

**CITY OF KANNAPOLIS
NORTH CAROLINA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

**CITY OF KANNAPOLIS
NORTH CAROLINA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

Prepared by:
Finance Department

CITY OF KANNAPOLIS, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024

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Introductory Section

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KANNAPOLIS
Finance

November 21, 2024

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, 2024.

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, 2024. 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 56,417 and the assessed valuation for property tax purposes is \$6,250,612,465. 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 900 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 800 employees. Walmart, Stanley Black & Decker, Gordon Foods, and Stewart-Haas Racing are also significant private sector employers in Kannapolis. Additional recent investments from Prime Beverage and Reynolds for existing shell building upfits have brought 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.

The City of Kannapolis sustained momentum amid the COVID-19 pandemic and continues to persevere in the post-pandemic world. Sales tax collections were expected to decrease up to 30% during the pandemic, but fortunately that was not the case. Sales tax revenues actually increased and were up \$460,619.55 from fiscal year 23. In addition, the property tax collection rate saw a slight increase by .08% 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 endured.

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 August 2023, S&P Global Ratings raised its issuer credit rating to 'AA' from 'AA-' for the City and its appropriation rating to 'AA-' from 'A+'. Additionally, in April 2024, Moody's Ratings upgraded the City's issuer rating to Aa2 from Aa3 and its outstanding limited obligation bonds to Aa3 from A1.

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

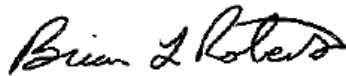
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kannapolis, North Carolina for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. The Certificate 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, sweeping 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, 2023

Christopher P. Morrill

Executive Director/CEO

**CITY OF KANNAPOLIS
NORTH CAROLINA**

MAYOR AND CITY OFFICIALS

MAYOR AND CITY COUNCIL

M. Darrell Hinnant – Mayor

Doug Wilson – Mayor Pro Tem

Dianne Berry – Council Member

Ryan G. Dayvault – Council Member

Jeanne Dixon – Council Member

Darrell Jackson – Council Member

Tom Kincaid – 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

Tina H. Cline
Assistant City Manager

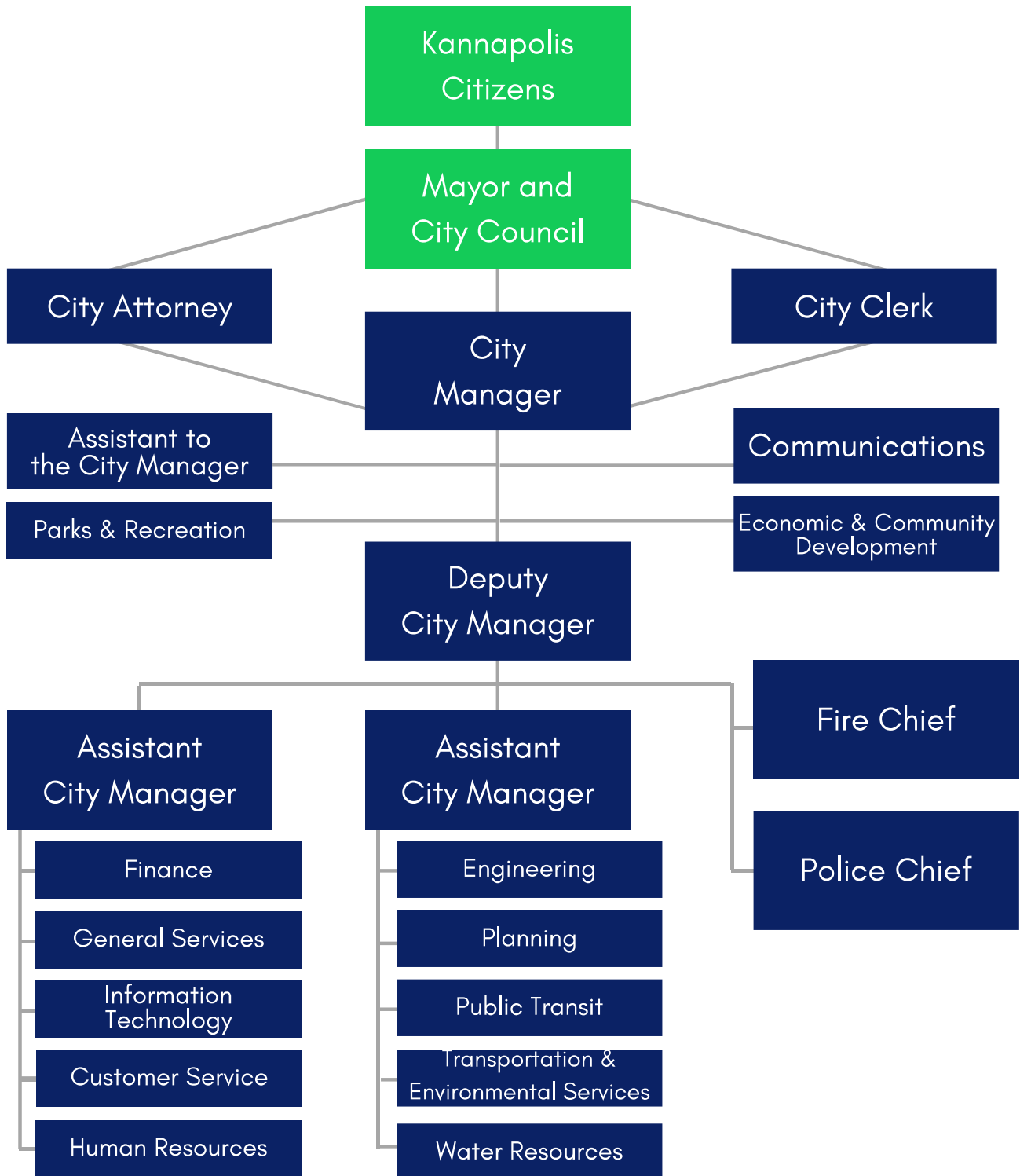
Bridgette L. Bell
City Clerk

Brian Roberts
Finance Director

Heather James
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, 2024, 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, 2024, 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 21, 2024 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 21, 2024

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Management's Discussion and Analysis

As management of the City, we offer readers of the City of Kannapolis' (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. 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 \$234,699,785 (*net position*).
- The government's total net position increased by \$771,411, due to an increase in the 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 \$55,084,464, which is a decrease of \$5,587,778 in fund balance. Approximately 25% of this total amount, or \$13,643,959, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$33,125,523.
- The City of Kannapolis' total debt decreased \$14,534,960 or 8.4% during the current fiscal year due to principal payments made throughout the year.
- The City maintained the following underlying bond ratings:

Water and Sewer Revenue Bonds

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

Limited Obligation Bonds

Moody's	Aa3
Standard & Poor's	AA-

Issuer Credit Rating

Moody's	Aa2
Standard & Poor's	AA

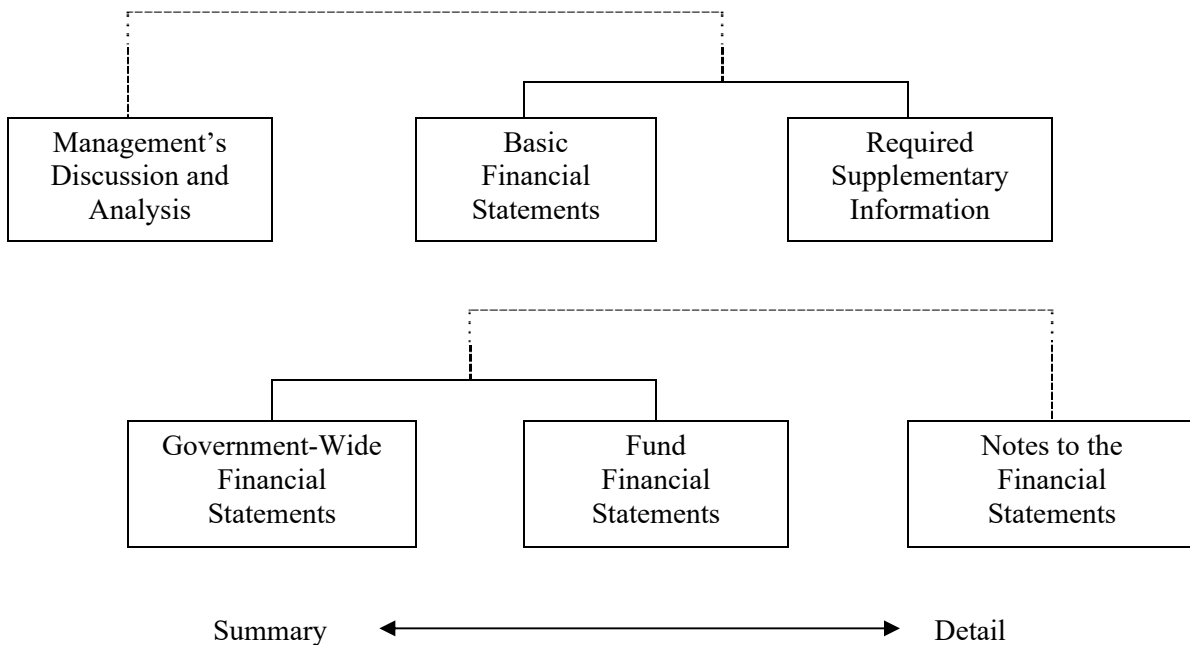
- In August 2023, the Standard & Poor's upgraded the ratings for the Limited Obligation Bonds to AA- and the Issuer Credit Rating to AA.
- In April 2024, Moody's Ratings ("*Moody's*") upgraded the issuer credit rating from Aa3 to Aa2. In addition, the City's appropriation-backed debt rating for outstanding limited obligation bonds was upgraded from A1 to Aa3.

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 19 through 22.

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 23 through 27 of this report.

Proprietary Funds. The City maintains two types of proprietary fund. Enterprise and internal service 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. The City uses an internal service fund as an accounting device to accumulate and allocate costs internally among the functions of the City. The City uses one internal service fund to account for its self-insured health and workers' compensation benefits. These funds are the same as those functions shown in the governmental 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 28 through 31 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 32 through 83 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 84 through 93 of this report.

The combining statements, referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 94 through 110 of this report for the City's governmental funds and on pages 111 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 (105%) 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 \$12,040,828 and (\$24,765,287), 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	
	2024	2023	2024	2023	2024	2023
Assets:						
Other assets	\$ 77,908,193	\$ 82,900,613	\$ 30,227,691	\$ 31,556,935	\$ 108,135,884	\$ 114,457,548
Capital & right to use assets	<u>260,660,916</u>	<u>263,434,617</u>	<u>139,519,915</u>	<u>139,444,337</u>	<u>400,180,831</u>	<u>402,878,954</u>
Total assets	<u>338,569,109</u>	<u>346,335,230</u>	<u>169,747,606</u>	<u>171,001,272</u>	<u>508,316,715</u>	<u>517,336,502</u>
Deferred Outflows of Resources						
	<u>24,114,351</u>	<u>25,957,612</u>	<u>6,780,326</u>	<u>7,312,054</u>	<u>30,894,677</u>	<u>33,269,666</u>
Liabilities:						
Long-term liabilities outstanding	159,775,104	165,189,744	68,531,849	72,305,525	228,306,953	237,495,269
Other liabilities	<u>18,231,076</u>	<u>16,619,733</u>	<u>8,101,080</u>	<u>7,397,552</u>	<u>26,332,156</u>	<u>24,017,285</u>
Total liabilities	<u>178,006,180</u>	<u>181,809,477</u>	<u>76,632,929</u>	<u>79,703,077</u>	<u>254,639,109</u>	<u>261,512,554</u>
Deferred Inflows of Resources						
	<u>43,855,934</u>	<u>48,269,710</u>	<u>6,016,564</u>	<u>7,041,938</u>	<u>49,872,498</u>	<u>55,311,648</u>
Net Position:						
Net investment in capital assets	158,584,869	151,564,033	88,839,375	85,377,741	247,424,244	236,941,774
Restricted	12,040,828	11,007,071	-	-	12,040,828	11,007,071
Unrestricted	<u>(29,804,351)</u>	<u>(20,357,449)</u>	<u>5,039,064</u>	<u>6,190,570</u>	<u>(24,765,287)</u>	<u>(14,166,879)</u>
Total net position	<u>\$ 140,821,346</u>	<u>\$ 142,213,655</u>	<u>\$ 93,878,439</u>	<u>\$ 91,568,311</u>	<u>\$ 234,699,785</u>	<u>\$ 233,781,966</u>

The City's total net position increased by \$771,411, while unrestricted net position decreased this fiscal year by \$10,598,408. Several aspects of the City's financial operations that influenced the total net position are \$7.3 million in capital projects, \$1.1 million increase in investment income, and \$4.1 million increase of property, sales and franchise taxes over last year.

