)
Net Benefit payments	<u>(1,522,983)</u>
Net changes	<u>(30,695,352)</u>
Balance at June 30, 2023	<u><u>\$ 52,964,224</u></u>

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, 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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	<u>\$ 65,708,694</u>	<u>\$ 52,964,224</u>	<u>\$ 43,375,359</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 42,575,433</u>	<u>\$ 52,964,224</u>	<u>\$ 67,112,664</u>

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$2,004,279. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,166,428	\$ 13,854,800
Changes of assumptions	13,320,941	20,500,593
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>1,291,009</u>	<u>-</u>
Total	<u>\$ 18,778,378</u>	<u>\$ 34,355,393</u>

\$1,291,009 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, 2024. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2024	\$ (2,551,855)
2025	(2,551,855)
2026	(2,482,117)
2027	(1,811,520)
2028	(1,512,892)
Thereafter	<u>(5,957,785)</u>
Total	<u>\$ (16,868,024)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Other Employment Benefits

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

Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Contributions to pension plan in current fiscal year	\$ 3,280,822
Deferred charge on refunding	1,123,875
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,090
Differences between expected and actual experience	5,702,244
Changes of assumptions	15,940,729
Net difference between projected and actual earnings on pension plan investments	5,895,897
Benefit payments and administrative costs for OPEB	1,291,009
Total	<u>\$ 33,269,666</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	Deferred Inflows of Resources	
	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net	\$ -	\$ 154,776
Cabarrus County contribution - fire station	-	237,101
Lease receivable, net	19,023,755	19,023,755
Differences between expected and actual experience	13,930,198	-
Changes in assumptions	22,243,007	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	114,688	-
Total	\$ 55,311,648	\$ 19,415,632

Long-Term Obligations

Leases

The City has entered into agreements to lease certain buildings and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On 07/01/2021, City of Kannapolis, NC entered into a 58-month lease as Lessee for the use of Motorola Solutions. An initial lease liability was recorded in the amount of \$2,711,000. As of 06/30/2023, the value of the lease liability is \$2,033,250. City of Kannapolis, NC is required to make annual fixed payments of \$677,750. The lease has an interest rate of 0.0000%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$2,711,000 with accumulated amortization of \$1,226,080.

On 07/01/2021, City of Kannapolis, NC entered into a 58-month lease as Lessee for the use of Pitney Bowes KPD Stamp Machine. An initial lease liability was recorded in the amount of \$3,070. As of 06/30/2023, the value of the lease liability is \$1,792. City of Kannapolis, NC is required to make quarterly fixed payments of \$166. The lease has an interest rate of 1.0590%. The value of the right to use asset as of 06/30/2023 is \$3,070 with accumulated amortization of \$1,269.

On 07/01/2021, City of Kannapolis, NC entered into a 55-month lease as Lessee for the use of Quadient Stamp Machine. An initial lease liability was recorded in the amount of \$9,176. As of 06/30/2023, the value of the lease liability is \$5,145. City of Kannapolis, NC is required to make quarterly fixed payments of \$522. The lease has an interest rate of 1.0590%. The value of the right to use asset as of 06/30/2023 is \$9,176 with accumulated amortization of \$3,964.

On 07/01/2021, City of Kannapolis, NC entered into a 30 month lease as Lessee for the use of Toshiba copiers rental contract IERSsamp Machohi. An initial lease liability was recorded in the amount of \$232,587. As of 06/30/2023, the value of the lease liability is \$46,791. City of

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Kannapolis, NC is required to make quarterly fixed payments of \$23,459. The lease has an interest rate of 0.7270%. The value of the right to use asset as of 06/30/2023 is \$232,587 with accumulated amortization of \$181,827.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Year Ending	Governmental Activities		
	June 30	Principal	Interest
2024	\$ 727,228	\$ 190	
2025	680,466	34	
2026	679,284	7	
Total	\$ 2,086,978	\$ 231	

Changes in Long-Term Debt – Governmental Funds

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.

	Balance			Balance	Current
	July 1, 2022	Additions	Retirements	June 30, 2023	Portion
Direct placement					
notes payable	\$ 20,920,698	\$ -	\$ 6,103,236	\$ 14,817,462	\$ 2,954,154
Limited obligation bonds	93,546,003	-	5,746,998	87,799,005	5,741,999
Premium on debt issuance	1,424,362	-	121,223	1,303,139	121,223
Special obligation bonds	6,597,000	-	733,000	5,864,000	733,000
Leases - equipment	2,860,461	-	773,483	2,086,978	727,228
Subscriptions	-	5,625	5,625	-	-
Net pension liability					
(LGERS)	3,779,929	10,669,466	-	14,449,395	-
Compensated absences	1,601,389	2,090,098	2,337,484	1,354,003	1,016,000
Total OPEB liability	67,405,717	-	24,738,211	42,667,506	1,040,000
Total pension liability					
(SSA)	8,254,195	-	870,335	7,383,860	202,000
Total	\$ 206,389,754	\$ 12,765,189	\$ 41,429,595	\$ 177,725,348	\$ 12,535,604

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.	\$ 126,462
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.	10,121,000
3.42% note, payable in semi-annual installments ranging from \$49,064 to \$225,467, 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, modifications and improvements to Downtown Kannapolis and College Station.	<u>4,570,000</u>
Total	<u><u>\$ 14,817,462</u></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 \$126,462 and \$282,269 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.

The City’s outstanding note from direct placements related to governmental activities of \$10,121,000 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 \$4,570,000 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.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,954,154	\$ 347,002	\$ 3,301,156
2025	2,999,154	284,667	3,283,821
2026	3,038,154	221,504	3,259,658
2027	3,040,000	158,264	3,198,264
2028	446,000	95,281	541,281
2029-2033	1,300,000	311,220	1,611,220
2034-2038	1,040,000	88,920	1,128,920
Total	<u><u>\$ 14,817,462</u></u>	<u><u>\$ 1,506,858</u></u>	<u><u>\$ 16,324,320</u></u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Governmental Activities – Limited Obligation Bonds

The City issued \$25,220,000 in 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. The remaining \$7 million is in the Stormwater fund

The City issued \$11,100,000 in 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 \$1,380,000 in series 2020 limited obligation bonds in May 2020. The City is using the funds for construction of Irish Buffalo Creek Greenway.

The City issued \$14,710,000 in 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The City's limited obligation bonds of \$87,799,005 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.

The City's limited obligation bonds payable at June 30, 2023 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.	\$ 15,015,000
\$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%	5,925,005
\$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%	8,325,000
\$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%	44,200,000
\$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%	1,104,000
\$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>13,230,000</u>
Total	<u>\$ 87,799,005</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

Year Ending	Principal	Interest	Total
June 30			
2024	\$ 5,741,999	\$ 3,267,955	\$ 9,009,954
2025	5,741,999	3,061,769	8,803,768
2026	5,741,999	2,850,752	8,592,751
2027	5,741,999	2,635,405	8,377,404
2028	5,741,999	2,442,545	8,184,544
2029-2033	28,709,995	9,063,780	37,773,775
2034-2038	22,974,015	3,850,163	26,824,178
2039-2042	<u>7,405,000</u>	<u>359,665</u>	<u>7,764,665</u>
Total	<u>\$ 87,799,005</u>	<u>\$ 27,532,034</u>	<u>\$ 115,331,039</u>

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

Year Ending	Principal
June 30	
2024	\$ 121,223
2025	121,223
2026	121,223
2027	121,223
2028	121,223
2029-2033	484,892
2034-2035	<u>212,132</u>
Total	<u>\$ 1,303,139</u>

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, 2023 was \$5,864,000. 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 733,000	\$ 262,231	\$ 995,231
2025	733,000	227,267	960,267
2026	733,000	192,303	925,303
2027	733,000	157,338	890,338
2028	733,000	122,374	855,374
2029-2031	2,199,000	157,338	2,356,338
Total	\$ 5,864,000	\$ 1,118,851	\$ 6,982,851

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

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Current Maturities
Water and Sewer Fund:					
Revenue bonds	\$ 60,312,000	\$ -	\$ 4,129,000	\$ 56,183,000	\$ 4,280,000
Direct placement notes payable	547,758	-	180,469	367,289	92,859
Net pension liability (LGERS)	606,655	1,712,383	-	2,319,038	-
Total OPEB liability	11,234,286	-	4,115,420	7,118,866	173,000
Total pension liability (SSA)	1,324,746	-	139,684	1,185,062	32,000
Compensated absences	204,719	291,631	291,514	204,836	153,600
Total	<u>74,230,164</u>	<u>2,004,014</u>	<u>8,856,087</u>	<u>67,378,091</u>	<u>4,731,459</u>
Stormwater Fund:					
Direct placement notes payable	226,048	-	173,363	52,685	17,562
Limited obligation bonds	5,599,996	-	350,001	5,249,995	350,001
Net pension liability (LGERS)	233,330	658,609	-	891,939	-
Total OPEB liability	3,824,438	-	1,409,743	2,414,695	59,000
Total pension liability (SSA)	509,518	-	53,724	455,794	12,500
Compensated absences	46,757	116,714	102,245	61,226	45,900
Total	<u>10,440,087</u>	<u>775,323</u>	<u>2,089,076</u>	<u>9,126,334</u>	<u>484,963</u>
Environmental Services Fund:					
Direct placement notes payable	114,784	-	114,784	-	-
Net pension liability (LGERS)	46,666	131,722	-	178,388	-
Total OPEB liability	1,195,135	-	431,978	763,157	18,500
Total pension liability (SSA)	101,904	-	10,745	91,159	2,500
Compensated absences	26,961	23,784	27,427	23,318	17,500
Total	<u>1,485,450</u>	<u>155,506</u>	<u>584,934</u>	<u>1,056,022</u>	<u>38,500</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Maturities</u>
Business-Type Activities:					
Revenue bonds	60,312,000	-	4,129,000	56,183,000	4,280,000
Direct placement notes payable	1,038,648	-	468,616	419,974	110,421
Limited obligation bonds	5,599,996	-	350,001	5,249,995	350,001
Net pension liability (LGERS)	886,651	2,502,714	-	3,389,365	-
Total OPEB liability	16,253,859	-	5,957,141	10,296,718	250,500
Total pension liability (SSA)	1,936,168	-	204,153	1,732,015	47,000
Compensated absences	278,437	432,129	421,186	289,380	217,000
Total	<u>\$ 86,305,759</u>	<u>\$ 2,934,843</u>	<u>\$ 11,530,097</u>	<u>\$ 77,560,447</u>	<u>\$ 5,254,922</u>

At June 30, 2023, the City had no authorized, but unissued, debt and a legal debt margin of approximately \$348,601,000.

Revenue Bonds

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 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.

On September 28, 2021 the City issued \$9,735,000 in 2021 revenue bonds. The proceeds will be used to pay for Kannapolis Crossing water and sewer lines.

On September 28, 2021, the City issued a \$5,571,000 Water and Sewer System Revenue Refunding Bond, Series 2021C (“2021C Bond”) bearing interest payable semiannually at a fixed rate of 0.61% on February 1 and August 1, with final maturity on February 1, 2025. Proceeds of the 2021C Bond were applied to (1) refinance the outstanding amount of the City’s Water and Sewer System Revenue Refunding Bond, Series 2011 and (2) pay the costs incurred in connection with the issuance of the 2021C Bond. The prior net cash flow was \$5,760,991 and the net cash flow on the refunding bonds is \$5,634,259. The net present value savings as a result of the refunding was \$123,353.

On September 28, 2021, the City issued its \$14,216,000 Taxable Water and Sewer System Revenue Refunding Bond, Series 2021D in order to advance refund a portion of its outstanding Water and Sewer System Revenue Bonds, Series 2013 maturing on 4/1/2024 through 4/1/2038. As a result, the refunded Series 2013 Water and Sewer System Revenue Bonds maturing 4/1/2024 through 4/1/2038 were considered defeased, and the liability was removed from the statement of Net Position. The net proceeds of \$14,440,119 were deposited with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The bonds were called on April 1, 2023. The \$14,563,000 Taxable Water and Sewer System Revenue Refunding Bond, Series 2021D, with payment dates of February 1 and August 1, and an interest rate of

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

2.30%, will mature February 1, 2038. The refunding was undertaken to reduce the total debt service payments by \$2,002,019, a net present value savings of 12.607% of the refunded par amount. Concurrently, the Centered entered into a Forward Purchase option for the right to issue and sell a tax-exempt Water and Sewer System Revenue Refunding Bond, Series 2023 (the “2023 Bond”) for the purpose of redeeming the Taxable Water and Sewer System Revenue Refunding Bond, Series 2021D. The Interest Rate on the 2023 Bond will be 1.82% which will result in additional debt service savings, if the Forward Purchase Option is exercised.