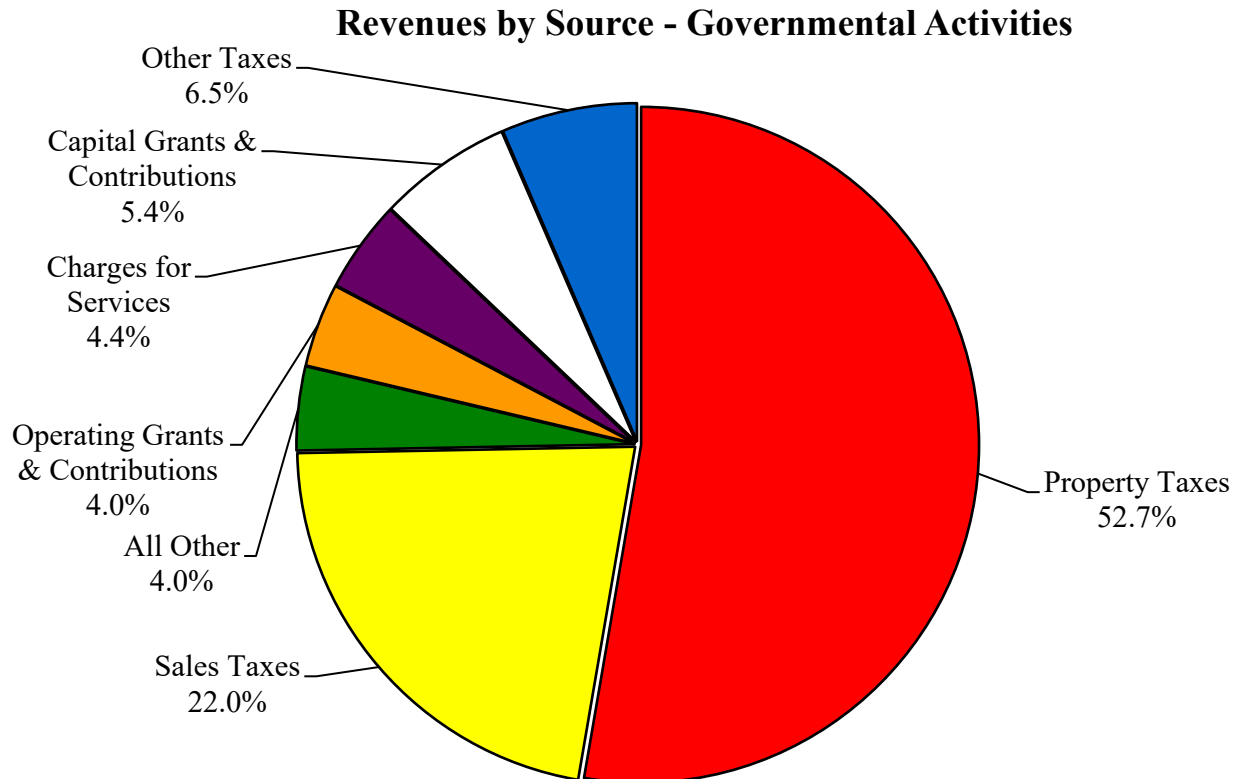
City of Kannapolis' Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 3,270,398	\$ 2,202,953	\$ 31,685,275	\$ 31,432,329	\$ 34,955,673	\$ 33,635,282
Operating grants and contributions	3,010,040	1,643,044	141,200	45,731	3,151,240	1,688,775
Capital grants and contributions	4,750,600	5,444,045	500,000	1,000,000	5,250,600	6,444,045
General revenues:						
Property taxes	39,433,118	36,142,354	-	-	39,433,118	36,142,354
Other taxes	21,336,005	20,532,017	-	-	21,336,005	20,532,017
Other revenues	2,980,562	2,235,716	1,192,058	742,013	4,172,620	2,977,729
Total revenues	74,780,723	68,200,129	33,518,533	33,220,073	108,299,256	101,420,202
Expenses:						
General government	18,649,403	13,920,335	-	-	18,649,403	13,920,335
Public safety	25,579,785	24,995,571	-	-	25,579,785	24,995,571
Public works	8,445,600	7,889,057	-	-	8,445,600	7,889,057
Community development	5,615,948	3,085,815	-	-	5,615,948	3,085,815
Parks and recreation	12,994,566	5,996,923	-	-	12,994,566	5,996,923
Water and sewer	-	-	23,876,999	22,317,140	23,876,999	22,317,140
Stormwater	-	-	3,622,961	2,863,333	3,622,961	2,863,333
Environmental services	-	-	4,856,262	4,612,751	4,856,262	4,612,751
Other	3,886,321	4,187,899	-	-	3,886,321	4,187,899
Total expenses	75,171,623	60,075,600	32,356,222	29,793,224	107,527,845	89,868,824
Change in net position before special and item transfers	(390,900)	8,124,529	1,162,311	3,426,849	771,411	11,551,378
Special item	-	2,687,500	-	-	-	2,687,500
Transfers	(1,147,817)	(85,542)	1,147,817	85,542	-	-
Change in net position	(1,538,717)	10,726,487	2,310,128	3,512,391	771,411	14,238,878
Net Position:						
Beginning of year - July 1	142,213,655	131,487,168	91,568,311	88,055,920	233,781,966	219,543,088
Restatement	146,408	-	-	-	146,408	-
Beginning of year - July 1, as restated	142,360,063	131,487,168	91,568,311	88,055,920	233,928,374	219,543,088
End of year - June 30	\$140,821,346	\$142,213,655	\$ 93,878,439	\$ 91,568,311	\$ 234,699,785	\$ 233,781,966

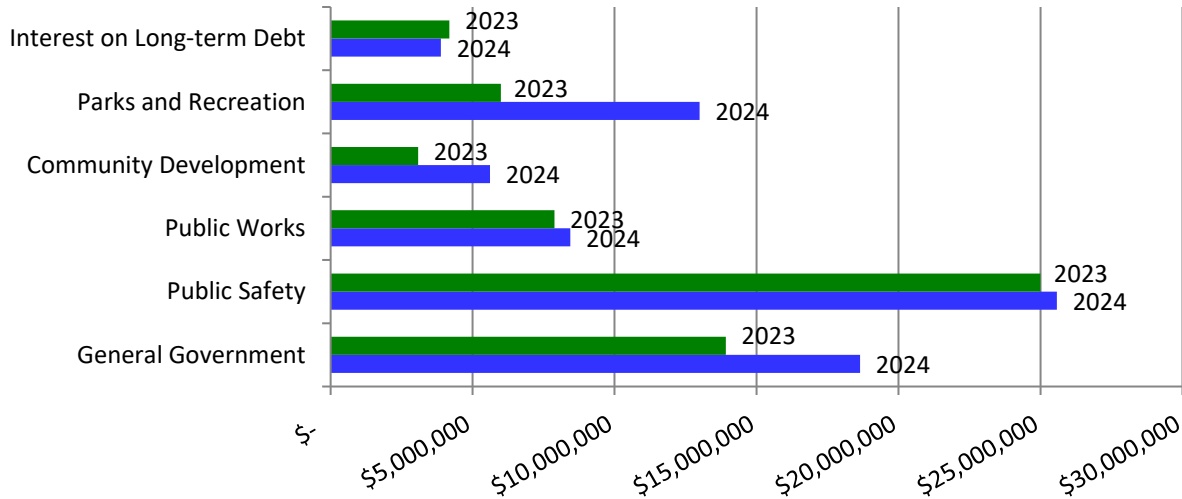
Governmental Activities. Net position decreased in the City’s governmental activities this fiscal year by \$1,538,717. Key elements of this decrease are as follows:

- \$3.1 million for renovations to two fire stations
- \$1.1 million transfer to Environmental fund for operating expenditures
- \$2.2 million for Swanee renovations
- \$4.1 million increase in property, sales and franchise taxes over the prior year
- \$1.1 million increase of investment income over the prior year.



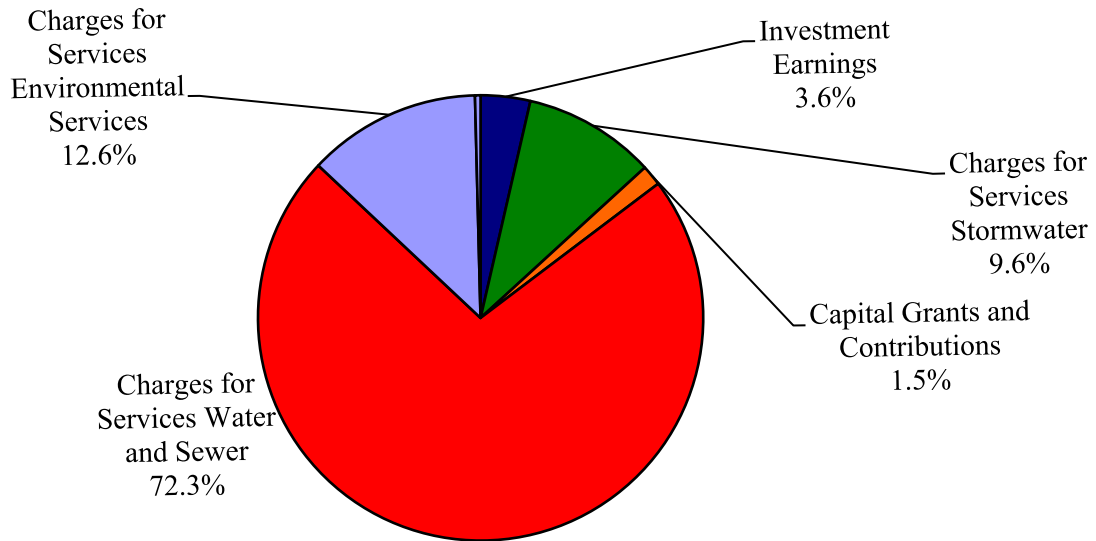
As shown in the above chart, the City’s main source of revenue is from property taxes. The second largest source of revenue is sales taxes. Property taxes total \$39,433,118, while sales taxes total \$16,415,546. The third largest source of revenue is franchise tax. The City received grants from various federal and state agencies, including the United States Department of Housing and Urban Development, the United States Department of Energy, the United States Department of Justice, the United States Department of Transportation, the United States Department of Treasury, NC Department of Transportation, the NC Department of Environmental Quality, University of North Carolina Chapel Hill, and North Carolina Office of State Controller.

Government Activities Expenses



Business-Type Activities. Business-type activities increased in the City of Kannapolis' net position by \$2,310,128. The major elements of this increase over last year are the increase in revenue over expenses and a \$1.1 million transfer. Additional reasons for the change include 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 \$33,125,523, while total fund balance reached \$50,931,704. This is a decrease of \$15,629,123 in unassigned and a decrease of \$7,369,499 in total fund balance from fiscal year 2023. The decrease seen in total fund balance for the General Fund is attributable to an increase in expenditures over revenues and transfers to other funds for capital outlay and assigned fund balance for subsequent year's expenditures. The City currently has an available fund balance of 40.97% of General Fund expenditures and transfers out, while total fund balance represents 63.0% 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, 2024, the governmental funds of the City of Kannapolis reported a combined fund balance of \$55,084,464, with a net decrease in fund balance of \$5,587,778. The City had \$4,094,878 of expenditures under revenues. The City transferred out \$6,320,001 to Capital Project Funds, 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 \$31,092,078 or 46%. 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 \$2,629,217 or 4%, more than the original budgeted amount. Property tax revenue exceeded budget by \$529,871, while sales tax revenue was under budget by \$261,346. Total revenue increased by 11% from fiscal year 2023.

The total variance from the final budget numbers to the actual results for expenditures totaled \$18,323,138, or 20%, of the final budget, compared to a variance of 16% 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, 2024 was \$5,039,064 compared to \$6,190,570 at June 30, 2023. Specifically, the unrestricted portion of net position for Water and Sewer was \$5,521,634, resulting in a change from prior year of (\$2,052,089). Water and Sewer had an increase in net investment in capital assets of \$3,895,176 combined with a decrease in capital contributions of \$500,000. Operating revenues increased by 1.0% mostly driven by increased water and sewer tap fees. Operating expenses increased by 9% mostly driven by an increase in distribution expenses and operating costs at the filter plant. The unrestricted portion of net position for Stormwater was (\$1,652,482), resulting in a change from prior year of (\$491,013). Stormwater had an increase in net investment in capital assets of \$319,602. Operating revenues decreased slightly due to a decrease in charges for services but an increase in operating expenses of 22% resulting in an operating loss. The unrestricted portion of net position of Environmental Services was \$1,169,912, resulting in a change from prior year of \$267,721. Environmental Services had an increase in net investment in capital assets of \$370,731. Operating revenues increased by 1.6% due to increased charges in services. Operating expenses increased by 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, 2024 totaled \$401,531,047 (net of accumulated depreciation). This is a decrease from June 30, 2024 of \$1,347,907. These assets include land, buildings, improvements, distribution systems, machinery and equipment, and infrastructure. Major capital asset transactions during the year included the following:

- Building and improvements \$4,951,528
- Machinery and Equipment Additions/Replacements \$3,772,879
- Water and Sewer Distribution system \$2,533,148

City of Kannapolis' Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 29,182,461	\$ 28,608,892	\$ 839,066	\$ 839,066	\$ 30,021,527	\$ 29,447,958
Construction in progress	1,353,930	935,683	9,855,460	8,539,403	11,209,390	9,475,086
Rowan County water rights	-	-	2,411,100	2,411,100	2,411,100	2,411,100
Buildings and systems	131,191,008	126,247,088	23,423,662	23,416,054	154,614,670	149,663,142
Improvements other than buildings	38,721,435	37,318,591	-	-	38,721,435	37,318,591
Machinery and equipment	24,326,375	22,470,248	11,131,192	9,431,612	35,457,567	31,901,860
Infrastructure	161,694,202	161,584,202	168,175,348	165,642,200	329,869,550	327,226,402
Right-to-use leased assets	3,221,981	2,955,833	-	-	3,221,981	2,955,833
Right-to-use subscription assets	56,181	6,675	-	-	56,181	6,675
Total	389,747,573	380,127,212	215,835,828	210,279,435	605,583,401	590,406,647
Less accumulated depreciation and amortization	129,086,657	116,692,595	74,965,697	70,835,098	204,052,354	187,527,693
Capital assets, net	<u>\$ 260,660,916</u>	<u>\$ 263,434,617</u>	<u>\$ 140,870,131</u>	<u>\$ 139,444,337</u>	<u>\$ 401,531,047</u>	<u>\$ 402,878,954</u>

For additional information on the City's capital assets, see pages 49 through 51 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Kannapolis had total debt outstanding of \$157,345,776. Of this amount, \$51,903,000 represents bonds secured solely by water and sewer revenues (i.e. revenue bonds). The City also had \$12,172,860 in outstanding installment obligations and \$93,269,916 in outstanding special obligation and limited obligation bonds. The City maintained its positive credit ratings this year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Direct placement notes payable	\$ 11,863,308	\$ 14,817,462	\$ 309,552	\$ 419,974	\$ 12,172,860	\$ 15,237,436
Revenue bonds	-	-	51,903,000	56,183,000	51,903,000	56,183,000
Special obligation bonds	5,131,000	5,864,000	-	-	5,131,000	5,864,000
Limited obligation bonds	83,238,922	89,102,144	4,899,994	5,249,995	88,138,916	94,352,139
Leases - equipment	1,803,636	2,086,978	-	-	1,803,636	2,086,978
Subscriptions	39,181	-	-	-	39,181	-
Total	<u>\$ 102,076,047</u>	<u>\$ 111,870,584</u>	<u>\$ 57,112,546</u>	<u>\$ 61,852,969</u>	<u>\$ 159,188,593</u>	<u>\$ 173,723,553</u>

The state of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. At June 30, 2024, the legal debt limit for the City totaled approximately \$394,606,000. The City Council adopted a debt management policy in May of 2012. According to this policy, the net debt (tax supported) should not exceed 2% of the total assessed value of taxable property.

Additional information on the City of Kannapolis' long-term debt can be found in Note 2(B) on pages 67 through 78 of this report.

Economic Factors and Next Year's Budgets and Rates

The total FY 2024-25 (FY 25) Budget for the City of Kannapolis is \$123,106,329 an 18% increase (\$18,720,453, actual) from the FY 2023-24 budget. This is the second year in the City's 40-year history that the total City budget exceeded \$100 million.

The FY 25 Budget total is the sum of the General Fund, the Water and Sewer Fund, the Stormwater Fund, the Environmental Fund, the Public Transit System 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 \$9,331,913, all from the General Fund (\$600,000 to the Separation Pay Fund, \$1,188,223 to the Transit Fund, and \$2,191,690 to the Environmental Fund and \$5,352,000 to Insurance and Risk Fund).

The following overarching themes have driven the FY 25 budget: Budget Process and Structure; Employee Retention and Recruitment; Implementation of the Imagine Kannapolis Strategic Plan; Ensuring high quality services to residents; and Cash Reserves/Fund Balance.

The property tax rate decreased for fiscal year 2025 from 63 cents to 55.95 cents per \$100 valuation. The FY 25 budget includes the significantly increased revenue stream from property tax revenues and a result of the revaluation by Cabarrus County and a new private sector investment in the City. General Fund Departmental and Non-Departmental budgets saw an overall increase of 18.32% or \$12,889,553 over FY 24 Adopted Budget. The FY 25 budget includes several initial funding priorities such as 6 new positions, 2 reclassifications, 1 transfer and 1 temporary/transition position, continued employer contribution to 401K, increase in COLA, merit pay and development range, and continuance of the increased allowance per employee in contributions to the medical flex spending plan.

The FY 25 Budget includes debt service for issuance of 2024 Installment Financing. The annual debt obligation (principal and interest) is \$14,175,856 for FY 25 which represents an increase of 1.37% \$191,765 actual from FY 2024. The increase accounts for a short-term borrowing in replacing major capital outlay (machinery, equipment and vehicles) in the General Fund totaling around \$2.4 million or around ~\$470,000 in principal and interest debt service payments.

The fiscal year 2025 Water and Sewer Budget increased \$5,457,376 or 22.47% from the fiscal year 2024 budget. There were rate increases for fiscal year 2025 to offset anticipated debt service for the following projects: WSACC plant expansion, a proposed Salisbury Rowan Utility line, Downtown Sewer Outfall expansion and replacement and repairs to the Kannapolis Dam. The rate increases are as follows: \$1.44/month base sewer fee rate increase (brings the rate from \$3.80 to \$5.24/month), an increase of .75 cent on the volumetric rate on sewer (brings the rate from \$1.7666/1,000 gallons to \$2.52/1,000 gallons) and last an increase of .51 on the volumetric rate on water (brings the rate from \$6.80/1,000 gallons to \$7.31/1,000 gallons). Steady organic growth in charges and fees is likely on both the residential and commercial side. The budget projects a 3% increase in overall water and sewer charges and fees revenue. Among the capital projects previously mentioned in the Water and Sewer Fund, there is also significant funding to replace outdated capital outlay. There is \$812,000 in capital outlay needs in the Water

Resources Distribution division for the replacement and purchase of new vehicles and equipment and \$108,000 in capital outlay funding in the Water Treatment Plant division. We also saw large increases in our sewage treatment costs that the City pays to WSACC (Water and Sewer Authority of Cabarrus County) to fund the next phase of the plant expansion. This overall division increased by \$1,413,711 or 31%.

The Stormwater Fund budget for fiscal year 2025 totaled \$3,750,000, which represents a 6.23% increase from the fiscal year 24 adopted budget of \$3,530,000 (\$220,000 actual). No fee increase is proposed for FY 25 (the eighth consecutive year with no increased fees). The Stormwater Fund continues to be fully self-sustaining. There is no proposed debt service in this fund or capital improvement projects. There is \$388,366 in funding for machinery and equipment for this department.

The Environmental Fund budget for fiscal year 2025 totaled \$6,700,690, which represents a 17.89% increase from the fiscal year 2024 adopted budget of \$5,683,817 (\$1,016,873 actual). Charges and Fees are expected to remain flat. No fee increase is proposed for fiscal year 2025. 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. The City changed contracts with a new waste hauler in fiscal year 2025 which should improve the service delivery. To make this fund fully self-sustaining, a fee increase of at least \$7.00 will still be necessary in the future. There is \$432,000 in funding for machinery and equipment for this department.

The Insurance and Risk Fund was established by the City in fiscal year 2024 to better track revenues and expenses tied to the City's self-insured health insurance and workers compensation policies. The total fiscal year 2025 budget is \$6,761,084, which represents a 11.82% increase over the fiscal year 2024 adopted budget of \$6,046,480 (\$714,604). The main drivers in this fund are health insurance claims for retirees and active employees on the City's medical plan. The City's contribution to HSA and HRA also hits this fund at \$2,200 for HSA and \$2,000 for HRA. Other costs include workers compensation insurance and the City's contract with Synergy for the health clinic.

The Transit Fund was established by the City to set aside funds for payments for the City's share of expenses related to the new Concord-Kannapolis Local Public Transportation System. The adopted fiscal year 2025 Transit System Fund Budget is \$1,621,823, which is a 33% increase over the fiscal year 2024 adopted budget of \$1,223,031 (\$398,792). The main expense in this budget goes towards the contract with TransDev which is the service provider for the CK Rider Public Transit System. Other expenses include the replacement of vehicles and capital equipment (most of which has a federal match) and software replacement and implementation efforts for the bus system. The Transit Fund is funded by two major revenue sources at the City, \$10 out of the \$30 vehicle license tax goes directly to this fund and the other funding source is the General Fund to subsidize operations.

The Separation Pay Fund was set up by the City to set aside funds for future payments to qualified employees who are eligible for retirement and have retired and have reached age 55 but have not reached age 62. For law enforcement officers, the State has made this separation allowance mandatory by Article 12D of the North Carolina General Statute 143. The City has chosen to make this benefit available to all City employees. This benefit is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the employee for each year of creditable service. The Separation Allowance is reported in the City's annual financial report as a Pension Trust Fund. The fiscal year 2025 adopted budget is \$600,000, which is a 21% increase over the fiscal year 2024 budget of \$496,912 (\$103,088). The primary driver for the increase is that eight new employees will start receiving this benefit for fiscal year 2025 while three employees received their final supplement in fiscal year 2024. Thirty-three former employees are currently projected to receive separation pay benefits for fiscal year 2025.

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, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 46,767,196	\$ 18,722,930	\$ 65,490,126
Taxes receivable	30,883	-	30,883
Accounts receivable, net	1,173,032	5,190,738	6,363,770
Lease receivable, net	338,984	-	338,984
Due from other governments	5,202,817	520,908	5,723,725
Cash and cash equivalents, restricted	4,924,751	4,442,899	9,367,650
Prepaid items	444,539	-	444,539
Total current assets	<u>58,882,202</u>	<u>28,877,475</u>	<u>87,759,677</u>
Non-current assets:			
Lease receivable, non-current	19,025,991	-	19,025,991
Capital assets:			
Capital assets not being depreciated/amortized	30,536,391	10,694,526	41,230,917
Capital assets, net of accumulated depreciation/ amortization	230,124,525	128,825,389	358,949,914
Intangible assets, net of accumulated amortization	-	1,350,216	1,350,216
Total capital assets, net	<u>260,660,916</u>	<u>140,870,131</u>	<u>401,531,047</u>
Total non-current assets	<u>279,686,907</u>	<u>140,870,131</u>	<u>420,557,038</u>
Total assets	<u>338,569,109</u>	<u>169,747,606</u>	<u>508,316,715</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	-	1,123,875	1,123,875
OPEB deferrals	12,773,564	2,996,268	15,769,832
Pension deferrals	11,340,787	2,660,183	14,000,970
Total deferred outflows of resources	<u>24,114,351</u>	<u>6,780,326</u>	<u>30,894,677</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,405,065	1,431,486	2,836,551
Accrued expenses	2,325,471	298,596	2,624,067
Accrued interest	1,124,982	430,952	1,555,934
Current portion of compensated absences	1,759,000	348,300	2,107,300
Current portion of total pension liability - SSA	216,000	51,000	267,000
Current portion of total OPEB liability	1,010,000	236,500	1,246,500
Current maturities of long-term debt	10,390,558	4,819,262	15,209,820
Liabilities to be paid from restricted assets	-	484,984	484,984
Total current liabilities	<u>18,231,076</u>	<u>8,101,080</u>	<u>26,332,156</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2024