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 \$445,0000 through April 2037; interest rate of 3.17%	\$ 5,125,000
\$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%	14,277,000
\$9,735,000 enterprise system revenue bonds, Series 2021B, due annually in amounts ranging from \$404,000 to \$580,000 through February 2042; interest rate of 1.93%	9,331,000
\$5,571,000 enterprise system revenue bonds, Refunding Series 2021C, due annually in amounts ranging from \$1,346,000 to \$1,418,000 through February 2025; interest rate of 0.61%	2,824,000
\$14,216,000 enterprise system revenue bonds, Refunding Series 2021D, due annually in amounts ranging from \$347,000 to \$14,216,000 through February 2038; interest rate of 2.30%	14,117,000
\$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>10,509,000</u>
Total	<u>\$ 56,183,000</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 4,280,000	\$ 1,407,749	\$ 5,687,749
2025	4,360,000	1,324,729	5,684,729
2026	3,019,000	1,239,667	4,258,667
2027	2,953,000	1,161,061	4,114,061
2028	3,029,000	1,082,736	4,111,736
2029-2033	16,322,000	4,160,229	20,482,229
2034-2038	18,059,000	1,845,735	19,904,735
2039-2043	4,161,000	175,764	4,336,764
Total	<u>\$ 56,183,000</u>	<u>\$ 12,397,670</u>	<u>\$ 68,580,670</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 2013, Series 2017 Series 2018, Series 2021, and Series 2023 since their adoption. Section 6.6 of the bond order requires the debt service parity coverage ratio to be no less than 120% and 110% and the total debt service coverage ratio to be no less than 100%. Additional indebtedness constituted by the Series 2013, Series 2017, Series 2018, Series 2021, and Series 2023 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, 2023 is as follows:

2024 budgeted revenues	\$ 24,286,437
50% of surplus fund at June 30, 2023	1,570,586
2024 budgeted expenses *	<u>(18,563,228)</u>
Operating income	<u>\$ 7,293,795</u>
Debt service on parity indebtedness (120%)	\$ 6,825,299
Debt service on subordinate indebtedness	<u>103,221</u>
Total	<u>\$ 6,928,520</u>
Debt service parity coverage ratio	<u>105%</u>
2024 budgeted revenues	\$ 24,286,437
2024 budgeted expenses *	<u>(18,563,228)</u>
Operating income	<u>\$ 5,723,209</u>
Debt service on parity indebtedness (110%)	\$ 6,256,524
Debt service on subordinate indebtedness	<u>103,221</u>
Total	<u>\$ 6,359,745</u>
Debt service parity coverage ratio	<u>90%</u>

* Excludes debt service and transfers out.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$83,666,000 in water and sewer system revenue bonds issued in 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 \$84,839,500. Principal and interest paid for in the current year and total customer net revenues were \$5,821,582 and \$24,038,947, 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.

Business-Type Activities – Notes Payable:

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	\$ 1,160
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.	\$ 136,545
4.05% note, payable in annual installments of \$94,090, including interest beginning June 2011 through June 2025; secured by personal property	<u>282,269</u>
Total	<u>\$ 419,974</u>

The City’s outstanding note from direct placements related to business-type activities of \$1,160 is secured by security interest in the construction of water improvements associated with Afton Run. Upon the failure to pay or make timely payments, the outstanding principal is due. Upon default, the lender can enforce its security interest in the water improvement.

The City’s outstanding note from direct placements related to business-type activities of \$136,545 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.

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 110,421	\$ 13,389	\$ 123,810
2025	109,261	9,202	118,463
2026	109,261	5,015	114,276
2027	15,172	2,258	17,430
2028	15,172	2,258	17,430
2029-2032	<u>60,687</u>	<u>3,763</u>	<u>64,450</u>
Total	<u>\$ 419,974</u>	<u>\$ 35,885</u>	<u>\$ 455,859</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 \$ 5,249,995

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

Year Ending	Principal	Interest	Total
June 30			
2024	\$ 350,001	\$ 190,051	\$ 540,052
2025	350,001	177,381	527,382
2026	350,001	164,710	514,711
2027	350,001	152,040	502,041
2028	350,001	139,370	489,371
2029-2033	1,749,995	506,801	2,256,796
2034-2038	<u>1,749,995</u>	<u>190,051</u>	<u>1,940,046</u>
Total	<u>\$ 5,249,995</u>	<u>\$ 1,520,404</u>	<u>\$ 6,770,399</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

4. Interfund Balances and Activity

Interfund transfers for the fiscal year ended June 30, 2023 consist of the following:

	From	To	Purpose
General Fund	\$ 303,235	\$ -	
Nonmajor governmental funds:			
Transit Tax Fund	-	303,235	Operating surplus
General Fund	85,542	-	
Major enterprise funds:			
Environmental Services Fund	-	85,542	Operating expenditures
Water and Sewer Fund	12,170,700	-	
Downtown Water and Sewer Infrastructure	-	11,675,000	Capital expenditures
Environmental Services Fund	-	495,700	Operating expenditures
Total	\$ 12,559,477	\$ 12,559,477	

5. 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 \$4,457,132 from WSACC for the year ended June 30, 2023.

6. Significant Economic Dependence

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

7. Risk Management

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

The City's coverage is as follows:

Property	\$260,983,988; Inland marine-equipment \$4,002,344; Computer equipment/media \$4,256,100; Fine arts \$413,675; Portable equipment \$1,774,612
Cyber liability	\$3,000,000
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 / \$750,000 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.

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 two Deputy Finance Directors are each individually bonded for \$1,000,000. 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).

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	<u>2023</u>	<u>2022</u>
Unpaid claims:		
Beginning of year - July 1	\$ 138,156	\$ 144,837
Incurred claims	2,342,257	2,743,914
Claim payments	<u>(2,400,652)</u>	<u>(2,750,595)</u>
End of year - June 30	<u>\$ 79,761</u>	<u>\$ 138,156</u>

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

	<u>2023</u>	<u>2022</u>
Unpaid claims:		
Beginning of year - July 1	\$ 43,072	\$ 729,381
Incurred claims	1,423,662	(543,660)
Claim payments	<u>(903,454)</u>	<u>(142,649)</u>
End of year - June 30	<u>\$ 563,280</u>	<u>\$ 43,072</u>

Claims typically have been liquidated in the General Fund.

8. Claims and Judgments

At June 30, 2023, 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.

9. 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, 2023**

10. Net Investment in Capital Assets

The City's net investment in capital assets at June 30, 2023 is calculated as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net	\$ 263,434,617	\$ 139,444,337
Total debt, gross	(111,870,584)	(61,852,969)
Unexpended proceeds	-	6,662,498
Deferred charge on refunding	-	1,123,875
Net investment in capital assets	<u>\$ 151,564,033</u>	<u>\$ 85,377,741</u>

11. Special Item

During fiscal year 2012, Rowan County sold the assets in the Sports Authority Fund to the City of Kannapolis, North Carolina, for a \$3,000,000 note payable. During fiscal years 2012 and 2013, the County received interest payments of \$1,800 and \$3,600, respectively. During fiscal years 2014 through 2018, annual principal payments of \$62,500 were received. The County and the City, during fiscal year 2019, entered into an Interlocal Agreement to promote economic development at a new Interstate 85 interchange. The County agreed to provide financial assistance to the City for the extension of potable water and sanitary sewer infrastructure by releasing the City from its debt obligation of \$2,687,500, the balance on the note payable at June 30, 2018, upon delivery of an executed copy of an Engineer of Record Certificate of Project Completion. At June 30, 2023, the project was considered complete, and the balance of this \$2,687,500 note payable was forgiven.

Required Supplemental Financial Data

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

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

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

	Special Separation Allowance		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 10,190,363	\$ 9,940,974	\$ 7,216,302
Service cost	541,529	535,162	354,550
Interest on the total pension liability	224,174	187,421	227,648
Difference between expected and actual experience in the measurement of the total pension liability	592,244	309,686	309,267
Changes in assumptions or other inputs	(1,978,275)	(322,821)	2,299,692
Benefit payments	(454,160)	(460,059)	(466,485)
Ending balance of the total pension liability	<u>\$ 9,115,875</u>	<u>\$ 10,190,363</u>	<u>\$ 9,940,974</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 CHANGES IN TOTAL PENSION LIABILITY
SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

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

CITY OF KANNAPOLIS, NORTH CAROLINA

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

	Special Separation Allowance		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 9,115,875	\$ 10,190,363	\$ 9,940,974
Covered-employee payroll	22,208,526	20,893,567	19,428,166
Total pension liability as a percentage of covered-employee payroll	41.05%	48.77%	51.17%

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

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 LAST SIX FISCAL YEARS**

	Other Post-Employment Benefits					
	2023	2022	2021	2020	2019	2018
Service cost	\$ 4,400,569	\$ 4,695,180	\$ 2,848,823	\$ 2,520,369	\$ 2,352,520	\$ 2,728,341
Interest	1,885,739	1,847,249	1,962,992	1,779,798	1,637,169	1,474,701
Changes of benefit terms	(1,730,174)	-	-	-	-	-
Differences between expected and actual experience	(15,749,458)	795,908	5,366,062	(212,404)	50,872	219,695
Changes of assumptions or other inputs	(17,979,045)	(1,702,595)	16,895,783	4,178,746	(3,401,790)	(6,426,198)
Benefit payments	(1,522,983)	(1,724,426)	(1,114,523)	(456,739)	(1,283,419)	(726,438)
Net change in total OPEB liability	(30,695,352)	3,911,316	25,959,137	7,809,770	(644,648)	(2,729,899)
Total OPEB liability - beginning	83,659,576	79,748,260	53,789,123	45,979,353	46,624,001	49,353,900
Total OPEB liability - ending	<u>\$ 52,964,224</u>	<u>\$ 83,659,576</u>	<u>\$ 79,748,260</u>	<u>\$ 53,789,123</u>	<u>\$ 45,979,353</u>	<u>\$ 46,624,001</u>
Covered-employee payroll	\$ 21,904,138	\$ 17,654,823	\$ 17,654,823	\$ 15,757,086	\$ 15,757,086	\$ 13,974,196
Total OPEB liability as a percentage of covered-employee payroll	241.80%	473.86%	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
2023	3.54%
2022	2.16%
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.

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CITY OF KANNAPOLIS, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2023	2022	2021	2020	2019
Proportion of the net pension liability (asset) (%)	0.3162%	0.3043%	0.3062%	0.2929%	0.3000%
Proportion of the net pension liability (asset) (\$)	\$ 17,838,760	\$ 4,666,580	\$ 10,942,188	\$ 7,997,778	\$ 7,117,026
Covered payroll	\$ 21,994,941	\$ 21,022,556	\$ 19,492,000	\$ 18,098,484	\$ 16,923,466
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	81.10%	22.20%	56.14%	44.19%	42.05%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

* 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 3,031,924	\$ 2,532,744	\$ 2,169,107	\$ 1,779,294	\$ 1,434,929
Contributions in relation to the contractually required contribution	<u>3,031,924</u>	<u>2,532,744</u>	<u>2,169,107</u>	<u>1,779,294</u>	<u>1,434,929</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 24,590,977	\$ 21,994,941	\$ 21,022,556	\$ 19,492,000	\$ 18,098,484
Contributions as a percentage of covered payroll	12.33%	11.52%	10.32%	9.13%	7.93%