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Non-current liabilities:			
Net pension liability - LGERS	16,008,159	3,755,000	19,763,159
Total pension liability - SSA	8,181,813	1,918,855	10,100,668
Total OPEB liability	43,312,970	10,448,537	53,761,507
Non-current compensated absences	586,673	116,173	702,846
Long-term debt	91,685,489	52,293,284	143,978,773
Total non-current liabilities	<u>159,775,104</u>	<u>68,531,849</u>	<u>228,306,953</u>
Total liabilities	<u>178,006,180</u>	<u>76,632,929</u>	<u>254,639,109</u>
Deferred Inflows of Resources:			
Leases	18,206,383	-	18,206,383
OPEB deferrals	24,071,839	5,646,481	29,718,320
Pension deferrals	1,577,712	370,083	1,947,795
Total deferred inflows of resources	<u>43,855,934</u>	<u>6,016,564</u>	<u>49,872,498</u>
Net Position:			
Net investment in capital assets	158,584,869	88,839,375	247,424,244
Restricted - stabilization by state statute	5,984,204	-	5,984,204
Restricted - streets	3,220,157	-	3,220,157
Restricted - community development	2,140,468	-	2,140,468
Restricted - public works	326,957	-	326,957
Restricted - public safety	318,998	-	318,998
Restricted - parks and recreation	50,044	-	50,044
Unrestricted	<u>(29,804,351)</u>	<u>5,039,064</u>	<u>(24,765,287)</u>
Total net position	<u>\$ 140,821,346</u>	<u>\$ 93,878,439</u>	<u>\$ 234,699,785</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, 2024

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 18,649,403	\$ 1,084,390	\$ 2,547,911	\$ 2,064,893
Public safety	25,579,785	304,466	341,071	-
Public works	8,445,600	-	-	2,059,952
Community development	5,615,948	298,064	121,058	566,251
Parks and recreation	12,994,566	1,583,478	-	59,504
Interest on long-term debt	3,886,321	-	-	-
Total governmental activities	<u>75,171,623</u>	<u>3,270,398</u>	<u>3,010,040</u>	<u>4,750,600</u>
Business-Type Activities:				
Water and sewer	23,876,999	24,234,219	-	500,000
Stormwater	3,622,961	3,209,231	141,200	-
Environmental services	4,856,262	4,241,825	-	-
Total business-type activities	<u>32,356,222</u>	<u>31,685,275</u>	<u>141,200</u>	<u>500,000</u>
Total primary government	<u>\$ 107,527,845</u>	<u>\$ 34,955,673</u>	<u>\$ 3,151,240</u>	<u>\$ 5,250,600</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, 2024

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs			
Primary Government:			
Governmental Activities:			
General government	\$ (12,952,209)	\$ -	\$ (12,952,209)
Public safety	(24,934,248)	-	(24,934,248)
Public works	(6,385,648)	-	(6,385,648)
Community development	(4,630,575)	-	(4,630,575)
Parks and recreation	(11,351,584)	-	(11,351,584)
Interest on long-term debt	(3,886,321)	-	(3,886,321)
Total governmental activities	(64,140,585)	-	(64,140,585)
Business-Type Activities:			
Water and sewer	-	857,220	857,220
Stormwater	-	(272,530)	(272,530)
Environmental services	-	(614,437)	(614,437)
Total business-type activities	-	(29,747)	(29,747)
Total primary government	(64,140,585)	(29,747)	(64,170,332)
General Revenues:			
Taxes:			
Ad valorem taxes	39,433,118	-	39,433,118
Sales tax	16,415,546	-	16,415,546
Other taxes and licenses	1,670,181	-	1,670,181
Franchise tax	3,250,278	-	3,250,278
Unrestricted intergovernmental revenues	283,754	-	283,754
Investment earnings	2,696,808	1,192,058	3,888,866
Total general revenues, not including transfers	63,749,685	1,192,058	64,941,743
Transfers	(1,147,817)	1,147,817	-
Total general revenues and transfers	62,601,868	2,339,875	64,941,743
Change in net position	(1,538,717)	2,310,128	771,411
Net Position:			
Beginning of year - July 1	142,213,655	91,568,311	233,781,966
Correction of an error	146,408	-	146,408
Beginning of year - July 1, as restated	142,360,063	91,568,311	233,928,374
End of year - June 30	\$ 140,821,346	\$ 93,878,439	\$ 234,699,785

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

CITY OF KANNAPOLIS, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 43,377,220	\$ 2,321,090	\$ 45,698,310
Taxes receivable	30,883	-	30,883
Accounts receivable	696,518	-	696,518
Lease receivable	19,364,975	-	19,364,975
Long-term receivable	-	301,220	301,220
Due from other governments	4,998,372	204,442	5,202,814
Cash and cash equivalents - restricted	3,589,199	1,335,552	4,924,751
Prepaid items	444,539	-	444,539
Total assets	<u>\$ 72,501,706</u>	<u>\$ 4,162,304</u>	<u>\$ 76,664,010</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 790,917	\$ 9,544	\$ 800,461
Accrued liabilities	2,325,471	-	2,325,471
Total liabilities	<u>3,116,388</u>	<u>9,544</u>	<u>3,125,932</u>
Deferred Inflows of Resources:			
Leases	18,206,383	-	18,206,383
Property taxes receivable	30,883	-	30,883
Other unavailable revenue	216,348	-	216,348
Total deferred inflows of resources	<u>18,453,614</u>	<u>-</u>	<u>18,453,614</u>
Fund Balances:			
Non-spendable:			
Prepaid items	444,539	-	444,539
Leases	1,158,592	-	1,158,592
Restricted:			
Stabilization by state statute	5,478,542	505,662	5,984,204
Restricted for community development	-	2,140,468	2,140,468
Restricted for parks and recreation	50,044	-	50,044
Restricted for public works	326,957	-	326,957
Restricted for streets	3,220,157	-	3,220,157
Restricted for public safety	318,998	-	318,998
Committed	440,692	1,506,630	1,947,322
Assigned:			
Subsequent year's expenditures	6,367,660	-	6,367,660
Unassigned	33,125,523	-	33,125,523
Total fund balances	<u>50,931,704</u>	<u>4,152,760</u>	<u>55,084,464</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 72,501,706</u>	<u>\$ 4,162,304</u>	<u>\$ 76,664,010</u>

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

CITY OF KANNAPOLIS, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024**

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance - governmental funds	\$ 55,084,464
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	260,660,916
The assets and liabilities of internal service funds are included in the State of Net Position.	639,579
Net pension liability - LGERS	(16,008,159)
Total pension liability - SSA	(8,397,813)
Total OPEB liability	(44,322,970)
Deferred outflows - pension	11,340,787
Deferred outflows - OPEB	12,773,564
Deferred inflows - pension	(1,577,712)
Deferred inflows - OPEB	(24,071,839)
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.	247,231
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	(102,076,047)
Accrued interest	(1,124,982)
Compensated absences	<u>(2,345,673)</u>
Net position of governmental activities	<u>\$ 140,821,346</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, 2024

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Revenues:			
Ad valorem taxes	\$ 39,557,011	\$ -	\$ 39,557,011
Other taxes and licenses	17,067,346	873,730	17,941,076
Unrestricted intergovernmental	3,678,683	-	3,678,683
Restricted intergovernmental	4,201,143	840,077	5,041,220
Sales and services	4,090,128	-	4,090,128
Investment earnings	2,413,754	226,464	2,640,218
Miscellaneous	1,920,443	-	1,920,443
Total revenues	<u>72,928,508</u>	<u>1,940,271</u>	<u>74,868,779</u>
Expenditures:			
Current:			
General government	16,842,960	-	16,842,960
Public safety	25,903,705	-	25,903,705
Public works	6,215,211	-	6,215,211
Community development	1,246,940	4,356,353	5,603,293
Capital outlay	-	74,381	74,381
Parks and recreation	10,209,555	-	10,209,555
Debt service:			
Principal retirement	10,228,231	-	10,228,231
Interest and fees	3,886,321	-	3,886,321
Total expenditures	<u>74,532,923</u>	<u>4,430,734</u>	<u>78,963,657</u>
Revenues over (under) expenditures	<u>(1,604,415)</u>	<u>(2,490,463)</u>	<u>(4,094,878)</u>
Other Financing Sources (Uses):			
Transfers in	-	4,272,184	4,272,184
Transfers (out)	(6,320,001)	-	(6,320,001)
Lease liability issued	498,736	-	498,736
Subscription liability issued	56,181	-	56,181
Total other financing sources (uses)	<u>(5,765,084)</u>	<u>4,272,184</u>	<u>(1,492,900)</u>
Net change in fund balances	<u>(7,369,499)</u>	<u>1,781,721</u>	<u>(5,587,778)</u>
Fund Balances:			
Beginning of year - July 1	58,301,203	2,224,631	60,525,834
Correction of an error	-	146,408	146,408
Beginning of year - as restated	<u>58,301,203</u>	<u>2,371,039</u>	<u>60,672,242</u>
End of year - June 30	<u>\$ 50,931,704</u>	<u>\$ 4,152,760</u>	<u>\$ 55,084,464</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, 2024

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)	\$ (5,587,778)
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.	10,326,796
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(12,824,233)
Pension expense - LGERS	(1,416,291)
Pension expense - SSA	(655,632)
OPEB plan expense	(403,115)
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.	(276,264)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(144,646)
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.	(991,670)
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.	(554,917)
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.	10,228,231
Net revenue of internal service funds determined to be governmental-type	<u>639,579</u>
Total change in net position of governmental activities (Exhibit B)	<u>\$ (1,538,717)</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, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 39,027,140	\$ 39,027,140	\$ 39,557,011	\$ 529,871
Other taxes and licenses	17,121,892	17,121,892	17,067,346	(54,546)
Unrestricted intergovernmental	3,157,308	3,157,308	3,678,683	521,375
Restricted intergovernmental	2,909,259	4,254,707	4,201,143	(53,564)
Sales and services	3,096,000	4,498,000	4,090,128	(407,872)
Investment earnings	1,000,000	1,000,000	2,413,754	1,413,754
Miscellaneous	530,000	1,240,244	1,920,443	680,199
Total revenues	<u>66,841,599</u>	<u>70,299,291</u>	<u>72,928,508</u>	<u>2,629,217</u>
Expenditures:				
Current:				
General government	13,667,822	20,028,955	16,842,960	3,185,995
Public safety	24,950,736	30,102,540	25,903,705	4,198,835
Public works	5,719,735	10,932,524	6,215,211	4,717,313
Community development	1,263,207	1,314,207	1,246,940	67,267
Parks and recreation	7,027,545	16,362,317	10,209,555	6,152,762
Debt service:				
Principal retirement	10,106,904	10,228,231	10,228,231	-
Interest and fees	3,877,187	3,887,287	3,886,321	966
Total expenditures	<u>66,613,136</u>	<u>92,856,061</u>	<u>74,532,923</u>	<u>18,323,138</u>
Revenues over (under) expenditures	<u>228,463</u>	<u>(22,556,770)</u>	<u>(1,604,415)</u>	<u>20,952,355</u>
Other Financing Sources (Uses):				
Transfers (out)	(1,470,848)	(6,320,001)	(6,320,001)	-
Lease liability issued	-	498,736	498,736	-
Subscription liability issued	-	56,181	56,181	-
Installment financing issued	-	2,500,000	-	(2,500,000)
Appropriated fund balance	1,242,385	25,821,854	-	(25,821,854)
Total other financing sources (uses)	<u>(228,463)</u>	<u>22,556,770</u>	<u>(5,765,084)</u>	<u>(28,321,854)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(7,369,499)</u>	<u>\$ (7,369,499)</u>
Fund Balance:				
Beginning of year - July 1			<u>58,301,203</u>	
End of year - June 30			<u>\$ 50,931,704</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, 2024