CITY OF KANNAPOLIS, NORTH CAROLINA

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

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

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General Fund

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year, net of refund	\$ 35,188,732	\$ 35,790,490	\$ 601,758
Prior year, net of refunds	400,000	433,915	33,915
Total	<u>35,588,732</u>	<u>36,224,405</u>	<u>635,673</u>
Other Taxes and Licenses:			
Vehicle licenses	397,390	433,605	36,215
Local option sales tax	13,899,161	15,933,250	2,034,089
Other taxes and licenses	25,000	110,616	85,616
Total	<u>14,321,551</u>	<u>16,477,471</u>	<u>2,155,920</u>
Unrestricted Intergovernmental:			
Franchise tax	2,698,000	3,049,099	351,099
Beer and wine	210,000	246,618	36,618
ABC profit distribution	102,296	140,625	38,329
Rowan County contribution	4,000	9,015	5,015
Total	<u>3,014,296</u>	<u>3,445,357</u>	<u>431,061</u>
Restricted Intergovernmental:			
"State Street-Aid" allocation	1,572,822	1,583,146	10,324
Federal Emergency Management Agency	172,000	-	(172,000)
Public safety grants	8,519	8,519	-
Controlled substance tax	-	68,305	68,305
Federal asset forfeiture funds	-	48,908	48,908
NC Department of Transportation	74,990	140,375	65,385
TIF contribution Cabarrus County	1,328,433	1,349,495	21,062
Total	<u>3,156,764</u>	<u>3,198,748</u>	<u>41,984</u>
Sales and Services:			
Public safety fees	222,000	295,720	73,720
Rents	575,630	1,288,355	712,725
Lease revenue	450,000	255,644	(194,356)
Other fees	1,495,545	1,359,170	(136,375)
Total	<u>2,743,175</u>	<u>3,198,889</u>	<u>455,714</u>
Investment Earnings	<u>825,000</u>	<u>1,962,635</u>	<u>1,137,635</u>
Miscellaneous	<u>531,150</u>	<u>1,376,937</u>	<u>845,787</u>
Total revenues	<u>60,180,668</u>	<u>65,884,442</u>	<u>5,703,774</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	265,573	200,183	65,390
Operating expenditures	<u>188,019</u>	<u>168,557</u>	<u>19,462</u>
Total	<u>453,592</u>	<u>368,740</u>	<u>84,852</u>
City Manager:			
Salaries and employee benefits	1,715,522	1,697,186	18,336
Operating expenditures	344,613	263,263	81,350
Capital outlay	-	1,442	(1,442)
Total	<u>2,060,135</u>	<u>1,961,891</u>	<u>98,244</u>
Human Resources:			
Salaries and employee benefits	548,968	488,904	60,064
Operating expenditures	<u>156,987</u>	<u>142,821</u>	<u>14,166</u>
Total	<u>705,955</u>	<u>631,725</u>	<u>74,230</u>
Attorney:			
Salaries and employee benefits	498,677	398,108	100,569
Operating expenditures	<u>174,100</u>	<u>155,223</u>	<u>18,877</u>
Total	<u>672,777</u>	<u>553,331</u>	<u>119,446</u>
Finance:			
Salaries and employee benefits	880,553	822,901	57,652
Operating expenditures	<u>329,500</u>	<u>303,666</u>	<u>25,834</u>
Total	<u>1,210,053</u>	<u>1,126,567</u>	<u>83,486</u>
Information Technology:			
Salaries and employee benefits	636,885	629,807	7,078
Contract services	20,000	27,522	(7,522)
Operating expenditures	<u>2,535,162</u>	<u>2,136,042</u>	<u>399,120</u>
Total	<u>3,192,047</u>	<u>2,793,371</u>	<u>398,676</u>
General Services:			
Salaries and employee benefits	779,548	770,790	8,758
Operating expenditures	1,470,086	1,290,125	179,961
Capital outlay	<u>161,146</u>	<u>48,697</u>	<u>112,449</u>
Total	<u>2,410,780</u>	<u>2,109,612</u>	<u>301,168</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Economic Development:			
Operating expenditures	444,137	171,703	272,434
Communications:			
Operating expenditures	321,040	182,808	138,232
Non-Departmental:			
Operating expenditures	2,723,912	2,226,824	497,088
Capital outlay	1,250,000	-	1,250,000
Total	<u>3,973,912</u>	<u>2,226,824</u>	<u>1,747,088</u>
Total general government	<u>15,444,428</u>	<u>12,126,572</u>	<u>3,317,856</u>
Public Safety:			
Police:			
Salaries and employee benefits	9,757,705	9,647,182	76,491
Operating expenditures	2,391,546	1,549,512	562,340
Capital outlay	1,062,836	784,930	277,906
Total	<u>13,212,087</u>	<u>11,981,624</u>	<u>916,737</u>
Fire:			
Salaries and employee benefits	9,288,944	9,195,187	93,757
Operating expenditures	1,657,510	1,621,615	35,895
Capital outlay	439,076	225,698	213,378
Total	<u>11,385,530</u>	<u>11,042,500</u>	<u>343,030</u>
Total public safety	<u>24,597,617</u>	<u>23,024,124</u>	<u>1,573,493</u>
Public Works:			
Engineering:			
Salaries and employee benefits	828,508	806,517	21,991
Operating expenditures	73,000	66,670	6,330
Capital outlay	85,000	61,306	23,694
Contract services	582,500	179,903	402,597
Total	<u>1,569,008</u>	<u>1,114,396</u>	<u>454,612</u>
Streets and Highways:			
Salaries and employee benefits	1,025,277	982,951	42,326
Operating expenditures	1,596,250	1,489,127	107,123
Capital outlay	60,365	60,364	1
Total	<u>2,681,892</u>	<u>2,532,442</u>	<u>149,450</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Powell Bill:			
Operating expenditures	2,231,556	1,532,511	699,045
Capital outlay	11,000	10,918	82
Total	<u>2,242,556</u>	<u>1,543,429</u>	<u>699,127</u>
 Total public works	 <u>6,493,456</u>	 <u>5,190,267</u>	 <u>1,303,189</u>
Community Development:			
Planning:			
Salaries and employee benefits	989,625	1,000,075	(10,450)
Operating expenditures	153,367	113,357	40,010
Capital outlay	6,235	6,235	-
Total	<u>1,149,227</u>	<u>1,119,667</u>	<u>29,560</u>
 Total community development	 <u>1,149,227</u>	 <u>1,119,667</u>	 <u>29,560</u>
Parks and Recreation:			
Parks and Recreation Programs:			
Salaries and employee benefits	2,392,549	2,343,937	48,612
Operating expenditures	3,650,914	2,777,678	873,236
Capital outlay	3,029,698	194,960	2,834,738
Total	<u>9,073,161</u>	<u>5,316,575</u>	<u>3,756,586</u>
 Total parks and recreation	 <u>9,657,460</u>	 <u>5,491,687</u>	 <u>4,165,773</u>
Stadium:			
Operating expenditures	232,800	146,050	86,750
Capital outlay	351,499	29,062	322,437
Total	<u>584,299</u>	<u>175,112</u>	<u>409,187</u>
 Total parks and recreation	 <u>9,657,460</u>	 <u>5,491,687</u>	 <u>4,165,773</u>
Debt Service:			
Principal retirement	10,676,350	10,674,842	1,508
Interest and fees	4,188,028	4,187,899	129
Total debt service	<u>14,864,378</u>	<u>14,862,741</u>	<u>1,637</u>
 Total expenditures	 <u>72,206,566</u>	 <u>61,815,058</u>	 <u>10,391,508</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	<u>(12,025,898)</u>	<u>4,069,384</u>	<u>16,095,282</u>
Other Financing Sources (Uses):			
Subscription liability issued	5,625	5,625	-
Transfers out	(388,777)	(388,777)	-
Appropriated fund balance	<u>12,409,050</u>	<u>-</u>	<u>(12,409,050)</u>
Total other financing sources (uses)	<u>12,025,898</u>	<u>(383,152)</u>	<u>(12,409,050)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,686,232</u>	<u>\$ 3,686,232</u>
Fund Balance:			
Beginning of year - July 1		<u>54,614,971</u>	
End of year - June 30		<u>\$ 58,301,203</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	<i>Schedule C-1</i> Special Revenue Funds	<i>Schedule D-1</i> Capital Project Funds	Total
Assets:			
Cash and investments	\$ 1,183,923	\$ -	\$ 1,183,923
Long-term receivable	174,013	-	174,013
Due from other governments	142,851	388,721	531,572
Cash and cash equivalents, restricted	<u>1,192,212</u>	<u>-</u>	<u>1,192,212</u>
 Total assets	 <u>\$ 2,692,999</u>	 <u>\$ 388,721</u>	 <u>\$ 3,081,720</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	<u>\$ -</u>	<u>\$ 857,089</u>	<u>\$ 857,089</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	316,864	388,721	705,585
Restricted, all other	2,376,135	-	2,376,135
Unassigned	<u>-</u>	<u>(857,089)</u>	<u>(857,089)</u>
Total fund balances	<u>2,692,999</u>	<u>(468,368)</u>	<u>2,224,631</u>
 Total liabilities and fund balances	 <u>\$ 2,692,999</u>	 <u>\$ 388,721</u>	 <u>\$ 3,081,720</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2023**

	<i>Schedule C-2</i> Special Revenue Funds	<i>Schedule D-2</i> Capital Project Funds	Total
Revenues:			
Other taxes and licenses	\$ 864,822	\$ -	\$ 864,822
Restricted intergovernmental	764,677	909,484	1,674,161
Investment earnings	22,323	(4,875)	17,448
Total revenues	<u>1,651,822</u>	<u>904,609</u>	<u>2,556,431</u>
Expenditures:			
Economic development	1,906,617	-	1,906,617
Contracted services	-	59,531	59,531
Capital outlay	-	144,181	144,181
Total expenditures	<u>1,906,617</u>	<u>203,712</u>	<u>2,110,329</u>
Revenues over (under) expenditures	(254,795)	700,897	446,102
Other Financing Sources (Uses):			
Transfers out	<u>303,235</u>	<u>-</u>	<u>303,235</u>
Net change in fund balances	48,440	700,897	749,337
Fund Balances:			
Beginning of year - July 1	<u>2,644,559</u>	<u>(1,169,265)</u>	<u>1,475,294</u>
End of year - June 30	<u>\$ 2,692,999</u>	<u>\$ (468,368)</u>	<u>\$ 2,224,631</u>

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Special Revenue Funds

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

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

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2023

	Community Development Block Grant	Transit Tax Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ -	\$ 1,183,923	\$ 1,183,923
Long-term receivable	174,013	-	174,013
Due from other governments	142,851	-	142,851
Restricted cash	<u>1,192,212</u>	<u>-</u>	<u>1,192,212</u>
 Total assets	 <u>\$ 1,509,076</u>	 <u>\$ 1,183,923</u>	 <u>\$ 2,692,999</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	\$ 316,864	\$ -	\$ 316,864
Restricted, all other	<u>1,192,212</u>	<u>1,183,923</u>	<u>2,376,135</u>
Total fund balances	<u>1,509,076</u>	<u>1,183,923</u>	<u>2,692,999</u>
 Total liabilities and fund balances	 <u><u>\$ 1,509,076</u></u>	 <u><u>\$ 1,183,923</u></u>	 <u><u>\$ 2,692,999</u></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, 2023**

	Community Development Block Grant	Transit Tax Fund	Total
Revenues:			
Other taxes and licenses	\$ -	\$ 864,822	\$ 864,822
Restricted intergovernmental	764,677	-	764,677
Investment earnings	11,172	11,151	22,323
Total revenues	<u>775,849</u>	<u>875,973</u>	<u>1,651,822</u>
Expenditures:			
Current:			
Economic development	<u>893,992</u>	<u>1,012,625</u>	<u>1,906,617</u>
Revenues over (under) expenditures	<u>(118,143)</u>	<u>(136,652)</u>	<u>(254,795)</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>-</u>	<u>303,235</u>	<u>303,235</u>
Net change in fund balances	(118,143)	166,583	48,440
Fund Balances:			
Beginning of year - July 1	<u>1,627,219</u>	<u>1,017,340</u>	<u>2,644,559</u>
End of year - June 30	<u>\$ 1,509,076</u>	<u>\$ 1,183,923</u>	<u>\$ 2,692,999</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, 2023

	Project Authorization	Actual		
		Prior Years	Current Year	Total To Date
Revenues:				
CDBG 2006	\$ 2,139,282	\$ 2,139,282	\$ -	\$ 2,139,282
CDBG 2014	325,452	14,684	-	14,684
CDBG 2016	326,534	4,446	-	4,446
CDBG 2017	341,246	392,639	69,927	462,566
CDBG 2018	336,305	336,306	18,156	354,462
CDBG 2019	348,206	315,696	-	315,696
CDBG 2020	375,358	441,996	37,344	479,340
CDBG 2021	391,661	270,616	58,392	329,008
CDBG 2022	380,528	23,000	51,206	74,206
CDBG 2023	376,986	-	160,972	160,972
CDBG ARPA	606,529	-	-	-
CDBG-C 2021	495,294	100,000	50,335	150,335
CDBG 2020 Program Income	5,076	5,076	-	5,076
CDBG 2021 Program Income	4,112	4,112	-	4,112
CDBG 2022 Program Income	6,268	-	-	-
2011 HOME Program Grant	124,946	124,946	-	124,946
2013 HOME Program Grant	104,483	104,483	-	104,483
2015 HOME Program Grant	13,969	-	-	-
2016 HOME Program Grant	102,273	-	-	-
2018 HOME Program Grant	134,048	134,048	-	134,048
2019 HOME Program Grant	172,070	148,577	39,597	188,174
2020 HOME Program Grant	168,274	57,797	85,566	143,363
2021 HOME Program Grant	143,680	94,319	77,495	171,814
2022 HOME Program Grant	188,593	-	96,186	96,186
2023 HOME Program Grant	237,540	-	-	-
2011 Consortium HOME Program Income	96,834	96,833	-	96,833
2017 Consortium HOME Program Income	13,385	-	-	-
2018 Consortium HOME Program Income	13,386	-	-	-
2019 Consortium HOME Program Income	26,770	26,771	-	26,771
2020 Consortium HOME Program Income	-	14,386	-	14,386
2021 Consortium HOME Program Income	13,386	-	-	-
2022 Consortium HOME Program Income	12,232	6,116	19,501	25,617
2023 Consortium HOME Program Income	6,116	-	-	-
2017 Urgent Repair Grant	50,000	-	-	-
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	11,172	11,427
Total revenues	<u>8,380,822</u>	<u>5,156,384</u>	<u>775,849</u>	<u>5,932,233</u>
Expenditures:				
CDBG 2006:				
Section 108 loan payments	<u>2,139,282</u>	<u>1,947,413</u>	<u>124</u>	<u>1,947,537</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, 2023**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
CDBG 2014:				
Administration	65,090	-	-	-
Infrastructure improvements	104,929	-	-	-
Public service	48,000	-	-	-
Section 108 loan payments	67,433	-	-	-
Urgent Repair Program	40,000	-	-	-
Total	<u>325,452</u>	-	-	-
CDBG 2016:				
Administration	65,300	-	-	-
Infrastructure improvements	70,000	-	-	-
Public service	48,000	-	-	-
Section 108 loan payments	64,882	-	-	-
Urgent Repair Program	27,053	-	-	-
Demolition	21,299	-	-	-
Total	<u>296,534</u>	-	-	-
CDBG 2017:				
Administration	68,200	68,200	-	68,200
Infrastructure improvements	100,766	76,839	25,906	102,745
Public service	50,000	50,000	-	50,000
Section 108 loan payments	62,280	62,280	-	62,280
Urgent Repair Program	60,000	30,000	45,860	75,860
Demolition	30,000	10,950	-	10,950
Total	<u>371,246</u>	<u>298,269</u>	<u>71,766</u>	<u>370,035</u>
CDBG 2018:				
Administration	67,261	67,261	-	67,261
Infrastructure improvements	88,089	31,851	18,156	50,007
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>260,067</u>	<u>18,156</u>	<u>278,223</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	56,904	-	56,904
Urgent Repair Program	59,000	58,910	-	58,910
Demolition	28,663	5,290	-	5,290
Total	<u>348,206</u>	<u>236,744</u>	-	<u>236,744</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, 2023**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
CDBG 2020:				
Urgent Repair Program	5,076	5,076	-	5,076
Total	5,076	5,076	-	5,076
CDBG 2020:				
Administration	75,071	37,727	37,344	75,071
Infrastructure improvements	85,000	7,855	-	7,855
Public service	55,000	87,081	-	87,081
Section 108 loan payments	51,304	51,425	-	51,425
Urgent Repair Program	78,983	79,625	-	79,625
Demolition	30,000	-	-	-
Total	375,358	263,713	37,344	301,057
CDBG-C	495,294	431,215	50,335	481,550
CDBG 2021:				
Urgent Repair Program	4,112	2,005	884	2,889
Total	4,112	2,005	884	2,889
CDBG 2021:				
Administration	236,661	207,557	68,054	275,611
Infrastructure improvements	100,000	-	64,572	64,572
Public service	55,000	-	4,000	4,000
Urgent Repair Program	-	-	-	-
Total	391,661	207,557	136,626	344,183
CDBG 2022:				
Urgent Repair Program	-	-	243	243
Total	-	-	243	243
CDBG 2022:				
Administration	121,000	2,732	76,000	78,732
Public service	56,000	-	-	-
Urgent Repair Program	203,528	-	51,112	51,112
Total	380,528	2,732	127,112	129,844
CDBG 2023:				
Administration	75,000	-	75,000	75,000
Infrastructure improvements	144,000	-	5,000	5,000
Public service	56,000	-	55,217	55,217
Urgent Repair Program	101,986	-	31,992	31,992
Total	376,986	-	167,209	167,209

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, 2023**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
CDBG ARPA:				
Administration	44,622	-	-	-
Public service	<u>561,907</u>	-	-	-
Total	<u>606,529</u>	-	-	-
2011 HOME Program Grant:				
Administration	15,372	15,372	-	15,372
Construction	50,000	50,000	-	50,000
Transitional housing	136,408	124,418	-	124,418
Downpayment assistance	<u>20,000</u>	<u>20,000</u>	-	<u>20,000</u>
Total	<u>221,780</u>	<u>209,790</u>	-	<u>209,790</u>
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	<u>20,000</u>	<u>20,000</u>	-	<u>20,000</u>
Total	<u>104,483</u>	<u>104,483</u>	-	<u>104,483</u>
2015 HOME Program Income:				
Program rehabilitation	<u>13,969</u>	-	-	-
2016 HOME Program Grant:				
Administration	5,789	-	-	-
Senior housing	<u>96,484</u>	-	-	-
Total	<u>102,273</u>	-	-	-
2017 HOME Program Income:				
Program rehabilitation	<u>13,385</u>	-	-	-
2017 Urgent Repair Grant:				
Rehabilitation	<u>50,000</u>	-	-	-
2018 HOME Program Income:				
Program rehabilitation	<u>13,386</u>	-	-	-
2018 HOME Program Grant:				
Administration	18,410	18,410	-	18,410
Program rehabilitation	52,271	52,271	-	52,271
Senior housing	<u>63,367</u>	<u>63,367</u>	-	<u>63,367</u>
Total	<u>134,048</u>	<u>134,048</u>	-	<u>134,048</u>
2019 HOME Program Income:				
Program rehabilitation	<u>26,770</u>	<u>26,770</u>	-	<u>26,770</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, 2023**

	Project Authorization	Actual		Total To Date
		Prior Years	Current Year	
2019 HOME Program Grant:				
Administration	9,739	9,739	-	9,739
Program rehabilitation	132,331	52,733	40,000	92,733
Downpayment assistance	10,000	10,000	-	10,000
Construction	20,000	20,000	-	20,000
Total	<u>172,070</u>	<u>92,472</u>	<u>40,000</u>	<u>132,472</u>
2018 / 2019 Urgent Repair Grant:				
Rehabilitation	<u>205,000</u>	<u>204,434</u>	<u>-</u>	<u>204,434</u>
2020 HOME Program Grant:				
Administration	8,767	3,082	200	3,282
Program rehabilitation	143,356	85,497	29,955	115,452
Total	<u>152,123</u>	<u>88,579</u>	<u>30,155</u>	<u>118,734</u>
2021 HOME Program Income:				
Program rehabilitation	<u>16,741</u>	<u>13,901</u>	<u>2,840</u>	<u>16,741</u>
2021 HOME Program Grant:				
Administration	8,133	-	-	-
Program rehabilitation	128,343	120,452	34,493	154,945
Downpayment assistance	20,000	1,531	-	1,531
Total	<u>156,476</u>	<u>121,983</u>	<u>34,493</u>	<u>156,476</u>
2021 Urgent Repair Grant:				
Rehabilitation	<u>100,000</u>	<u>97,496</u>	<u>-</u>	<u>97,496</u>
2022 HOME Program Income:				
Program rehabilitation	<u>18,500</u>	<u>667</u>	<u>9,299</u>	<u>9,966</u>
2022 HOME Program Grant:				
Administration	9,571	-	-	-
Program rehabilitation	139,022	-	104,361	104,361
Downpayment assistance	20,000	-	-	-
Construction	20,000	-	20,000	20,000
Total	<u>188,593</u>	<u>-</u>	<u>124,361</u>	<u>124,361</u>
2023 HOME Program Income:				
Program rehabilitation	<u>6,116</u>	<u>-</u>	<u>-</u>	<u>-</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, 2023**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
2023 HOME Program Grant:				
Administration	13,446	-	-	-
Program rehabilitation	204,094	-	43,045	43,045
Downpayment assistance	20,000	-	-	-
Total	<u>237,540</u>	<u>-</u>	<u>43,045</u>	<u>43,045</u>
Total expenditures	<u>8,385,822</u>	<u>4,749,414</u>	<u>893,992</u>	<u>5,643,406</u>
Revenues over (under) expenditures	<u>(5,000)</u>	<u>406,970</u>	<u>(118,143)</u>	<u>288,827</u>
Other Financing Sources (Uses):				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Special item - sale (purchase) of land	<u>-</u>	<u>1,215,249</u>	<u>-</u>	<u>1,215,249</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,627,219</u>	<u>\$ (118,143)</u>	<u>\$ 1,509,076</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

TRANSIT TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Vehicle license tax	\$ 900,000	\$ 864,822	\$ (35,178)
Investment earnings	-	11,151	11,151
Total revenues	<u>900,000</u>	<u>875,973</u>	<u>(24,027)</u>
Expenditures:			
Contracted services	1,203,235	1,012,625	190,610
Capital outlay	<u>540,336</u>	-	<u>540,336</u>
Total expenditures	<u>1,743,571</u>	<u>1,012,625</u>	<u>730,946</u>
Revenues over (under) expenditures	<u>(843,571)</u>	<u>(136,652)</u>	<u>706,919</u>
Other Financing Sources (Uses):			
Transfers in (out)	303,235	303,235	-
Appropriated fund balance	<u>540,336</u>	-	<u>(540,336)</u>
Total other financing sources (uses)	<u>843,571</u>	<u>303,235</u>	<u>(540,336)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 166,583</u>	<u>\$ 166,583</u>

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Capital Project Funds

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

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.

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

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, 2023

	<u>Irish Buffalo Creek Greenway</u>	<u>Little Texas Road Sidewalk</u>	<u>Fire Station Improvements</u>	<u>Bethpage Sidewalks</u>	<u>Total</u>
Assets:					
Due from other governments	\$ 73	\$ 289,702	\$ 385	\$ 98,561	\$ 388,721
Liabilities and Fund Balances:					
Liabilities:					
Due to other funds	\$ 374,722	\$ 261,612	\$ 152,738	\$ 68,017	\$ 857,089
Fund Balances:					
Restricted:					
Stabilization by state statute	73	289,702	385	98,561	388,721
Unassigned	<u>(374,722)</u>	<u>(261,612)</u>	<u>(152,738)</u>	<u>(68,017)</u>	<u>(857,089)</u>
Total fund balances	<u>(374,649)</u>	<u>28,090</u>	<u>(152,353)</u>	<u>30,544</u>	<u>(468,368)</u>
Total liabilities and fund balances	<u>\$ 73</u>	<u>\$ 289,702</u>	<u>\$ 385</u>	<u>\$ 98,561</u>	<u>\$ 388,721</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, 2023**

	Irish Buffalo Creek Greenway	Little Texas Road Sidewalk	Fire Station Improvements	Bethpage Sidewalks	Total
Revenues:					
Restricted intergovernmental	\$ 833,403	\$ 58,827	\$ -	\$ 17,254	\$ 909,484
Investment earnings	<u>-</u>	<u>(2,644)</u>	<u>(1,544)</u>	<u>(687)</u>	<u>(4,875)</u>
Total revenues	<u>833,403</u>	<u>56,183</u>	<u>(1,544)</u>	<u>16,567</u>	<u>904,609</u>
Expenditures:					
Current:					
Contracted services	-	-	59,531	-	59,531
Capital outlay	<u>49,080</u>	<u>73,534</u>	<u>-</u>	<u>21,567</u>	<u>144,181</u>
Total expenditures	<u>49,080</u>	<u>73,534</u>	<u>59,531</u>	<u>21,567</u>	<u>203,712</u>
Revenues over (under) expenditures	<u>784,323</u>	<u>(17,351)</u>	<u>(61,075)</u>	<u>(5,000)</u>	<u>700,897</u>
Net change in fund balances	784,323	(17,351)	(61,075)	(5,000)	700,897
Fund Balances:					
Beginning of year - July 1	<u>(1,158,972)</u>	<u>45,441</u>	<u>(91,278)</u>	<u>35,544</u>	<u>(1,169,265)</u>
End of year - June 30	<u>\$ (374,649)</u>	<u>\$ 28,090</u>	<u>\$ (152,353)</u>	<u>\$ 30,544</u>	<u>\$ (468,368)</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, 2023**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 3,116,000	\$ 2,165,748	\$ 833,403	\$ 2,999,151
Contributions	647,245	647,245	-	647,245
Total revenues	<u>3,763,245</u>	<u>2,812,993</u>	<u>833,403</u>	<u>3,646,396</u>
Expenditures:				
Capital outlay	4,424,263	4,358,878	49,080	4,407,958
Contract engineering	988,982	993,087	-	993,087
Total expenditures	<u>5,413,245</u>	<u>5,351,965</u>	<u>49,080</u>	<u>5,401,045</u>
Revenues over (under) expenditures	<u>(1,650,000)</u>	<u>(2,538,972)</u>	<u>784,323</u>	<u>(1,754,649)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	1,380,000	1,380,000	-	1,380,000
Transfers out	(404,976)	(404,976)	-	(404,976)
Transfers in	674,976	404,976	-	404,976
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>\$ (1,158,972)</u>	<u>\$ 784,323</u>	<u>\$ (374,649)</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, 2023**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 2,051,200	\$ 564,310	\$ 58,827	\$ 623,137
Investment earnings	-	-	(2,644)	(2,644)
Total revenues	<u>2,051,200</u>	<u>564,310</u>	<u>56,183</u>	<u>620,493</u>
Expenditures:				
Capital outlay	<u>2,564,000</u>	<u>707,376</u>	<u>73,534</u>	<u>780,910</u>
Revenues over (under) expenditures	<u>(512,800)</u>	<u>(143,066)</u>	<u>(17,351)</u>	<u>(160,417)</u>
Other Financing Sources (Uses):				
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>\$ 45,441</u>	<u>\$ (17,351)</u>	<u>\$ 28,090</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

CAPITAL PROJECT FUND - FIRE STATION IMPROVEMENTS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ 152,764	\$ 152,764	\$ (1,544)	\$ 151,220
Expenditures:				
Capital outlay	10,417,460	712,339	-	712,339
Contract engineering	789,061	10,403,560	59,531	10,463,091
Debt service:				
Interest and fees	61,416	61,416	-	61,416
Total expenditures	11,267,937	11,177,315	59,531	11,236,846
Revenues over (under) expenditures	(11,115,173)	(11,024,551)	(61,075)	(11,085,626)
Other Financing Sources (Uses):				
Issuance of long-term debt	11,100,000	11,100,000	-	11,100,000
Transfers out	(1,021,727)	(1,021,727)	-	(1,021,727)
Transfers in	1,036,900	855,000	-	855,000
Total other financing sources (uses)	11,115,173	10,933,273	-	10,933,273
Net change in fund balance	\$ -	\$ (91,278)	\$ (61,075)	\$ (152,353)

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, 2023

		<u>Actual</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Proceeds from grants	\$ 648,000	\$ 105,818	\$ 17,254	\$ 123,072
Investment earnings	-	-	(687)	(687)
Total revenues	<u>648,000</u>	<u>105,818</u>	<u>16,567</u>	<u>122,385</u>
Expenditures:				
Capital outlay	<u>810,000</u>	<u>132,274</u>	<u>21,567</u>	<u>153,841</u>
Revenues over (under) expenditures	(162,000)	(26,456)	(5,000)	(31,456)
Other Financing Sources (Uses):				
Transfers in	<u>162,000</u>	<u>62,000</u>	-	<u>62,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 35,544</u>	<u>\$ (5,000)</u>	<u>\$ 30,544</u>