	Business-Type Activities				Governmental
	Major Enterprise Funds			Total	Internal
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Business-Type Activities	Service Funds
Assets:					
Current assets:					
Cash and investments	\$ 14,848,341	\$ 1,954,523	\$ 1,920,066	\$ 18,722,930	\$ 1,068,886
Accounts receivable, net	3,677,289	615,438	898,011	5,190,738	175,294
Due from other governments	305,370	157,239	58,299	520,908	3
Cash and investments, restricted	4,442,899	-	-	4,442,899	-
Total current assets	23,273,899	2,727,200	2,876,376	28,877,475	1,244,183
Non-current assets:					
Capital assets:					
Non-depreciable assets	10,694,526	-	-	10,694,526	-
Other capital assets net of depreciation	117,809,736	10,568,220	447,433	128,825,389	-
Intangible assets, net of accumulated amortization	1,350,216	-	-	1,350,216	-
Total capital assets	129,854,478	10,568,220	447,433	140,870,131	-
Total assets	153,128,377	13,295,420	3,323,809	169,747,606	1,244,183
Deferred Outflows of Resources:					
Charge on refunding	1,123,875	-	-	1,123,875	-
OPEB deferrals	2,050,078	788,492	157,698	2,996,268	-
Pension deferrals	1,820,127	700,047	140,009	2,660,183	-
Total deferred outflows of resources	4,994,080	1,488,539	297,707	6,780,326	-
Liabilities:					
Current liabilities:					
Accounts payable	833,689	74,569	523,228	1,431,486	604,604
Accrued expenses	219,692	49,709	29,195	298,596	-
Accrued interest	386,528	44,424	-	430,952	-
Current portion of compensated absences	241,100	69,600	37,600	348,300	-
Current portion of total pension liability - SSA	35,000	13,300	2,700	51,000	-
Current portion of total OPEB liability	162,000	62,000	12,500	236,500	-
Current maturities of long-term debt	4,451,699	367,563	-	4,819,262	-
Liabilities to be paid from restricted assets	484,984	-	-	484,984	-
Total current liabilities	6,814,692	681,165	605,223	8,101,080	604,604
Non-current liabilities:					
Net pension liability - LGERS	2,569,210	988,158	197,632	3,755,000	-
Total pension liability - SSA	1,312,795	505,084	100,976	1,918,855	-
Total OPEB liability	7,222,558	2,454,884	771,095	10,448,537	-
Compensated absences	80,403	23,188	12,582	116,173	-
Long-term debt	47,725,730	4,567,554	-	52,293,284	-
Total non-current liabilities	58,910,696	8,538,868	1,082,285	68,531,849	-
Total liabilities	65,725,388	9,220,033	1,687,508	76,632,929	604,604

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

CITY OF KANNAPOLIS, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Business-Type Activities			Governmental	
	Major Enterprise Funds			Activities	
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Internal Service Funds	
			Total Business-Type Activities		
Deferred Inflows of Resources:					
OPEB deferrals	3,863,382	1,485,916	297,183	5,646,481	-
Pension deferrals	253,214	97,389	19,480	370,083	-
Total deferred inflows of resources	<u>4,116,596</u>	<u>1,583,305</u>	<u>316,663</u>	<u>6,016,564</u>	<u>-</u>
Net Position:					
Net investment in capital assets	82,758,839	5,633,103	447,433	88,839,375	-
Unrestricted	<u>5,521,634</u>	<u>(1,652,482)</u>	<u>1,169,912</u>	<u>5,039,064</u>	<u>639,579</u>
Total net position	<u>\$ 88,280,473</u>	<u>\$ 3,980,621</u>	<u>\$ 1,617,345</u>	<u>\$ 93,878,439</u>	<u>\$ 639,579</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, 2024

	Business-Type Activities			Governmental	
	Major Enterprise Funds			Internal	
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Service Funds	
			Total Business-Type Activities		
Operating Revenues:					
Charges for services	\$ 20,249,691	\$ 3,208,080	\$ 4,154,805	\$ 27,612,576	\$ 6,090,884
Water and sewer taps	3,412,932	-	-	3,412,932	-
Other operating revenues	571,596	1,151	87,020	659,767	4,364
Total operating revenues	<u>24,234,219</u>	<u>3,209,231</u>	<u>4,241,825</u>	<u>31,685,275</u>	<u>6,095,248</u>
Operating Expenses:					
Administration	1,290,239	-	-	1,290,239	-
Distribution	6,304,186	-	-	6,304,186	-
Filter plant	4,521,220	-	-	4,521,220	-
General services	1,823,413	-	-	1,823,413	-
Contracted services	-	31,563	-	31,563	-
Sewage treatment	4,760,400	-	-	4,760,400	-
Stormwater	-	3,109,155	-	3,109,155	-
Environmental services	-	-	4,791,825	4,791,825	-
Health insurance	-	-	-	-	5,661,411
Workers' compensation	-	-	-	-	750,848
Depreciation and amortization	3,772,629	293,533	64,437	4,130,599	-
Total operating expenses	<u>22,472,087</u>	<u>3,434,251</u>	<u>4,856,262</u>	<u>30,762,600</u>	<u>6,412,259</u>
Operating income (loss)	<u>1,762,132</u>	<u>(225,020)</u>	<u>(614,437)</u>	<u>922,675</u>	<u>(317,011)</u>
Non-Operating Revenues (Expenses):					
Grant revenue	-	141,200	-	141,200	-
Interest earned on investments	985,867	101,119	105,072	1,192,058	56,590
Interest and fees on long-term debt	(1,404,912)	(188,710)	-	(1,593,622)	-
Total non-operating revenues (expenses)	<u>(419,045)</u>	<u>53,609</u>	<u>105,072</u>	<u>(260,364)</u>	<u>56,590</u>
Income (loss) before capital contributions and transfers	1,343,087	(171,411)	(509,365)	662,311	(260,421)
Capital Contributions	500,000	-	-	500,000	-
Transfers:					
Transfers in	-	-	1,147,817	1,147,817	900,000
Change in net position	1,843,087	(171,411)	638,452	2,310,128	639,579
Net Position:					
Beginning of year - July 1	<u>86,437,386</u>	<u>4,152,032</u>	<u>978,893</u>	<u>91,568,311</u>	<u>-</u>
End of year - June 30	<u>\$ 88,280,473</u>	<u>\$ 3,980,621</u>	<u>\$ 1,617,345</u>	<u>\$ 93,878,439</u>	<u>\$ 639,579</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, 2024

	Business-Type Activities				Governmental
	Major Enterprise Funds			Total Business-Type	Internal
	Water and Sewer Fund	Stormwater Fund	Environmental Services Fund	Activities	Service Funds
Cash Flows from Operating Activities:					
Cash received from customers	\$ 24,885,181	\$ 3,152,296	\$ 4,337,324	\$ 32,374,801	\$ 5,919,954
Cash paid for goods and services	(12,521,895)	(1,474,798)	(3,688,700)	(17,685,393)	(5,807,655)
Cash paid to employees	(5,648,577)	(1,345,649)	(810,450)	(7,804,676)	-
Net cash provided (used) by operating activities	<u>6,714,709</u>	<u>331,849</u>	<u>(161,826)</u>	<u>6,884,732</u>	<u>112,299</u>
Cash Flows from Non-Capital Financing Activities:					
Due to other funds	-	-	-	-	(3)
Transfers from other funds	-	-	1,147,817	1,147,817	900,000
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>1,147,817</u>	<u>1,147,817</u>	<u>899,997</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets and capital projects	(4,375,653)	(245,572)	(435,168)	(5,056,393)	-
Principal paid on long-term debt	(4,372,860)	(367,563)	-	(4,740,423)	-
Capital grants	-	141,200	-	141,200	-
Interest and fees paid on long-term debt	(1,395,671)	(191,917)	-	(1,587,588)	-
Net cash provided (used) by capital and related financing activities	<u>(10,144,184)</u>	<u>(663,852)</u>	<u>(435,168)</u>	<u>(11,243,204)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest on investments	<u>985,867</u>	<u>101,119</u>	<u>105,072</u>	<u>1,192,058</u>	<u>56,590</u>
Net increase (decrease) in cash and cash equivalents	(2,443,608)	(230,884)	655,895	(2,018,597)	1,068,886
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>21,734,848</u>	<u>2,185,407</u>	<u>1,264,171</u>	<u>25,184,426</u>	<u>-</u>
End of year - June 30	<u>\$ 19,291,240</u>	<u>\$ 1,954,523</u>	<u>\$ 1,920,066</u>	<u>\$ 23,165,829</u>	<u>\$ 1,068,886</u>
Reconciliation of Operating Income (Loss) to Provided (Used) By Operating Activities:					
Operating income (loss)	\$ 1,762,132	\$ (225,020)	\$ (614,437)	\$ 922,675	\$ (317,011)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	3,772,629	293,533	64,437	4,130,599	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	622,297	(56,935)	95,499	660,861	(175,294)
Increase (decrease) in total pension liability	162,733	62,590	12,517	237,840	-
Increase (decrease) in net pension liability	250,172	96,219	19,244	365,635	-
Increase (decrease) in deferred inflows of resources for pensions	1,989	764	154	2,907	-
(Increase) decrease in deferred outflows of resources for pensions	(82,362)	(31,677)	(6,336)	(120,375)	-
Increase (decrease) in deferred inflows for OPEB	(750,057)	(84,616)	(193,608)	(1,028,281)	-
(Increase) decrease in deferred outflows for OPEB	471,590	69,949	110,564	652,103	-
Increase (decrease) in accounts payable and accrued liabilities	209,229	104,853	329,702	643,784	604,604
Increase (decrease) in other post-employment benefits	265,692	102,189	20,438	388,319	-
Increase (decrease) in customer deposits	<u>28,665</u>	<u>-</u>	<u>-</u>	<u>28,665</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 6,714,709</u>	<u>\$ 331,849</u>	<u>\$ (161,826)</u>	<u>\$ 6,884,732</u>	<u>\$ 112,299</u>
Summary of Non-Cash Activities:					
Capital asset contributions	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</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, 2024

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, 2024

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.

The City reports the following fund type:

Internal Service Fund. This fund is used to account for the accumulation of premiums and allocation of costs associated with claims for employees, retirees and family members included on the self-insured health insurance plan and active employees covered by the workers' compensation policy. The Health Insurance and Risk Fund is legally budgeted under North

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Carolina General Statutes; however, for statement presentation it is included in governmental activities in the Statement of Net Position. The City has one Internal Service Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation/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, 2024

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. The City's Internal Service Fund operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved. All budgets are prepared using the modified accrual basis of accounting.

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, 2024

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.

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 room deposits/upset bid 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, 2024

General Fund:

Federal asset forfeiture funds	\$ 318,998
Room deposits/upset bid deposits	50,044
Powell Bill	<u>3,220,157</u>
Total	<u>3,589,199</u>

Other Governmental Funds:

HUD Section 108 - required debt service reserve	<u>1,335,552</u>
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Enterprise Funds:

Unspent debt proceeds - revenue bonds	3,957,915
Customer deposits	<u>484,984</u>
Total	<u>4,442,899</u>

Total restricted cash	<u>\$ 9,367,650</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, 2023. 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, 2024

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.

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

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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.

Compensated Absences

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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.

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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. 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. \$1,335,552 in the CDBG Fund is restricted for HUD Section 108 Loan payment. \$804,916 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 Works – portion of fund balance restricted by revenue source for public works related activities such as engineering and streets.

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

Restricted fund balance at June 30, 2024 is as follows:

Purpose	General Fund	Other Governmental Funds
Restricted, All Other:		
Streets	\$ 3,220,157	\$ -
Public safety	318,998	-
Community development	-	2,140,468
Parks and recreation	50,044	-
Public works	326,957	-
Total	\$ 3,916,156	\$ 2,140,468

Committed Fund Balance

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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 for Public Works – portion of fund balance budgeted by the Board to be used for certain public works expenditures.

Committed for Public Safety – portion of fund balance budgeted by the Board to be used for certain public safety expenditures.

Committed for Public Parks and Recreation – portion of fund balance budgeted by the Board to be used for certain parks and recreation expenditures.