Enterprise Funds

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

The City of Kannapolis has four Enterprise Funds:

Water and Sewer Fund
Stormwater Fund
Environmental Services Fund

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

Revenue Bonds 2020 Fund

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CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water and sewer charges	\$ 20,360,000	\$ 20,774,329	\$ 414,329
Water and sewer taps	2,565,000	2,698,228	133,228
Penalties	400,000	498,929	98,929
Other	<u>15,000</u>	<u>67,461</u>	<u>52,461</u>
Total operating revenues	<u>23,340,000</u>	<u>24,038,947</u>	<u>698,947</u>
Non-Operating Revenues:			
Interest on investments	30,000	133,053	103,053
Capital contributions	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total non-operating revenues	<u>30,000</u>	<u>1,133,053</u>	<u>1,103,053</u>
Total revenues	<u>23,370,000</u>	<u>25,172,000</u>	<u>1,802,000</u>
Expenditures:			
Administration:			
Salaries and employee benefits	933,320	891,817	41,503
Operating expenditures	<u>376,884</u>	<u>243,898</u>	<u>132,986</u>
Total	<u>1,310,204</u>	<u>1,135,715</u>	<u>174,489</u>
Distribution:			
Salaries and employee benefits	2,231,566	2,221,521	10,045
Operating expenditures	2,385,093	2,358,661	26,432
Repairs and maintenance	288,300	241,045	47,255
Capital outlay	<u>893,057</u>	<u>767,856</u>	<u>125,201</u>
Total	<u>5,798,016</u>	<u>5,589,083</u>	<u>208,933</u>
Filter Plant:			
Salaries and employee benefits	1,183,596	1,163,589	20,007
Operating expenditures	2,065,796	2,157,533	(91,737)
Repairs and maintenance	497,200	425,988	71,212
Capital outlay	<u>59,000</u>	<u>58,482</u>	<u>518</u>
Total	<u>3,805,592</u>	<u>3,805,592</u>	<u>-</u>
General Services	<u>1,922,482</u>	<u>1,922,482</u>	<u>-</u>
Sewage Treatment	<u>4,549,460</u>	<u>4,484,853</u>	<u>64,607</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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal	4,312,194	4,309,469	2,725
Interest and fees	1,554,833	1,453,332	101,501
Total debt service	<u>5,867,027</u>	<u>5,762,801</u>	<u>104,226</u>
Total expenditures	<u>23,252,781</u>	<u>22,700,526</u>	<u>552,255</u>
Revenues over (under) expenditures	<u>117,219</u>	<u>2,471,474</u>	<u>2,354,255</u>
Other Financing Sources (Uses):			
Transfers out	(12,170,700)	(12,170,700)	-
Appropriated fund balance	<u>12,053,481</u>	<u>-</u>	<u>(12,053,481)</u>
Total other financing sources (uses)	<u>(117,219)</u>	<u>(12,170,700)</u>	<u>(12,053,481)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(9,699,226)</u>	<u>\$ (9,699,226)</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Depreciation and amortization		(3,794,455)	
Capital outlay		826,338	
Capital project expenses not capitalized		(576,888)	
Interfund transfers - capital projects		11,675,000	
Capital project fund revenues		45,731	
Payment of debt principal		4,309,469	
Change in accrued interest		101,254	
Change in OPEB liability		4,115,420	
Change in compensated absences		(117)	
Change in total pension liability - SSA		139,684	
Change in net pension liability - LGERS		(1,712,383)	
Change in deferred outflows of resources - pensions		554,292	
Change in deferred inflows of resources - pensions		3,442,167	
Change in deferred outflows of resources - OPEB		(448,686)	
Change in deferred inflows of resources - OPEB		(3,760,195)	
Change in lease receivable		(2,812,514)	
Interest from capital projects		<u>573,582</u>	
Total		<u>12,677,699</u>	
Change in net position		<u>\$ 2,978,473</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT - REVENUE BONDS 2020 FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ 45,731	\$ 45,731
Investment earnings	416,002	5,499	573,582	579,081
Total revenues	<u>416,002</u>	<u>5,499</u>	<u>619,313</u>	<u>624,812</u>
Expenditures:				
Downtown sewer outfall	4,750,000	303,632	31,575	335,207
Lane Street water line	4,338,500	3,776,191	-	3,776,191
High Bridge water line	10,400,000	7,512,386	871,783	8,384,169
Sludge Lagoon dewatering	1,311,500	1,001,433	-	1,001,433
Mooreville Road water line	4,680,708	168,594	-	168,594
Rodgers Lake Road bridge water	200,000	12,500	-	12,500
Concrete spillway	3,500,000	186,758	-	186,758
Bulk storage replacement	700,000	520,710	-	520,710
Clearwell pre-construction engineering	1,158,000	65,650	3,500	69,150
Sewer cleaner truck	650,000	630,309	-	630,309
Highway 29	240,136	-	230,864	230,864
Debt issuance cost	22,311,908	961,762	-	961,762
Debt service:				
Principal	18,814,652	-	-	-
Interest	1,178,347	-	576,888	576,888
Total expenditures	<u>74,233,751</u>	<u>15,139,925</u>	<u>1,714,610</u>	<u>16,854,535</u>
Revenues over (under) expenditures	<u>(73,817,749)</u>	<u>(15,134,426)</u>	<u>(1,095,297)</u>	<u>(16,229,723)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	78,769,993	41,544,000	-	41,544,000
Payment to refunding bond agent	(19,964,343)	(19,964,343)	-	(19,964,343)
Deferred charge on refunding	1,204,152	1,204,152	-	1,204,152
Transfer in	14,417,334	-	11,675,000	11,675,000
Transfer (out)	(609,387)	(219,291)	-	(219,291)
Total other financing sources (uses)	<u>73,817,749</u>	<u>22,564,518</u>	<u>11,675,000</u>	<u>34,239,518</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 7,430,092</u>	<u>\$ 10,579,703</u>	<u>\$ 18,009,795</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,291,706	\$ 3,219,956	\$ (71,750)
Investment earnings	-	22,150	22,150
Total revenues	<u>3,291,706</u>	<u>3,242,106</u>	<u>(49,600)</u>
Expenditures:			
Salaries and employee benefits	1,195,061	1,145,664	49,397
Operating expenditures	841,420	658,681	182,739
General services	427,220	427,220	-
Capital outlay	95,000	-	95,000
Total	<u>2,558,701</u>	<u>2,231,565</u>	<u>327,136</u>
Debt Service:			
Principal	523,364	523,364	-
Interest	209,641	199,221	10,420
Total	<u>733,005</u>	<u>722,585</u>	<u>10,420</u>
Total expenditures	<u>3,291,706</u>	<u>2,954,150</u>	<u>337,556</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>287,956</u>	<u>\$ 287,956</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Depreciation and amortization		(275,618)	
Change in interest accrued		8,486	
Change in compensated absences		(14,469)	
Change in total pension liability - SSA		53,724	
Change in net pension liability - LGERS		(658,609)	
Change in deferred outflows of resources - pensions		213,189	
Change in deferred inflows of resources - pensions		263,817	
Change in OPEB liability		1,409,743	
Change in deferred outflows of resources - OPEB		(152,744)	
Change in deferred inflows of resources - OPEB		(1,280,066)	
Payment of debt principal		523,364	
Total		<u>90,817</u>	
Change in net position		<u>\$ 378,773</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 4,132,244	\$ 4,123,755	\$ (8,489)
Investment earnings	-	13,228	13,228
Miscellaneous revenue	194,594	49,671	(144,923)
Total revenues	<u>4,326,838</u>	<u>4,186,654</u>	<u>(140,184)</u>
Expenditures:			
Salaries and employee benefits	520,262	489,598	30,664
Operating expenditures	461,450	398,983	62,467
Contracted services	4,029,332	3,665,885	363,447
Capital outlay	110,000	78,000	32,000
Total	<u>5,121,044</u>	<u>4,632,466</u>	<u>488,578</u>
Debt Service:			
Principal	114,784	114,784	-
Interest	117,252	13	117,239
Total	<u>232,036</u>	<u>114,797</u>	<u>117,239</u>
Total expenditures	<u>5,353,080</u>	<u>4,747,263</u>	<u>605,817</u>
Revenues over (under) expenditures	<u>(1,026,242)</u>	<u>(560,609)</u>	<u>465,633</u>
Other Financing Sources (Uses):			
Transfers in	581,242	581,242	-
Appropriated fund balance	445,000	-	(445,000)
Total other financing sources (uses)	<u>1,026,242</u>	<u>581,242</u>	<u>(445,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>20,633</u>	<u>\$ 20,633</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Capital outlay		78,000	
Depreciation and amortization		(21,785)	
Change in interest accrued		1,220	
Change in total pension liability - SSA		10,745	
Change in net pension liability - LGERS		(131,722)	
Change in deferred outflows of resources - pensions		42,638	
Change in deferred inflows of resources - pensions		52,764	
Change in OPEB liability		431,978	
Change in deferred outflows of resources - OPEB		(47,733)	
Change in deferred inflows of resources - OPEB		(400,020)	
Change in compensated absences		3,643	
Payment of debt principal		114,784	
Total		<u>134,512</u>	
Change in net position		<u>\$ 155,145</u>	

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Additional Financial Data

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Analysis of Current Tax Levy - Secondary Market Disclosure

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CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2023

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022 - 2023	\$ -	\$ 36,138,731	\$ 35,776,448	\$ 362,283
2021 - 2022	360,831	-	245,390	115,441
2020 - 2021	137,666	-	68,691	68,975
2019 - 2020	70,512	-	27,497	43,015
2018 - 2019	61,641	-	35,069	26,572
2017 - 2018	31,511	-	(852)	32,363
2016 - 2017	27,464	-	7,678	19,786
2015 - 2016	32,989	-	(802)	33,791
2014 - 2015	34,883	-	(652)	35,535
2013 - 2014	40,143	-	2,468	37,675
2012 - 2013	18,609	-	18,609	-
Total	<u>\$ 816,249</u>	<u>\$ 36,138,731</u>	<u>\$ 36,179,544</u>	775,436
Less: Allowance for uncollectible accounts				<u>620,660</u>
Ad valorem taxes receivable - net				<u>\$ 154,776</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 36,224,405
Reconciling items:				
Penalties and interest				(120,769)
Taxes written off - state statute				18,609
Miscellaneous adjustment				<u>57,299</u>
Total collections and credits				<u>\$ 36,179,544</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2023

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 5,722,094,029	\$ 0.6300	\$ 36,049,192	\$ 32,764,426	\$ 3,284,766
Motor vehicles taxed at prior year's rate	414,286	0.6300	2,610	2,610	-
Penalties	-		42,536	42,536	-
Total	<u>5,722,508,315</u>		<u>36,094,338</u>	<u>32,809,572</u>	<u>3,284,766</u>
Discoveries:					
Current year taxes	18,963,402	0.6300	119,469	119,469	-
Prior year taxes	14,672,024	0.6300	92,434	92,434	-
Penalties	-		13,749	13,749	-
Total	<u>33,635,426</u>		<u>225,652</u>	<u>225,652</u>	<u>-</u>
Releases:					
Property taxed at current year's rate	<u>(28,771,214)</u>	0.6300	<u>(181,259)</u>	<u>(181,259)</u>	<u>-</u>
Total	<u>(28,771,214)</u>		<u>(181,259)</u>	<u>(181,259)</u>	<u>-</u>
Total property valuation	<u>\$ 5,727,372,527</u>				
Net Levy			36,138,731	32,853,965	3,284,766
Less uncollected taxes at June 30, 2023			<u>362,283</u>	<u>362,283</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 35,776,448</u>	<u>\$ 32,491,682</u>	<u>\$ 3,284,766</u>
Percent Current Year Collected			<u>99.00%</u>	<u>98.90%</u>	<u>100.00%</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
SECONDARY MARKET DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2023**

Assessed Valuation:

Assessment ratio (1)	<u>100.00%</u>
Real property	\$ 4,789,231,465
Personal property	826,740,932
Public service companies (2)	<u>111,400,130</u>
Total assessed valuation	<u>\$ 5,727,372,527</u>
Tax rate per \$100	<u>0.6300</u>
Levy (includes discoveries, releases, penalties, and abatements)	<u>\$ 36,138,731</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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NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Dollars in Thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 110,812	\$ 115,035	\$ 110,342	\$ 115,399	\$ 116,405	\$ 117,862	\$ 126,260	\$ 142,469	\$ 142,693	\$ 151,564
Restricted	9,131	3,909	3,626	8,591	9,291	15,207	7,607	8,280	10,024	11,007
Unrestricted	(6,850)	(2,942)	1,750	(11,002)	(38,986)	(41,417)	(37,939)	(44,365)	(21,229)	(20,357)
Total governmental activities net position	\$ 113,093	\$ 116,003	\$ 115,718	\$ 112,988	\$ 86,710	\$ 91,652	\$ 95,928	\$ 106,384	\$ 131,487	\$ 142,214
Business-type activities										
Net investment in capital assets	\$ 60,310	\$ 61,843	\$ 62,887	\$ 71,696	\$ 77,496	\$ 80,925	\$ 83,602	\$ 83,324	\$ 80,114	\$ 85,378
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,551	6,564	9,331	5,054	(1,438)	945	(88)	4,121	7,942	6,190
Total business-type activities net position	\$ 66,861	\$ 66,304	\$ 72,218	\$ 76,750	\$ 76,058	\$ 81,870	\$ 83,514	\$ 87,445	\$ 88,056	\$ 91,568
Primary government										
Net investment in capital assets	\$ 171,122	\$ 176,879	\$ 173,229	\$ 187,095	\$ 193,901	\$ 198,787	\$ 209,862	\$ 226,893	\$ 222,807	\$ 236,942
Restricted	9,131	3,909	3,626	8,591	9,291	15,207	7,607	8,280	10,024	11,007
Unrestricted	(299)	3,621	11,081	(5,948)	(40,424)	(40,472)	(38,027)	(40,244)	(13,288)	(14,167)
Total primary government net position	\$ 179,954	\$ 184,410	\$ 187,936	\$ 189,738	\$ 162,768	\$ 173,522	\$ 179,442	\$ 194,929	\$ 219,543	\$ 233,782

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 9,674	\$ 5,292	\$ 744	\$ 7,325	\$ 10,748	\$ 9,492	\$ 8,761	\$ 5,819	\$ 12,557	\$ 13,920
Public safety	15,708	14,412	18,549	17,463	18,459	18,626	20,005	24,248	25,979	24,996
Public works	5,639	5,037	10,485	7,236	6,330	5,462	5,520	4,890	7,152	7,889
Community development	1,760	1,829	1,420	1,432	1,685	2,108	2,114	1,955	2,058	3,086
Parks and recreation	2,101	2,365	2,479	143	2,783	3,271	3,260	4,327	5,442	5,997
Interest on long-term debt	2,205	3,026	3,110	2,982	3,328	3,105	2,803	2,492	4,408	4,188
Total governmental activities	37,087	31,962	36,787	36,581	43,333	42,064	42,463	43,731	57,597	60,076
Business-type activities:										
Water and sewer	12,569	12,363	14,130	14,819	14,891	16,640	18,260	19,541	19,493	22,317
Stormwater	1,545	1,552	1,684	1,901	2,113	2,288	2,292	2,949	2,934	2,863
Environmental services	3,355	3,523	3,632	3,645	3,814	3,822	4,391	4,556	4,036	4,613
Downtown			1,630	1,561	1,639	4,207	8,103	3,020	-	-
Total business-type activities	17,469	17,437	21,076	21,926	22,457	26,957	33,046	30,066	26,463	29,793
Total primary government expenses	\$ 54,556	\$ 49,400	\$ 57,863	\$ 58,507	\$ 65,790	\$ 69,021	\$ 75,509	\$ 73,797	\$ 84,060	\$ 89,869
Program Revenues										
Governmental activities										
- Charges for services:										
General government	\$ 87	\$ 62	\$ 94	\$ 118	\$ 155	\$ 204	\$ 145	\$ 166	\$ 1,635	\$ 548
Public safety	133	102	246	142	160	230	136	283	308	337
Public works	13	62	144	84	74	116	-	-	-	-
Community development	291	99	118	110	150	184	155	119	184	308
Parks and recreation	256	257	132	280	444	425	383	207	635	1,009
Operating grants and contributions:										
General government	933	769	829	1,376	975	3,653	769	3,662	4,437	1,288
Public safety	791	212	-	92	39	56	11	735	9,409	126
Public works	-	-	-	-	-	-	-	-	-	-
Community development	-	104	13	68	71	85	75	-	-	230
Parks and recreation	-	-	67	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	5,499	1,520	1,523	1,522	1,524	1,523	1,523	1,347	1,427	2,273
Public safety	2,722	-	-	-	-	-	-	-	-	-
Public works	1,264	1,572	1,590	1,324	1,316	1,880	4,995	1,259	1,573	1,583
Community development	506	686	355	322	2,132	498	599	678	678	678
Parks and recreation	-	-	457	121	66	46	25	-	312	910
Total governmental activities program	12,495	5,445	5,213	5,592	5,296	10,534	8,715	8,377	20,599	9,290

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program Revenues (Continued):										
Business-type activities										
- Charges for services:										
Water and sewer	14,573	13,708	16,315	15,803	17,032	17,113	19,249	21,028	23,548	24,039
Stormwater	1,699	1,773	2,449	2,372	2,941	2,991	3,039	3,079	3,143	3,220
Environmental services	1,274	1,609	1,932	2,366	2,534	3,274	3,369	3,458	4,067	4,173
Downtown			764	913	841	765	696	511	-	-
Operating grants and contributions:										
Water and sewer	-	-	-	-	100	51	17	17	-	46
Capital grants and contributions:										
Water and sewer	1,655	1,330	1,205	1,116	1,654	1,153	2,635	2,941	2,500	1,000
Downtown	-	-	-	-	-	1,103	-	-	-	-
Total business-type activities program	<u>19,201</u>	<u>18,420</u>	<u>22,665</u>	<u>22,570</u>	<u>25,102</u>	<u>26,450</u>	<u>29,005</u>	<u>31,034</u>	<u>33,258</u>	<u>32,478</u>
Total primary government program	<u>\$ 31,696</u>	<u>\$ 23,865</u>	<u>\$ 27,878</u>	<u>\$ 28,162</u>	<u>\$ 30,398</u>	<u>\$ 36,984</u>	<u>\$ 37,720</u>	<u>\$ 39,411</u>	<u>\$ 53,856</u>	<u>\$ 41,768</u>
Net (Expense)/Revenue										
Governmental activities	\$ (24,592)	\$ (26,517)	\$ (31,574)	\$ (32,589)	\$ (38,037)	\$ (31,530)	\$ (33,748)	\$ (35,354)	\$ (36,999)	\$ (50,786)
Business-type activities	<u>1,732</u>	<u>983</u>	<u>1,589</u>	<u>644</u>	<u>2,645</u>	<u>(507)</u>	<u>(4,041)</u>	<u>968</u>	<u>6,795</u>	<u>2,685</u>
Total primary government net	<u>\$ (22,860)</u>	<u>\$ (25,534)</u>	<u>\$ (29,985)</u>	<u>\$ (31,945)</u>	<u>\$ (35,392)</u>	<u>\$ (32,037)</u>	<u>\$ (37,789)</u>	<u>\$ (34,386)</u>	<u>\$ (30,203)</u>	<u>\$ (48,101)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
- Taxes:										
Ad valorem taxes	\$ 19,935	\$ 21,586	\$ 23,620	\$ 24,802	\$ 25,379	\$ 26,139	\$ 27,679	\$ 32,759	\$ 34,529	\$ 36,142
Sales tax	6,486	7,341	8,168	9,246	9,561	10,358	10,469	11,906	14,418	15,933
Other taxes and licenses	1,189	946	758	685	693	1,165	1,326	1,456	1,496	1,550
Franchise tax	1,906	2,476	2,749	2,727	2,716	2,766	2,698	2,601	2,805	3,049
Unrestricted intergovernmental revenues	195	209	195	211	206	208	210	210	216	256
Investment earnings	125	193	204	299	349	889	706	106	72	1,980
Special item - Rowan County Debt Forgiveness	-	-	-	-	-	-	-	-	-	2,688
Transfers	(1,520)	(1,100)	(2,360)	(4,941)	(2,201)	(5,053)	(5,065)	(3,130)	7,515	(86)
Total general revenues and transfers	<u>28,316</u>	<u>31,651</u>	<u>33,334</u>	<u>33,029</u>	<u>36,703</u>	<u>36,472</u>	<u>38,023</u>	<u>45,908</u>	<u>61,051</u>	<u>61,512</u>
Business-type activities:										
Investment earnings	45	20	13	16	309	1,266	621	40	131	742
Transfers	<u>1,520</u>	<u>1,100</u>	<u>2,360</u>	<u>4,941</u>	<u>2,201</u>	<u>5,053</u>	<u>5,065</u>	<u>3,939</u>	<u>(7,515)</u>	<u>86</u>
Total business-type activities	<u>1,565</u>	<u>1,120</u>	<u>2,373</u>	<u>4,957</u>	<u>2,510</u>	<u>6,319</u>	<u>5,686</u>	<u>3,979</u>	<u>(7,384)</u>	<u>828</u>
Change in Net Position										
Governmental activities	\$ 3,724	\$ 5,135	\$ 1,760	\$ 440	\$ (1,334)	\$ 4,942	\$ 4,275	\$ 10,554	\$ 24,052	\$ 10,726
Business-type activities	<u>3,297</u>	<u>2,103</u>	<u>3,962</u>	<u>5,601</u>	<u>5,155</u>	<u>5,812</u>	<u>1,645</u>	<u>4,947</u>	<u>(589)</u>	<u>3,513</u>
Total primary government	<u>\$ 7,021</u>	<u>\$ 7,238</u>	<u>\$ 5,722</u>	<u>\$ 6,041</u>	<u>\$ 3,821</u>	<u>\$ 10,754</u>	<u>\$ 5,920</u>	<u>\$ 15,501</u>	<u>\$ 23,464</u>	<u>\$ 14,239</u>

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Nonspendable	\$ 53	\$ 65	\$ 220	\$ 264	\$ 128	\$ 91	\$ 113	\$ 503	\$ 472	\$ 1,222
Committed			46	146	237	340	367	367	401	399
Restricted	11,013	7,712	7,471	7,765	8,827	11,962	4,272	11,141	8,462	7,925
Unassigned	3,069	9,860	12,016	9,911	9,609	10,031	16,114	17,389	45,280	48,755
Total General Fund	<u>\$ 14,135</u>	<u>\$ 17,637</u>	<u>\$ 19,753</u>	<u>\$ 18,086</u>	<u>\$ 18,801</u>	<u>\$ 22,424</u>	<u>\$ 20,866</u>	<u>\$ 29,400</u>	<u>\$ 54,615</u>	<u>\$ 58,301</u>
NCRC Project Development										
Financing 2010 Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Total NCRC Financing 2010 Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pine Street Assisted Living Facility										
Restricted	\$ 2,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	(2,724)	-	-	-	-	-	-	-	-	-
Total Pine Street Assisted Living Facility	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Office/Public Safety Building										
Unassigned	\$ -	\$ (1,802)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	13,206	515	-	-	-	-	-	-	-
Total City Office/Public Safety Building	<u>\$ -</u>	<u>\$ 11,404</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire Station Improvements										
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (392)	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	10,419	1,748	-	-	-	-
Total City Office/Public Safety Building	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,419</u>	<u>\$ 1,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ 187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,321	1,175	1,262	1,167	1,023	3,152	3,334	1,098	1,562	3,082
Committed	93	214	218	620	440	269	74	203	1,395	
Unassigned	-	(185)	(285)	(182)	(5)	(695)	(925)	(1,204)	(1,482)	(857)
Assigned	(29)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 5,385</u>	<u>\$ 1,204</u>	<u>\$ 1,382</u>	<u>\$ 1,605</u>	<u>\$ 1,458</u>	<u>\$ 2,726</u>	<u>\$ 2,483</u>	<u>\$ 97</u>	<u>\$ 1,475</u>	<u>\$ 2,225</u>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Dollars in Thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Ad valorem taxes	\$ 20,243	\$ 21,728	\$ 23,809	\$ 24,859	\$ 25,435	\$ 26,134	\$ 27,543	\$ 32,889	\$ 34,727	\$ 36,224
Other taxes and licenses	7,675	8,287	8,926	9,848	10,168	11,434	11,697	13,221	15,794	17,342
Unrestricted intergovernmental revenues	2,100	2,685	2,945	3,021	3,009	3,063	3,006	2,952	3,141	3,445
Restricted intergovernmental revenues	6,784	3,976	3,570	3,508	3,272	6,833	6,500	3,941	13,290	4,873
Sales and services	780	594	745	744	993	1,169	830	739	2,666	3,199
Investment earnings	125	193	204	299	349	889	706	106	72	1,980
Miscellaneous	933	887	908	1,350	1,040	1,264	1,395	3,662	4,437	1,377
Total revenues	38,640	38,350	41,107	43,629	44,266	50,786	51,677	57,510	74,127	68,440
Expenditures:										
General Government	6,534	5,129	6,122	7,132	10,455	8,468	7,948	7,207	10,661	12,127
Public safety	13,461	15,310	15,440	15,706	17,878	16,012	16,771	19,265	22,917	23,024
Public works	3,449	4,022	4,343	4,282	4,544	3,518	3,780	3,223	4,770	5,190
Community development	1,760	1,829	1,375	1,432	1,684	2,108	3,561	1,956	2,058	3,086
Parks and recreation	1,665	1,829	1,655	2,573	2,408	2,599	4,355	3,080	4,951	5,492
Capital Outlay	4,764	21,245	11,618	2,315	1,184	9,990	2,529	2,556	341	144
Debt service:										
Principal	3,050	2,852	3,693	4,717	4,374	5,200	26,237	5,428	9,951	10,674
Interest and fees	2,257	2,814	3,146	2,826	3,111	3,288	3,273	1,678	4,521	4,188
Total expenditures	36,940	55,030	47,392	40,983	45,638	51,183	68,454	44,393	60,171	63,925
Excess of revenues over (under) expenditures	1,700	(16,680)	(6,285)	2,646	(1,372)	(397)	(16,777)	13,117	13,956	4,515
Other Financing Sources (Uses)										
Transfers from other funds	6,628	893	840	2,326	862	53	1,883	200	17,165	
Transfers to other funds	(8,148)	(1,993)	(3,174)	(7,267)	(3,063)	(5,106)	(6,948)	(7,159)	(9,650)	(86)
Lease Liability Issued									2,956	
Proceeds of installment financing	-	-	-	335	14,560	-	18,685	-	-	-
Debt service reserve	-	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	-	-	-	-	-
Payments to bondholders	-	-	-	-	-	-	-	-	-	-
Premium on long-term debt	-	2,303	-	-	-	-	-	-	-	-
Proceeds of limited obligation bonds	-	25,990	-	-	-	-	-	-	-	-
Issuance of Long-term Debt										6
Total other financing sources (uses)	(1,520)	27,193	(2,334)	(4,606)	12,359	(5,053)	13,620	(6,959)	10,471	(80)
Special item - sale of land	-	-	-	-	-	1,278	-	-	1,215	-
Net change in fund balances	\$ 180	\$ 10,513	\$ (8,619)	\$ (1,960)	\$ 10,987	\$ (4,172)	\$ (3,157)	\$ 6,158	\$ 25,642	\$ 4,435
Debt service as a percentage of noncapital expenditures	15.65%	18.10%	26.57%	21.00%	18.54%	21.07%	48.22%	19.13%	27.35%	23.25%