Committed fund balance at June 30, 2024 is as follows:

Purpose	General Fund	Other Governmental Funds
Public works	\$ -	\$ 9,942
Public safety	-	973,471
Public parks and recreation	-	523,217
City employee separation	440,692	-
Total	\$ 440,692	\$ 1,506,630

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.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance

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

The City of Kannapolis has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-City funds, and/or City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first,

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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	\$ 50,931,704
Less:	
Prepaid items	(444,539)
Leases	(1,158,592)
Stabilization by state statute	(5,478,542)
Restricted, other	(3,916,156)
Committed	(440,692)
Assigned	(6,367,660)
Available for appropriation	<u>(12,310,315)</u>
Remaining fund balance	<u>\$ 20,815,208</u>

Defined Benefit Cost Sharing Plan

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Revenues, Expenditures, and Expenses

Other Resources

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

Management Estimates

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

2. Detail Notes on All Funds

A. Assets

Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization. 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, 2024, the City's deposits had a carrying amount of \$9,612,011 and a bank balance of \$9,877,689. 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, 2024, the City's had \$18,120 petty cash.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Investments

At June 30, 2024, 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>\$ 65,227,645</u>	<u>\$ 65,227,645</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, 2024.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Receivables

Receivables at the government-wide level at June 30, 2024 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 763,637	\$ 693,947	\$ 4,998,372	\$ 6,455,956
Governmental	476,514	-	204,445	680,959
Total receivables	<u>1,240,151</u>	<u>693,947</u>	<u>5,202,817</u>	<u>7,136,915</u>
Allowance for doubtful accounts	<u>(67,119)</u>	<u>(663,064)</u>	-	<u>(730,183)</u>
Total	<u>\$ 1,173,032</u>	<u>\$ 30,883</u>	<u>\$ 5,202,817</u>	<u>\$ 6,406,732</u>
Business-Type Activities:				
Water and sewer	\$ 4,667,290	\$ -	\$ 305,370	\$ 4,972,660
Stormwater	661,754	-	157,239	818,993
Environmental services	909,590	-	58,299	967,889
Allowance for doubtful accounts	<u>(1,047,896)</u>	-	-	<u>(1,047,896)</u>
Total	<u>\$ 5,190,738</u>	<u>\$ -</u>	<u>\$ 520,908</u>	<u>\$ 5,711,646</u>

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

Local option sales tax	\$ 2,556,694
Property taxes	555,672
Grants	1,225,987
Other	<u>1,385,372</u>
Total	<u>\$ 5,723,725</u>

Lease Receivable

On 07/01/2021, the City of Kannapolis, North Carolina 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 06/30/2024, the value of the lease receivable is \$72,423 and the value of the short-term lease receivable is \$41,305. 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 06/30/2024 was \$71,899, and the City of Kannapolis, North Carolina recognized lease revenue of \$41,085 during the fiscal year. The lessee has 1 extension option(s), each for 36 months.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

On 07/01/2021, the City of Kannapolis, North Carolina 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 06/30/2024, the value of the lease receivable is \$12,253,394 and the value of the short-term lease receivable is \$134,357. 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 06/30/2024 was \$11,493,914, and the City of Kannapolis, North Carolina recognized lease revenue of \$421,795 during the fiscal year.

On 07/01/2021, the City of Kannapolis, North Carolina 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 06/30/2024, the value of the lease receivable is \$4,064,222 and the value of the short-term lease receivable is \$0. 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 06/30/2024 was \$3,827,440, and the City of Kannapolis, North Carolina recognized lease revenue of \$81,435 during the fiscal year. The lessee has 1 extension option(s), each for 588 months.

On 07/01/2021, the City of Kannapolis, North Carolina 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 06/30/2024, the value of the lease receivable is \$9,966 and the value of the short-term lease receivable is \$9,966. 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 06/30/2024 was \$9,756, and the City of Kannapolis, North Carolina 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 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 06/30/2024, the value of the lease receivable is \$2,140,398 and the value of the short-term lease receivable is \$103,006. 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 06/30/2024 was \$2,002,695, and City of Kannapolis, NC recognized lease revenue of \$142,035 during the fiscal year.

On 07/01/2021, the City of Kannapolis, North Carolina 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 06/30/2024, the value of the lease receivable is \$824,572 and the value of the short-term lease receivable is \$50,350. 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 06/30/2024 was \$800,679, and the City of Kannapolis, North Carolina recognized lease revenue of \$56,786 during the fiscal year.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Principal and Interest Expected to Maturity

Year Ending June 30	Governmental Activities	
	Principal	Interest
2025	\$ 338,984	\$ 537,684
2026	379,504	526,792
2027	360,480	514,631
2028	398,227	501,883
2029	411,983	488,127
2030-2034	2,593,731	2,355,985
2035-2039	3,420,412	1,741,389
2040-2044	3,006,920	1,293,080
2045-2049	3,734,679	865,321
2050-2054	2,433,403	391,597
2055-2059	575,717	249,283
2060-2064	651,670	173,330
2065-2069	737,643	87,357
2070-2073	321,622	8,378
Total	<u>\$ 19,364,975</u>	<u>\$ 9,734,837</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2024:

	Balance			Balance
	<u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2024</u>
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 28,608,892	\$ 823,569	\$ (250,000)	\$ 29,182,461
Construction in progress	<u>935,683</u>	<u>418,247</u>	<u>-</u>	<u>1,353,930</u>
Total capital assets not being depreciated/amortized	<u>29,544,575</u>	<u>1,241,816</u>	<u>(250,000)</u>	<u>30,536,391</u>
Capital Assets Being Depreciated/Amortized:				
Buildings and improvements	126,247,088	4,943,920	-	131,191,008
Other improvements	37,318,591	1,402,844	-	38,721,435
Machinery and equipment	22,470,248	2,073,299	(217,172)	24,326,375
Infrastructure	161,584,202	110,000	-	161,694,202
Right-to-use leased equipment	2,955,833	498,736	(232,588)	3,221,981
Right-to-use subscriptions	<u>6,675</u>	<u>56,181</u>	<u>(6,675)</u>	<u>56,181</u>
Total capital assets being depreciated/amortized	<u>350,582,637</u>	<u>9,084,980</u>	<u>(456,435)</u>	<u>359,211,182</u>
Less Accumulated Depreciation/Amortization:				
Building and improvements	8,149,288	7,834,869	-	15,984,157
Other improvements	4,791,809	864,526	-	5,656,335
Machinery and equipment	19,125,859	933,538	(190,908)	19,868,489
Infrastructure	83,209,081	2,458,238	-	85,667,319
Right-to-use leased equipment	1,413,140	726,632	(232,588)	1,907,184
Right-to-use subscriptions	<u>3,418</u>	<u>6,430</u>	<u>(6,675)</u>	<u>3,173</u>
Total accumulated depreciated/amortization	<u>116,692,595</u>	<u>12,824,233</u>	<u>(430,171)</u>	<u>129,086,657</u>
Total capital assets being depreciated/amortized, net	<u>233,890,042</u>			<u>230,124,525</u>
Governmental activities capital assets, net	<u>\$ 263,434,617</u>			<u>\$ 260,660,916</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

General government	\$ 1,780,404
Public safety	906,617
Public works	2,497,021
Planning	12,655
Parks and recreation	<u>7,627,536</u>
Total depreciation/amortization expense	<u><u>\$ 12,824,233</u></u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2024.

	Balance July 1, 2023	Additions	Transfers/ Retirements	Balance June 30, 2024
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 839,066	\$ -	\$ -	\$ 839,066
Construction in progress	<u>8,539,403</u>	<u>1,316,057</u>	<u>-</u>	<u>9,855,460</u>
Total non-depreciable capital assets	<u>9,378,469</u>	<u>1,316,057</u>	<u>-</u>	<u>10,694,526</u>
Depreciable Capital Assets:				
Buildings	23,416,054	7,608	-	23,423,662
Distribution systems	151,153,117	2,533,148	-	153,686,265
Machinery and equipment	<u>6,440,137</u>	<u>1,018,840</u>	<u>-</u>	<u>7,458,977</u>
Total depreciable capital assets	<u>181,009,308</u>	<u>3,559,596</u>	<u>-</u>	<u>184,568,904</u>
Less Accumulated Depreciation:				
Buildings	12,045,785	901,465	-	12,947,250
Distribution systems	46,639,740	2,212,119	-	48,851,859
Machinery and equipment	<u>4,349,236</u>	<u>610,823</u>	<u>-</u>	<u>4,960,059</u>
Total accumulated depreciation	<u>63,034,761</u>	<u>3,724,407</u>	<u>-</u>	<u>66,759,168</u>
Total depreciable capital assets, net	<u>117,974,547</u>			<u>117,809,736</u>
Total Water and Sewer Fund capital assets, net	<u>127,353,016</u>			<u>128,504,262</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

	Balance July 1, 2023	Additions	Transfers/ Retirements	Balance June 30, 2024
Stormwater Fund:				
Depreciable Capital Assets:				
Machinery and equipment	1,786,248	245,572	-	2,031,820
Infrastructure	14,489,083	-	-	14,489,083
Total depreciable capital assets	16,275,331	245,572	-	16,520,903
Less Accumulated Depreciation:				
Machinery and equipment	1,786,248	36,064	(37,435)	1,784,877
Infrastructure	3,872,902	257,469	37,435	4,167,806
Total accumulated depreciation	5,659,150	293,533	-	5,952,683
 Total depreciable capital assets, net	 10,616,181			 10,568,220
 Total Stormwater Fund capital assets, net	 10,616,181			 10,568,220
 Environmental Services Fund:				
Depreciable Capital Assets:				
Machinery and equipment	1,205,227	435,168	-	1,640,395
Less Accumulated Depreciation:				
Machinery and equipment	1,128,525	64,437	-	1,192,962
Total depreciable capital assets, net	76,702			447,433
Total Environmental Services Fund capital assets, net	76,702			447,433
Total business-type capital assets, net	\$ 138,045,899			\$ 139,519,915

Proprietary Intangible Assets

The intangible assets of the Water and Sewer Fund at June 30, 2024 were as follows:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
Intangible Assets:				
Rowan County water rights	\$ 2,411,100	\$ -	\$ -	\$ 2,411,100
Less accumulated amortization	(1,012,662)	(48,222)	-	(1,060,884)
Intangible assets, net	\$ 1,398,438	\$ (48,222)	\$ -	\$ 1,350,216

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Construction Commitments

The City has active construction projects as of June 30, 2024. At year-end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Total Contract
Rehab of 1414 Shepard St.	\$ 38,360	\$ 33,815	\$ 72,175
Rehab of 118 Dallas Ave.	50,523	17,001	67,524
Fire Station 1 Renovation	1,008,393	899,057	1,907,450
Fire Station 4 Renovation	1,008,393	92,257	1,100,650
Fire Station 2 Rehabilitation	-	90,000	90,000
Fire Station 3 Rehabilitation	-	90,000	90,000
Atrium Ballpark renovations	591,705	8,295	600,000
Project Hercules Amazon turn lanes	624,441	128,721	753,162
Kanna Crossing - contract 3 - elevated tank	1,841,189	378,744	2,219,933
Bethpage Road Sidewalk Phase I	167,020	75,953	242,973
Ferebee Corp Resurfacing Contract	180,533	2,478,697	2,659,230
Booster Pump Station- Kannapolis Crossing	620,348	26,821	647,169
Ruth Avenue sidewalk	273,988	-	273,988
Oak Avenue Parking Lot Construction	-	295,361	295,361
Village Park Green Room Construction	526,347	210,553	736,900
Rebuild sign for West Ave.	49,283	49,283	98,566

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2024 were as follows:

	Vendors	Salaries and Benefits	IBNR	Total
Governmental Activities:				
General	\$ 790,917	\$ 2,325,471	\$ -	\$ 3,116,388
Other governmental	9,544	-	604,604	614,148
Total payables	<u>\$ 800,461</u>	<u>\$ 2,325,471</u>	<u>\$ 604,604</u>	<u>\$ 3,730,536</u>
Business-Type Activities:				
Water and sewer	\$ 833,689	\$ 219,692	\$ -	\$ 1,053,381
Stormwater	74,569	49,709	-	124,278
Environmental services	523,228	29,195	-	552,423
Total payables	<u>\$ 1,431,486</u>	<u>\$ 298,596</u>	<u>\$ -</u>	<u>\$ 1,730,082</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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 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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, was 14.10% of compensation for law enforcement officers and 12.85% 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 \$3,729,836 for the year ended June 30, 2024.

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, 2024, the City reported a liability of \$19,763,159 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), the City's proportion was 0.2984%, which was an decrease of 0.0178% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$5,478,343. At June 30, 2024, 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	\$ 2,202,201	\$ 47,409
Changes of assumptions	839,820	-
Net difference between projected and actual earnings on pension plan investments	5,289,486	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,486	652,103
Employer contributions subsequent to the measurement date	3,729,836	-
Total	\$ 12,196,829	\$ 699,512

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

\$3,729,836 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, 2025. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2025	\$ 2,819,814
2026	1,352,178
2027	3,371,822
2028	223,667
2029	-
Thereafter	-
Total	<u>\$ 7,767,481</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 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

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, 2022 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 returns 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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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, 2023 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><u>100%</u></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.

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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)	\$ 34,238,897	\$ 19,763,159	\$ 7,845,376

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, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	27
Active plan members	372
Total	399

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2022 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 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, 2022, 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.

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.

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 \$467,082 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, 2024, the City reported a total pension liability of \$10,367,668. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$1,296,071.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments and administrative costs subsequent to measurement date	\$ 266,708	\$ -
Changes of assumptions and other inputs	514,663	1,248,283
Differences between expected and actual experience	1,022,770	-
Total	\$ 1,804,141	\$ 1,248,283

\$266,708 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, 2025. 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
2025	\$ 233,035
2026	(96,185)
2027	(6,022)
2028	158,322
2029	-
Thereafter	-
Total	\$ 289,150

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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 4.00 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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	<u>\$ 11,399,154</u>	<u>\$ 10,367,668</u>	<u>\$ 9,443,801</u>

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

Beginning balance	<u>\$ 9,115,875</u>
Service cost	376,100
Interest on the total pension liability	382,829
Difference between expected and actual experience	677,557
Changes of assumptions and other inputs	282,389
Benefit payments made	<u>(467,082)</u>
Net change in total pension liability	<u>1,251,793</u>
Ending balance of the total pension liability	<u>\$ 10,367,668</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, 2024

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	\$ 5,478,343	\$ 1,296,071	\$ 6,774,414
Pension liability	19,763,159	10,367,668	30,130,827
Proportion of the net pension liability (asset)	0.2984%	N/A	

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 2,202,201	\$ 1,022,770	\$ 3,224,971
Changes of assumptions	839,820	514,663	1,354,483
Net difference between projected and actual earnings on pension plan investments	5,289,486	-	5,289,486
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,486	-	135,486
Employer contributions (LGERS) and benefit payments and administration costs (SSA) subsequent to the measurement date	3,729,836	266,708	3,996,544
	\$12,196,829	\$ 1,804,141	\$14,000,970

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 47,409	\$ -	\$ 47,409
Changes of assumptions	-	1,248,283	1,248,283
Changes in proportion and differences between employer contributions and proportionate share of contributions	652,103	-	652,103
	\$ 699,512	\$ 1,248,283	\$ 1,947,795

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, 2024

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, 2024 were \$586,773, which consisted of \$303,215 from the City and \$283,558 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 \$640,295 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, 2024, the City contributed \$14,405 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, 2024

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 \$55,008,007 was measured as of June 30, 2023 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	3.65 percent
Municipal Bond Index Rate	Prior Measurement Date - 3.54% Measurement Date - 3.65%
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2032 Medicare - 5.125% for 2021 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 3.54 percent to 3.65 percent.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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, 2023	\$ 52,964,224
Changes for the year:	
Service cost	2,134,836
Interest	1,932,713
Differences between expected and actual experience	242,775
Changes of assumptions or other inputs	(1,252,422)
Net Benefit payments	(1,014,119)
Net changes	2,043,783
Balance at June 30, 2024	\$ 55,008,007

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 table 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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	\$ 67,988,546	\$ 55,008,007	\$ 45,214,061

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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%</u> <u>Decrease</u>	<u>Current</u>	<u>1%</u> <u>Increase</u>
Total OPEB liability	\$ 44,002,075	\$ 55,008,007	\$ 70,023,896

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$1,384,740. At June 30, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 3,630,362	\$ 11,780,148
Changes of assumptions	10,893,095	17,938,172
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>1,246,375</u>	<u>-</u>
Total	<u>\$ 15,769,832</u>	<u>\$ 29,718,320</u>

\$1,246,375 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, 2025. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Total</u>
2025	\$ (2,682,808)
2026	(2,613,070)
2027	(1,942,473)
2028	(1,643,845)
2029	(2,982,736)
Thereafter	<u>(3,329,931)</u>
Total	<u>\$ (15,194,863)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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	\$ 3,996,544
Deferred charge on refunding	1,123,875
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,486
Differences between expected and actual experience	6,855,333
Changes of assumptions	12,247,578
Net difference between projected and actual earnings on pension plan investments	5,289,486
Benefit payments and administrative costs for OPEB	1,246,375
Total	<u>\$ 30,894,677</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

	<u>Deferred Inflows of Resources</u>	
	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, net	\$ -	\$ 30,883
Cabarrus County contribution - fire station	-	216,348
Lease receivable, net	18,206,383	18,206,383
Differences between expected and actual experience	11,827,557	-
Changes in assumptions	19,186,455	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>652,103</u>	<u>-</u>
Total	<u>\$ 49,872,498</u>	<u>\$ 18,453,614</u>

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, the City of Kannapolis, North Carolina 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 06/30/2024, the value of the lease liability is \$1,147, and the value of the short-term lease liability is \$653. The City of Kannapolis, North Carolina 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 06/30/2024 was \$3,070 with accumulated amortization of \$1,903.

On 07/01/2021, the City of Kannapolis, North Carolina 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 \$9,175. As of 06/30/2024, the value of the lease liability is \$3,103, and the value of the short-term lease liability is \$2,063. The City of Kannapolis, North Carolina 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 06/30/2024 was \$9,175 with accumulated amortization of \$5,944.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

On 07/01/2021, the City of Kannapolis, North Carolina 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 06/30/2024, the value of the lease liability is \$1,355,500, and the value of the short-term lease liability is \$677,750. The City of Kannapolis, North Carolina is required to make annual fixed payments of \$677,750. The lease has an interest rate of 0.0000%. The value of the right-to-use asset as of 06/30/2024 was \$2,711,000 with accumulated amortization of \$1,839,121.

On 11/25/2023, the City of Kannapolis, North Carolina entered into a 60 month lease as Lessee for the use of Toshiba Copier Lease. An initial lease liability was recorded in the amount of \$498,736. As of 06/30/2024, the value of the lease liability is \$443,886, and the value of the short-term lease liability is \$96,633. The City of Kannapolis, North Carolina is required to make monthly fixed payments of \$9,203. The lease has an interest rate of 3.4510%. The value of the right-to-use asset as of 06/30/2024 was \$498,736 with accumulated amortization of \$60,216.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024 were as follows:

Year Ending	Governmental Activities	
June 30	Principal	Interest
2025	\$ 777,099	\$ 13,834
2026	779,305	10,418
2027	103,528	6,905
2028	107,157	3,275
2029	36,547	263
Total	<u>\$ 1,803,636</u>	<u>\$ 34,695</u>

Subscriptions

On 04/30/2024, City of Kannapolis, NC entered into a 36 month subscription for the use of DebtBook. An initial subscription liability was recorded in the amount of \$56,181. As of 06/30/2024, the value of the subscription liability is \$39,181, and the value of the short-term subscription liability is \$18,083. City of Kannapolis, NC is required to make annual fixed payments of \$17,000. The subscription has an interest rate of 2.8510%. The value of the right to use asset as of 06/30/2024 of \$56,181 with accumulated amortization of \$3,173.

Year Ending	Governmental Activities	
June 30	Principal	Interest
2025	\$ 18,083	\$ 1,117
2026	21,098	602
Total	<u>\$ 39,181</u>	<u>\$ 1,719</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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.

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Portion</u>
Direct placement					
notes payable	\$ 14,817,462	\$ -	\$ 2,954,154	\$ 11,863,308	\$ 2,999,154
Limited obligation bonds	87,799,005	-	5,741,999	82,057,006	5,741,999
Premium on debt issuance	1,303,139	-	121,223	1,181,916	121,223
Special obligation bonds	5,864,000	-	733,000	5,131,000	733,000
Leases - equipment	2,086,978	498,736	782,078	1,803,636	777,099
Subscriptions	-	56,181	17,000	39,181	18,083
Net pension liability					
(LGERS)	14,449,395	1,558,764	-	16,008,159	-
Compensated absences	1,354,003	4,723,263	3,731,593	2,345,673	1,759,000
Total OPEB liability	42,667,506	1,655,464	-	44,322,970	1,010,000
Total pension liability					
(SSA)	7,383,860	1,013,953	-	8,397,813	216,000
Total	<u>\$ 177,725,348</u>	<u>\$ 9,506,361</u>	<u>\$ 14,081,047</u>	<u>\$ 173,150,662</u>	<u>\$ 13,375,558</u>

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. \$ 84,308

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. 7,655,000

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. 4,124,000

Total \$ 11,863,308

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

The City's outstanding note from direct placements related to governmental activities of \$84,308 and \$188,179 of business-type activities is secured by equipment purchased with loan proceeds. Upon the failure to pay or make timely payments, the outstanding principal is due immediately.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

The City’s outstanding note from direct placements related to governmental activities of \$7,655,000 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 \$4,124,000 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 June 30	Principal	Interest	Total
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	260,000	80,028	340,028
2030-2034	1,300,000	266,760	1,566,760
2035-2039	780,000	53,352	833,352
Total	<u>\$ 11,863,308</u>	<u>\$ 1,159,856</u>	<u>\$ 13,023,164</u>

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, 2024

The City's limited obligation bonds of \$82,057,006 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, 2024 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.	\$ 13,650,000
\$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%	5,530,006
\$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%	7,770,000
\$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%	41,600,000
\$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%	1,012,000
\$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>12,495,000</u>
Total	<u>\$ 82,057,006</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

Year Ending				
June 30	Principal	Interest	Total	
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	5,741,999	2,241,422	7,983,421	
2030-2034	28,709,995	7,973,500	36,683,495	
2035-2039	20,567,016	2,938,263	23,505,279	
2040-2043	<u>4,070,000</u>	<u>120,422</u>	<u>4,190,422</u>	
Total	<u>\$ 82,057,006</u>	<u>\$ 24,264,078</u>	<u>\$ 106,321,084</u>	

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

Year Ending	
June 30	Principal
2025	\$ 121,223
2026	121,223
2027	121,223
2028	121,223
2029	121,223
2030-2034	<u>575,801</u>
Total	<u>\$ 1,181,916</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, 2024 was \$5,131,000. 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, 2024

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

Year Ending June 30	Principal	Interest	Total
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	733,000	87,410	820,410
2030-2034	1,466,000	69,928	1,535,928
Total	\$ 5,131,000	\$ 856,620	\$ 5,987,620

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

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Current Maturities
Water and Sewer Fund:					
Revenue bonds	\$ 56,183,000	\$ -	\$ 4,280,000	\$ 51,903,000	\$ 4,360,000
Direct placement notes payable	367,289	-	92,860	274,429	91,699
Net pension liability (LGERS)	2,319,038	250,172	-	2,569,210	-
Total OPEB liability	7,118,866	265,692	-	7,384,558	162,000
Total pension liability (SSA)	1,185,062	162,733	-	1,347,795	35,000
Compensated absences	204,836	613,295	496,628	321,503	241,100
Total	67,378,091	1,291,892	4,869,488	63,800,495	4,889,799
Stormwater Fund:					
Direct placement notes payable	52,685	-	17,562	35,123	17,562
Limited obligation bonds	5,249,995	-	350,001	4,899,994	350,001
Net pension liability (LGERS)	891,939	96,219	-	988,158	-
Total OPEB liability	2,414,695	102,189	-	2,516,884	62,000
Total pension liability (SSA)	455,794	62,590	-	518,384	13,300
Compensated absences	61,226	187,602	156,040	92,788	69,600
Total	9,126,334	448,600	523,603	9,051,331	512,463
Environmental Services Fund:					
Net pension liability (LGERS)	178,388	19,244	-	197,632	-
Total OPEB liability	763,157	20,438	-	783,595	12,500
Total pension liability (SSA)	91,159	12,517	-	103,676	2,700
Compensated absences	23,318	100,227	73,363	50,182	37,600
Total	1,056,022	152,426	73,363	1,135,085	52,800

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Maturities</u>
Business-Type Activities:					
Revenue bonds	56,183,000	-	4,280,000	51,903,000	4,360,000
Direct placement notes payable	419,974	-	110,422	309,552	109,261
Limited obligation bonds	5,249,995	-	350,001	4,899,994	350,001
Net pension liability (LGERS)	3,389,365	365,635	-	3,755,000	-
Total OPEB liability	10,296,718	388,319	-	10,685,037	236,500
Total pension liability (SSA)	1,732,015	237,840	-	1,969,855	51,000
Compensated absences	289,380	901,124	726,031	464,473	348,300
Total	<u>\$ 77,560,447</u>	<u>\$ 1,892,918</u>	<u>\$ 5,466,454</u>	<u>\$ 73,986,911</u>	<u>\$ 5,455,062</u>

At June 30, 2024, the City had no authorized, but unissued, debt and a legal debt margin of approximately \$394,606,000.