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-

ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies ⁽²⁾</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax Rate ⁽³⁾</u>
2014	3,031,530,139	368,707,556	68,379,259	3,468,616,954	0.560
2015	3,094,058,468	419,316,615	70,827,286	3,584,202,369	0.600
2016 ⁽¹⁾	3,193,371,079	470,988,564	81,056,490	3,745,416,133	0.630
2017 ⁽¹⁾	3,318,942,258	527,476,822	83,163,104	3,929,582,184	0.630
2018	3,365,940,833	570,541,905	83,307,314	4,019,790,052	0.630
2019	3,474,735,157	572,536,247	90,869,368	4,138,140,772	0.630
2020 ⁽¹⁾	3,667,643,181	612,586,049	98,253,902	4,378,483,132	0.630
2021	4,411,304,057	683,109,991	101,976,054	5,196,390,102	0.630
2022	4,598,975,585	758,142,571	104,077,855	5,461,196,011	0.630
2023	4,789,231,465	826,740,932	111,400,130	5,727,372,527	0.630

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

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

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

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate per \$100 of Assessed Value)

	2014	2015	2016 ⁽³⁾	2017 ⁽⁴⁾	2018	2019	2020 ⁽⁵⁾	2021	2022	2023
City of Kannapolis:										
General fund	0.5600	0.6000	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300	0.6300
County Rates:										
Cabarrus	0.7000	0.7000	0.7000	0.7000	0.7200	0.7400	0.7400	0.7400	0.7400	0.7400
Rowan	0.6225	0.6625	0.6625	0.6625	0.6625	0.6575	0.6575	0.6575	0.6575	0.6575

Notes:

- ⁽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
- ⁽⁶⁾ Real property was revalued by Rowan County on January 1, 2022

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2023		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Castle and Cooke NCRC	Real Estate	181,022,103	1	3.16%
Gordon Food Service, Inc.	Food Service	73,544,928	2	1.28%
Concord Owner LP	Real Estate	70,781,620	3	1.24%
Duke Energy Business Services	Utility	60,314,633	4	1.05%
Trinity of Cabarrus LTD	Shoe Distribution	50,840,360	5	0.89%
MACP Hall Graces Reserve LLC	Real Estate	50,677,720	6	0.88%
Haas Formula LLC	Racing	49,488,882	7	0.86%
WOP Coddle Creek LLC	Real Estate	48,990,430	8	0.86%
SREIT Afton Ridge LLC	Real Estate	47,520,770	9	0.83%
Integra POE LP	Real Estate	44,505,864	10	0.78%
Total		\$ 677,687,310		11.83%

Taxpayer	Type of Business	Fiscal Year 2014		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Castle and Cooke NCRC	Real Estate	200,237,070	1	5.61%
Castle and Cooke LLC	Real Estate	85,701,916	2	2.40%
Atlantic American Properties, Inc./ Club at Irish Creek	Real Estate	52,121,397	3	1.46%
Trinity of Cabarrus LTD/ Shoe Show	Shoe Distribution	47,805,924	4	1.34%
Afton Ridge Joint Venture CK Afton Ridge Shopping Center	Real Estate	37,077,430	5	1.04%
Duke Energy Corporation	Utility	34,698,315	6	0.97%
Wachovia Development Group	Warehousing	33,779,270	7	0.95%
Integra Springs LLC	Real Estate	26,222,780	8	0.73%
The Grand in Kannapolis LLC	Real Estate	21,431,010	9	0.60%
Public Service Company of NC, Inc.	Utility	16,010,896	10	0.45%
Total		\$ 555,086,008		15.55%
		\$ 1,110,172,016		25.49%

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

Source: Cabarrus County and Rowan County Tax Departments

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Discoveries	Abatements	Total Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2014	20,012,799	87,303	(83,385)	20,016,717	19,430,246	97.07%	548,796	19,979,042	99.81%
2015	21,392,417	190,276	(47,143)	21,535,550	21,050,962	97.75%	449,053	21,500,015	99.83%
2016	23,502,259	137,451	(29,535)	23,610,175	23,193,274	98.23%	383,110	23,576,384	99.86%
2017	24,743,633	192,065	(148,154)	24,787,544	24,421,144	98.52%	346,614	24,767,758	99.92%
2018	25,236,150	187,941	(68,744)	25,355,347	25,000,952	98.60%	322,032	25,322,984	99.87%
2019	25,989,681	245,309	(122,270)	26,112,720	25,672,563	98.31%	413,585	26,086,148	99.90%
2020	27,603,268	132,477	(115,083)	27,620,662	27,054,264	97.95%	523,383	27,577,647	99.84%
2021	32,589,032	278,648	(88,187)	32,779,493	32,302,475	98.54%	408,043	32,710,518	99.79%
2022	34,303,107	171,743	(45,629)	34,429,221	34,068,390	98.95%	245,390	34,313,780	99.66%
2023	36,094,338	225,652	(181,259)	36,138,731	35,776,448	99.00%	(0)	35,776,448	99.00%

Source: City of Kannapolis Finance Department

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-
2022	-	0.00%	-
2023			

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

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

⁽²⁾ See Table 14 for population data.

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Governmental Activities						
Fiscal Year	Installment Obligations	U.S. Gov. Guaranteed Notes	Special Obligation Bonds	Limited Obligation Bonds	Limited Obligation Bond Premium	Leases
2014	10,163,453	827,000	-	31,685,000	-	
2015	9,850,171	643,000	-	55,320,000	2,272,933	
2016	8,622,690	453,000	-	53,045,000	2,151,700	
2017	7,751,829	250,000	-	49,940,000	2,030,477	
2018	10,083,071	200,000	-	57,845,000	1,909,254	
2019	8,772,794	150,000	-	54,005,000	1,788,031	
2020	24,785,249	100,000	-	30,490,000	1,666,808	
2021	24,179,980	50,000	7,330,000	99,298,003	1,545,585	
2022	20,769,631	-	6,597,000	93,546,000	1,424,362	2,860,461
2023	14,817,462	-	5,864,000	87,799,005	1,303,139	2,086,978

Business-type Activities							
Fiscal Year	Installment Obligations	Special Obligation Bonds	W/S Revenue Bonds	Limited Obligation Bonds	Total Primary Government	Per Capita ⁽¹⁾	Percentage of Personal Income ⁽¹⁾
2014	7,929,905	-	33,224,348	-	83,829,706	1,915	1.33%
2015	7,022,766	-	31,325,158	-	106,434,028	2,399	1.69%
2016	5,857,523	11,000,000	29,365,628	-	110,495,541	2,395	1.63%
2017	5,279,889	10,266,000	27,333,327	-	102,851,522	2,150	1.43%
2018	8,811,301	9,532,000	49,112,298	14,900,000	152,392,924	3,122	1.96%
2019	7,387,793	8,798,000	46,683,000	66,155,000	193,739,618	3,893	2.37%
2020	5,971,669	8,064,000	44,064,000	65,410,000	180,551,726	3,469	1.92%
2021	1,953,269	-	53,022,200	5,949,997	193,329,034	3,640	2.01%
2022	1,038,648	-	60,312,000	5,599,996	189,287,637	3,477	1.79%
2023	419,974	-	56,183,000	5,249,995	171,636,575	3,036	1.57%

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

⁽¹⁾ See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

* Information not yet available. Calendar year 2020 personal income not available to calculate fiscal year 2020 percentage of personal income.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2023

(Dollars in Thousands)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Cabarrus County General Obligation Debt	19,140	10.70%	2,048
Cabarrus County COPS/LOBS	377,400	10.70%	40,382
Cabarrus County Capital Leases/Installment Debt	6,801	10.70%	728
Rowan County General Obligation Debt	3,300	4.87%	161
Rowan County Installment Financing	65,411	4.87%	<u>3,186</u>
Subtotal, overlapping debt			46,504
City direct debt			<u>114,558</u>
Total direct and overlapping debt			<u><u>\$161,062</u></u>

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

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Kannapolis. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed Value of Property	\$ 3,468,617	\$ 3,584,202	\$ 3,745,416	\$ 3,929,582	\$ 4,019,790	\$ 4,138,141	\$ 4,378,483	\$ 5,196,390	\$ 5,461,196	\$ 5,727,373
Debt Limit, 8% of Assessed Value (Statutory Limitation)	277,489	286,736	299,633	314,367	321,583	331,051	350,279	415,711	436,896	458,190
Debt applicable to debt limitations:										
Special obligation bonds	-	-	11,000	10,266	9,532	8,798	8,064	-	-	-
Limited obligation bonds	31,685	57,593	55,197	49,940	74,654	121,948	114,872	106,793	100,570	94,352
Installment obligations	18,920	17,516	14,933	13,282	19,094	16,311	13,552	26,183	19,121	15,237
Less: Amount of bonded debt incurred for water purposes	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limitations	50,605	75,109	81,130	73,488	103,280	147,057	136,488	132,976	119,691	109,589
Legal debt margin	\$ 226,884	\$ 211,627	\$ 218,503	\$ 240,879	\$ 218,303	\$ 183,994	\$ 213,791	\$ 282,735	\$ 317,205	\$ 348,601
Total net debt applicable to the limit as a percentage of debt limit	18.24%	26.19%	27.08%	23.38%	32.12%	44.42%	38.97%	31.99%	27.40%	23.92%

Note: NC Statute GS159-55 limits the city's outstanding debt to 8% of the appraised value of property subject to taxation.
The legal debt margin is the difference between the debt limit and the city's net debt outstanding applicable to the limit, and represents the city's legal borrowing authority.

PLEDGED - REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest	Total	
2014	14,618,245	8,933,072	5,685,173	1,387,555	864,802	2,252,357	2.52
2015	13,727,664	8,735,286	4,992,378	2,280,158	1,314,183	3,594,341	1.39
2016	16,327,038	10,556,224	5,770,814	1,959,530	1,148,822	3,108,352	1.86
2017	15,816,830	11,181,279	4,635,551	2,032,301	1,082,596	3,114,897	1.49
2018	17,256,872	10,706,300	6,550,572	2,098,027	1,121,971	3,219,998	2.03
2019	17,536,939	12,020,328	5,516,611	2,429,300	1,934,634	4,363,934	1.26
2020	19,415,386	13,402,746	6,012,640	2,619,000	1,738,616	4,357,616	1.38
2021	21,031,115	13,979,022	7,052,093	2,716,800	1,645,178	4,361,978	1.62
2022	23,679,136	13,402,746	10,276,390	3,819,000	1,326,227	5,145,227	2.00
2023	24,777,893	16,524,779	8,253,114	4,309,469	1,512,113	5,821,582	1.42

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

Utility service charges equal total operating revenues plus investment earning.

Principal and interest of revenue bonds only are shown here.

Coverage equals net revenues divided by total debt service requirements.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (Dollars in Thousands)		Per Capita Personal Income ⁽²⁾		Public School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	
		Cabarrus County	Rowan County	Cabarrus County	Rowan County		Cabarrus County	Rowan County
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	11,260,526	6,310,722	49,679	43,724	5,415	3.4%	4.7%
2022	54,446	12,407,280	6,927,867	53,647	46,763	5,362	3.2%	3.6%
2023	56,534	12,910,767	7,031,826	54,754	46,990	5,379	3.0%	3.2%

* Information not yet available.

- Notes:**
- ⁽¹⁾ 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.
2015-2023 population was estimated from the US Census Bureau
 - ⁽²⁾ Source: State of N.C. Office of State Budget and Management
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
2016-2022 figures were determined from Federal Reserve Bank Economic Division
 - ⁽³⁾ Kannapolis City Schools
 - ⁽⁴⁾ Source: N. C. Employment Security Commission - <https://desncc.com/PMINewsRates>
These are County figures -- separate figures for the City of Kannapolis are not available.

PRINCIPAL EMPLOYERS
Current and Nine Years Ago

Employer	2023			2014		
	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.	1000+	1	0.53%			
Shoe Show, Inc.	811	2	0.43%	800	1	0.50%
Kannapolis City Schools	778	3	0.41%	750	2	0.47%
Wayne Brothers	496	4	0.26%	400	4	0.25%
City of Kannapolis	489	5	0.26%	320	6	0.20%
Stanley Black and Decker	350	6	0.18%	-	-	-
Gordon Foods	350	7	0.18%	-	-	-
Stewart-Haas Racing LLC	320	8	0.17%	250	8	0.16%
Cabarrus Health Alliance	289	9	0.15%	220	9	0.14%
Target	200	10	0.11%	300	7	0.19%
Cabarrus County Schools	-			406	3	0.25%
North Carolina Research Campus	-	-	-	345	5	0.21%
Stanley Works	-	-	-	219	10	0.14%
	-	-	-			
	-	-	-			
	-	-	-			
	-	-	-			
	-	-	-			
Total	4,083		2.15%	4,010		2.51%

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

PROPERTY VALUES AND CONSTRUCTION
Last Ten Fiscal Years

Fiscal Year Ended June 30	New Construction				Total Value Of New Construction	Total Additions And Alterations	Total Value Of New Construction And Additions
	Commercial Construction		Residential Construction				
	Number of Units	Value	Number of Units	Value			
2023	149	71,668,408	977	152,545,006	224,213,414	5,237,196	229,450,610
2022	125	42,986,885	450	69,738,237	112,725,122	3,116,836	115,841,958
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

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

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	21 ⁽³⁾	31	40 ⁽⁴⁾	41	43	45	53	53	57	61
Public safety	197	192	196	201	206	208	209	210	214	215
Public works admin and engineering	9	9	9	9	9	9	9	9	11	9
Parks and recreation	10 ⁽³⁾	11	8	9	10	12	18	18	23	24
Streets and sign shops	11	8	12	12	13	15	15	15	15	16
Stormwater	13	13	13	16	16	16	16	16	17	17
Environmental	1	1	1	0	4	4	6	6	5	9
Water - Sewer billing and collections	9	7	7	8	8	8	9	10	12	14
Water - Sewer distribution	28	28	29	29	29	33	38	39	40	43
Water treatment plant	10	10	11	11	11	14	15	15	15	14
Total	309	310	326	336	349	364	388	391	409	422

Source: Finance Department

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

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.

⁽²⁾ Data shows that in 2009 the City moved the meter readers from WSBC to WSD.

⁽³⁾ 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.

⁽⁴⁾ Data shows that in 2016 the City implemented a new division for General Services.

⁽⁵⁾ 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

Data shows that in FY 2022, 4 Police Officers were hired, 4 Park Maintenance Technicians, 1 Assistant Athletic Director, 1 Planner, 1 Code Enforcement Officer, 1 Building Maintenance Technician, 1 Engineering Technician, 1 Construction Maintenance Worker, 1 Locator in Water Resources, 2 Customer Service Advocates and the reclassification of 1 Part Time accountant to Full Time and moving the Director of Transportation, Stormwater and Environmental from the Environmental Fund

⁽⁷⁾ to the Stormwater Fund.

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government:										
Collection rate for city taxes	97.07%	97.37%	98.23%	98.52%	98.60%	98.31%	97.95%	98.54%	98.95%	98.99%
Applications for employment processed	1,467	1,367	1,419	1,912	1,845	1,834	699	669	719	1,692
Hiring rate	2.65%	2.12%	8.97%	3.30%	2.39%	2.67%	9.47%	13.60%	13.10%	13.10%
Parks and Recreation:										
Concerts presented by the City	19	19	19	22	23	24	6	4	12	20
Shelter reservations	1580	956	1021	1528	1565	1601	505	448	928	994
Police:										
Homicide and death investigations	53	61	71	64	100	96	79	134	106	98
Assault investigations	39	38	49	42	48	47	42	42	49	66
Fire:										
Response to all in City incidents within six minutes	83.8%	80.7%	79.0%	85.0%	82.0%	80.0%	81.5%	78.0%	81.0%	78.0%
Average response time (minutes) for fire calls	4:46	4:20	4:19	3:25	3:31	3:19	3:53	4:22	4:03	4:32
Number of fire inspections for businesses	1,420	1,689	5,946	1,058	687	234	1,200	759	563	670
Storm water:										
Shoulder work and ditches cleared (miles)	4.5	7.8	3.9	1.4	2.1	3.1	2.1	2.3	1.5	4.95
Drainage structures (repaired & constructed)	45	46	16	31	37	29	46	38	32	43
Streets And Sign Shop:										
Reconstruction resurfacing (miles)	3.20	3.65	3.65	3.84	2.94	3.16	0.73	1.40	1.10	3.18
Pavement repairs (including potholes)	1,654	4,615	7,370	7,370	5,322	6,387	4,678	5,297	4,419	5,263
Street name signs installed or repaired	358	182	218	218	239	316	293	293	117	1,087
Information signs installed or repaired	1,060	1,794	1,740	1,740	1,520	1,856	1,330	1,330	1,118	920
Water Sewer Distribution:										
Water services installed	53	46	46	93	150	215	157	144	159	62
Sewer services installed	55	15	10	54	127	189	126	130	179	56

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021 (4)	2022	2023
Water Treatment Plant:										
Total water treated (per billion gallons)	1.424	1.100	1.550	1.410	1.290	1.360	1.390	1.450	1.650	1.740
Unit cost of treatment (\$/1,000 Gal)	1.461	1.510	1.490	1.490	1.340	1.360	1.260	1.360	1.570	1.520
Water Sewer Billing Collections:										
Average number of walk in customers	6,145	6,527	6,421	4,180	6,325	5,765	2,751	5,668	4,719	4,120
Water and Sewer collection percentage	98.76%	98.00%	97.69%	97.57%	97.80%	97.80%	97.47%	77.00%	98.43%	96.94%

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

(4) The first ½ of FY21 collections were suspended for months due to COVID. Regular collections were restarted in late October early November of 2020 and fee assessments started again in April of 2021, but it was not enough time to recover before year end

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Parks and recreation:										
Park facilities	8	8	8	8	8	8	11	11	13	13
Acreage	114	114	128	172	172	172	257	257	262	262
Picnic shelters/structure	15	15	15	15	15	15	15	15	15	15
Softball fields	4	4	4	4	4	4	3	3	4	4
Playgrounds	7	7	7	7	7	7	6	6	6	6
Soccer fields	1	1	1	1	1	1	1	1	2	2
Fire Protection:										
Stations	5	5	5	5	5	5	5	5	5	5
Fire trucks (pumper)	9	8	8	8	9	9	9	9	9	9
Fire trucks (ladder)	2	2	2	2	3	3	3	3	3	3
Police:										
Patrol cars	57	59	60	66	66	66	68	76	78	79
Total police vehicles	103	104	109	114	114	114	110	113	113	120
Streets:										
Miles of streets	227	227	227	232	232	232	232	236	236	245
Water:										
Miles of water mains	320	324	324	335	335	335	346	351	352	385
Wastewater:										
Miles of sanitary sewers	325	316	317	325	325	325	326	331	331	363
Treatment capacity ⁽¹⁾	27	25	26	27	27	27	27	15	15	15

Sources: Various City departments.

⁽¹⁾ Data is by Million Gall

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Compliance Section

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - Report on Compliance for Each Major Federal Program 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
 - Corrective Action Plan
 - 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 (*Government Auditing Standards*), 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, 2023, 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, 2023.

Report on 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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, noncompliance 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as Finding 2023-001.

City of Kannapolis' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Kannapolis' response to the finding identified in our audit and described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City of Kannapolis' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2023

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Kannapolis, North Carolina's, compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the City of Kannapolis complied, in all materials respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Kannapolis and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Kannapolis' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Kannapolis' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Kannapolis' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Kannapolis' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Kannapolis' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Kannapolis' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Kannapolis' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, noncompliance 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 noncompliance 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023

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

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Kannapolis, North Carolina's, compliance with the types of compliance requirements identified as subject to audit 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 state programs for the year ended June 30, 2023. 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.

In our opinion, the City of Kannapolis complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Kannapolis and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City of Kannapolis' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Kannapolis' state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Kannapolis' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Kannapolis' compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Kannapolis' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Kannapolis' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Kannapolis' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023

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CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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? Yes

Non-compliance material to financial statements noted? Yes

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>
CDBG Entitlement Grants Cluster	14.218

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$ 750,000</u>
-------------------------------------------------------------------------	-------------------

Auditee qualified as low-risk auditee? No

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

Auditee qualified as low-risk auditee? No

CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

2. Financial Statements Findings

Finding 2023-001 – Significant Deficiency

Criteria: North Carolina General Statute 159-13 requires the governing board to appropriate the full amount of any deficit in each fund. Management should have a system of controls in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: The Fire Station Improvement Fund and Irish Buffalo Creek Greenway Fund were both operating in a deficit net position.

Context: While reviewing the financial statements, we noted the condition described above.

Effect: Expenditures had been made or accrued in excess of resources in the Fire Station Improvement Fund and the Irish Buffalo Creek Greenway Fund, and the City was in violation of General Statutes.

Cause: Revenues and transfers were not sufficient to cover total expenses and the deficit in net position in the Fire Station Improvement Fund and the Irish Buffalo Creek Greenway Fund.

Recommendation: We recommend that management implement a plan to eliminate the deficit net position.

Views of Responsible Officials: Management concurs with the condition above.

3. Federal Award Findings and Questioned Costs

None reported.

4. State Award Findings and Questioned Costs

None reported.



Corrective Action Plan

Financial Statement Findings

Finding 2023-001

Name of Contact Person: Brian Roberts, Finance Officer

Corrective Action: The Finance Department staff continued to experience position vacancies and restructuring during this fiscal year. The new Finance Officer started with the City in December 2022. New and existing staff are in the process of training to ensure records are accurately maintained and properly balanced to the general ledger before each period closing. Additionally, the City is currently working with two retired local government Finance Directors to assist in evaluating, developing, and implementing new policies, procedures, and structure to reduce the likelihood of errors in financial reporting.

City management concurs with the finding and recommendation. Procedures have been put in place to monitor the condition noted above. We fully expect that future revenues will eliminate the deficit net position in the fiscal year ended June 30, 2024.

Proposed Completion Date: Immediately.

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Finding: 2022-001
Status: Corrected

Finding: 2022-002
Status: Corrected

CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/ Pass-Through Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Pass-Through to Subrecipients Expenditures
U.S. Department of Housing and Urban Development:						
Office of Community Planning and Development						
Direct Program:						
CDBG Entitlement Grants Cluster						
2017 Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-37-0017	\$ 71,766	\$ -	\$ -	\$ -
2018 Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-37-0017	18,156	-	-	-
2020 Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-37-0017	37,344	-	-	-
2021 Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-37-0017	136,626	-	-	-
2022 Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-37-0017	127,112	-	-	-
2023 Community Development Block Grants/Entitlement Grants	14.218	B-23-MC-37-0017	167,209	-	-	-
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	37149	50,335	-	-	-
Total CDBG Entitlement Grants Cluster			608,548	-	-	-
Passed Through City of Concord						
2019 Home Investment Partnership Program	14.239	M-19-DC-370209	40,000	-	-	-
2020 Home Investment Partnership Program	14.239	M-20-DC-370209	30,155	-	-	-
2021 Home Investment Partnership Program	14.239	M-21-DC-370209	34,493	-	-	-
2022 Home Investment Partnership Program	14.239	M-22-DC-370209	124,361	-	-	-
2023 Home Investment Partnership Program	14.239	M-23-DC-370209	43,045	-	-	-
2021 Home Investment Partnership Program-Program Income	14.239	M-21-DC-370209	2,840	-	-	-
2022 Home Investment Partnership Program-Program Income	14.239	M-22-DC-370209	9,299	-	-	-
2021 Home Investment Partnership Program-Program Income	14.239	B-21-MC-37-0017	884	-	-	-
2022 Home Investment Partnership Program-Program Income	14.239	B-22-MC-37-0017	243	-	-	-
Total Home Investment Partnership Program			285,320	-	-	-
Total U.S. Department of Housing and Urban Development			893,868	-	-	-
U.S. Department of Justice:						
JAG Grant	16.738	15PBJA-22-GG-02600-JAGX	8,519	-	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.543	15PJDP-21-GK-03793-MECF	74,991	-	-	-
Total U.S. Department of Justice			83,510	-	-	-
U.S. Department of Transportation:						
Federal Highway Administration:						
Passed Through NC Department of Transportation:						
Highway Planning, Research and Construction Cluster (note 4):						
Highway Planning and Construction	20.205	47301.2.1	58,827	-	14,707	-
Highway Planning and Construction	20.205	43713.1.6	17,254	-	4,313	-
Highway Planning and Construction	20.205	47896.3.1	38,879	-	-	-
Total Highway Planning, Research and Construction Cluster (Note 4)			114,960	-	19,020	-
Total U.S. Department of Transportation			114,960	-	19,020	-
U.S. Department of Treasury:						
Passed through the N.C. Office of State Budget and Management						
Asset Forfeiture	21.016	NC0130200	18,133	-	-	-
Total U.S. Department of Treasury			18,133	-	-	-
Total Assistance - Federal Awards			1,110,471	-	19,020	-
State Awards:						
N.C. Department of Transportation:						
Powell Bill						
Total of N.C. Department of Transportation			-	1,543,430	-	-
Total Assistance - State Awards			-	1,543,430	-	-
Total Federal and State Awards			\$ 1,110,471	\$ 1,543,430	\$ 19,020	\$ -

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, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Kannapolis, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Kannapolis.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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

Note 4 - State Cluster

The following is clustered by the NC Department of Transportation and is treated separately for state audit requirement purposes: Highway Planning, Research and Construction