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, 2024

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 paramount. 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%	\$ 4,829,000
\$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%	13,553,000
\$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%	8,920,000
\$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%	1,418,000
\$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%	13,290,000
\$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>9,893,000</u>
Total	<u>\$ 51,903,000</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

Year Ending June 30	Principal	Interest	Total
2025	\$ 4,360,000	\$ 1,260,937	\$ 5,620,937
2026	3,019,000	1,179,907	4,198,907
2027	2,953,000	1,105,419	4,058,419
2028	3,029,000	1,031,285	4,060,285
2029	3,105,000	955,019	4,060,019
2030-2034	16,735,000	3,553,598	20,288,598
2035-2039	15,714,000	1,307,180	17,021,180
2040-2044	<u>2,988,000</u>	<u>99,459</u>	<u>3,087,459</u>
Total	<u>\$ 51,903,000</u>	<u>\$ 10,492,804</u>	<u>\$ 62,395,804</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, 2024 is as follows:

2025 budgeted revenues	\$ 29,743,813
50% of surplus fund at June 30, 2024	1,570,586
2025 budgeted expenses *	<u>(21,712,565)</u>
Operating income	<u>\$ 9,601,834</u>
Debt service on parity indebtedness (120%)	\$ 6,745,124
Debt service on subordinate indebtedness	<u>99,746</u>
Total	<u>\$ 6,844,870</u>
Debt service parity coverage ratio	<u>140%</u>
2025 budgeted revenues	\$ 29,743,813
2025 budgeted expenses *	<u>(21,712,565)</u>
Operating income	<u>\$ 8,031,248</u>
Debt service on parity indebtedness (110%)	\$ 6,183,031
Debt service on subordinate indebtedness	<u>99,746</u>
Total	<u>\$ 6,282,777</u>
Debt service parity coverage ratio	<u>128%</u>

* Excludes debt service and transfers out.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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:

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.	\$ 121,373
4.05% note, payable in annual installments of \$94,090, including interest beginning June 2011 through June 2025; secured by personal property	188,179
Total	\$ 309,552

The City’s outstanding note from direct placements related to business-type activities of \$121,373 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	Principal	Interest	Total
June 30	Principal	Interest	Total
2025	\$ 109,261	\$ 9,202	\$ 118,463
2026	109,261	5,015	114,276
2027	15,172	2,258	17,430
2028	15,172	1,881	17,053
2029	15,172	1,505	16,677
2030-2034	45,514	2,258	47,772
Total	\$ 309,552	\$ 22,119	\$ 331,671

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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 \$ 4,899,994

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 350,001	\$ 177,380	\$ 527,381
2026	350,001	164,710	514,711
2027	350,001	152,040	502,041
2028	350,001	139,370	489,371
2029	350,001	126,700	476,701
2030-2034	1,750,005	443,447	2,193,452
2035-2039	<u>1,399,984</u>	<u>126,697</u>	<u>1,526,681</u>
Total	<u>\$ 4,899,994</u>	<u>\$ 1,330,344</u>	<u>\$ 6,230,338</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

3. Interfund Balances and Activity

Interfund transfers for the fiscal year ended June 30, 2024 consist of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 323,031	\$ -	
Nonmajor Special Revenue Fund			
Transit Tax Fund	-	323,031	Subsidizing costs to the Transit Fund
General Fund	3,949,153	-	
Nonmajor Capital Project Fund			
Fire Station Improvements	-	3,079,753	Fire Station Renovations
Bethpage Sidewalks	-	486,400	Bethpage Sidewalk Improvement Project
Irish Buffalo Creek Greenway	-	383,000	Irish Buffalo Creek Greenway Capital Project.
General Fund	1,147,817	-	
Major Enterprise Fund			
Environmental Services Fund	-	1,147,817	Operating expenditures
General Fund	900,000	-	
Internal Service Fund			
Insurance and Risk	-	900,000	Establish new Insurance and Risk Fund
Water and Sewer Fund	2,732,549	-	
Major Capital Project Fund			Kannapolis Crossing and Hwy 29 and Clearwell rehabilitation project
Water and Sewer Revenue Bonds 2020	-	2,732,549	
Total	<u>\$ 9,052,550</u>	<u>\$ 9,052,550</u>	

4. Jointly Governed Organizations

The City, Cabarrus County, and three other municipalities established the Water and Sewer Authority of Cabarrus County (WSACC). WSACC was established to provide water and sewer services to the citizens of Cabarrus County. The City appoints two members to the ten-member Board. The City purchased sewer transportation services amounting to \$4,769,848 from WSACC for the year ended June 30, 2024.

5. Significant Economic Dependence

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

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

6. Risk Management

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

The City's coverage is as follows:

- Commercial General Liability - \$5,000,000 per occurrence / no aggregate
 - Products and Completed Operations Aggregate - \$5,000,000
 - Personal and Advertising Injury - \$5,000,000
 - Damage to Rented Premises - \$1,000,000
 - Medical - \$2,500 per person / \$5,000 per accident
 - No-Fault Sewer Backup - \$1,500 per location per occurrence / \$9,000 aggregate
- Employee Benefits Liability - \$5,000,000 per occurrence / \$5,000,000 aggregate
- Liquor Liability - \$5,000,000 per occurrence / \$5,000,000 aggregate
- Public Officials Liability - \$5,000,000 per occurrence / \$5,000,000 aggregate
- Employment Practices Liability - \$5,000,000 per occurrence / \$5,000,000 aggregate
- Police Professional Liability - \$5,000,000 per occurrence / \$5,000,000 aggregate
- Government Crime Coverage
 - Employee Dishonesty - \$250,000 per occurrence
 - Forgery or Alteration - \$250,000 per occurrence
 - Inside premises theft of money and securities - \$5,000 per occurrence
 - Outside premises - \$5,000 per occurrence
 - Individual Faithful Performance Bonds - \$1,000,000
 - Finance Director
 - Deputy Finance Director
 - Human Resources Director
- Inland Marine Coverages
 - Municipal Equipment - \$4,002,344
 - Computer Equipment & Media - \$4,256,100
 - Fine Arts - \$413,675
 - Portable Equipment - \$1,774,612
- Property Coverage
 - Building and Personal Property - \$260,983,988
 - Scheduled Animals (police K9's) – Insured to value
- Automotive Liability Coverages
 - Auto Liability - \$5,000,000
 - Uninsured Motorists - \$1,000,000
 - Impounded Auto Comprehensive and Collision - \$100,000 per accident
- Cybersecurity Liability - \$3,000,000
- Workers' Compensation – Statutorily self-funded with additional stop loss. SIR \$750,000

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. Eligible retirees under 65 receive coverage from the Marketplace and eligible retirees 65 and older receive coverage under a Medicare Supplement Plan.

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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.

Effective July 1, 2024, the City established an Insurance and Risk (Workers' Compensation) internal service fund. This fund accounts for health benefits through a self-insured plan for active employees, family members and qualifying retirees. Active employees are covered under the workers compensation policy.

Workers' compensation claims are administered through Compensation Claims Solutions. Premiums are budgeted an equivalent way based on full time positions and charges to other funds. The self-funded plan has an SIR \$750,000 where it moves to stop loss.

Claim reserves are established at the end of the Plan year based on the City's and third-party administrator's analysis of claims submission, processing and payment.

Health claims are administered and paid directly from the plan by Blue Cross and Blue Shield of North Carolina (BCBSNC). Specific stop loss is set at \$150,000 per individual health insurance claim with an unlimited lifetime maximum. Aggregate stop-loss is set at the level of 125% and a contract period maximum of \$1,000,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR's).

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

	<u>2024</u>	<u>2023</u>
Unpaid claims:		
Beginning of year - July 1	\$ 79,761	\$ 138,156
Incurred claims	2,532,396	2,342,257
Claim payments	<u>(2,297,373)</u>	<u>(2,400,652)</u>
End of year - June 30	<u>\$ 314,784</u>	<u>\$ 79,761</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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

	2024	2023
Unpaid claims:		
Beginning of year - July 1	\$ 563,280	\$ 43,072
Incurred claims	759,499	1,423,662
Claim payments	(1,032,959)	(903,454)
End of year - June 30	\$ 289,820	\$ 563,280

Claims typically have been liquidated in the General Fund.

7. Claims and Judgments

At June 30, 2024, the City was a defendant to various lawsuits. In the opinion of the City's management and the city attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

8. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

9. Net Investment in Capital Assets

The City's net investment in capital assets at June 30, 2024 is calculated as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net	\$ 260,660,916	\$ 140,870,131
Total debt, gross	(102,076,047)	(57,112,546)
Unexpended proceeds	-	3,957,915
Deferred charge on refunding	-	1,123,875
Net investment in capital assets	\$ 158,584,869	\$ 88,839,375

CITY OF KANNAPOLIS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

10. Restatement of Net Position

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*, in the fiscal year ended June 30, 2024.

Special Revenue Fund – CDBG loan payments previously made and reported on the budgetary basis instead of the modified accrual basis. The loan payments received, and loans made in prior years were closed to fund balance. This resulted in a correction of fund balance for \$146,408.

	<u>Funds</u>	<u>Government-Wide</u>
	<u>Community Development Block Grant</u>	<u>Governmental Activities</u>
6/30/2023, as previously reported	\$ 1,509,076	\$ 142,213,655
Correction of an error	146,408	146,408
Total	<u>\$ 1,655,484</u>	<u>\$ 142,360,063</u>

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 EIGHT FISCAL YEARS**

	Special Separation Allowance			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 9,115,875	\$ 10,190,363	\$ 9,940,974	\$ 7,216,302
Service cost	376,100	541,529	535,162	354,550
Interest on the total pension liability	382,829	224,174	187,421	227,648
Difference between expected and actual experience in the measurement of the total pension liability	677,557	592,244	309,686	309,267
Changes in assumptions or other inputs	282,389	(1,978,275)	(322,821)	2,299,692
Benefit payments	<u>(467,082)</u>	<u>(454,160)</u>	<u>(460,059)</u>	<u>(466,485)</u>
Ending balance of the total pension liability	<u>\$ 10,367,668</u>	<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 EIGHT 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 EIGHT FISCAL YEARS**

	Special Separation Allowance			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 10,367,668	\$ 9,115,875	\$ 10,190,363	\$ 9,940,974
Covered-employee payroll	23,494,663	22,208,526	20,893,567	19,428,166
Total pension liability as a percentage of covered-employee payroll	44.13%	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 EIGHT 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 SEVEN FISCAL YEARS

	Other Post-Employment Benefits			
	2024	2023	2022	2021
Service cost	\$ 2,134,836	\$ 4,400,569	\$ 4,695,180	\$ 2,848,823
Interest	1,932,713	1,885,739	1,847,249	1,962,992
Changes of benefit terms	-	(1,730,174)	-	-
Differences between expected and actual experience	242,775	(15,749,458)	795,908	5,366,062
Changes of assumptions or other inputs	(1,252,422)	(17,979,045)	(1,702,595)	16,895,783
Benefit payments	(1,014,119)	(1,522,983)	(1,724,426)	(1,114,523)
Net change in total OPEB liability	2,043,783	(30,695,352)	3,911,316	25,959,137
Total OPEB liability - beginning	52,964,224	83,659,576	79,748,260	53,789,123
Total OPEB liability - ending	<u>\$ 55,008,007</u>	<u>\$ 52,964,224</u>	<u>\$ 83,659,576</u>	<u>\$ 79,748,260</u>
Covered-employee payroll	\$ 21,904,138	\$ 21,904,138	\$ 17,654,823	\$ 17,654,823
Total OPEB liability as a percentage of covered-employee payroll	251.13%	241.80%	473.86%	451.71%

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
2024	3.65%
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.

CITY OF KANNAPOLIS, NORTH CAROLINA

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

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

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				
	2024	2023	2022	2021	2020
Proportion of the net pension liability (asset) (%)	0.2984%	0.3162%	0.3043%	0.3062%	0.2929%
Proportion of the net pension liability (asset) (\$)	\$ 19,763,159	\$ 17,838,760	\$ 4,666,580	\$ 10,942,188	\$ 7,997,778
Covered payroll	\$ 24,590,977	\$ 21,994,941	\$ 21,022,556	\$ 19,492,000	\$ 18,098,484
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	80.37%	81.10%	22.20%	56.14%	44.19%
Plan fiduciary net position as a percentage of the total pension liability**	82.49%	84.14%	95.51%	88.61%	90.86%

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

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 3,729,836	\$ 3,031,924	\$ 2,532,744	\$ 2,169,107	\$ 1,779,294
Contributions in relation to the contractually required contribution	<u>3,729,836</u>	<u>3,031,924</u>	<u>2,532,744</u>	<u>2,169,107</u>	<u>1,779,294</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 28,406,826	\$ 24,590,977	\$ 21,994,941	\$ 21,022,556	\$ 19,492,000
Contributions as a percentage of covered payroll	13.13%	12.33%	11.52%	10.32%	9.13%

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

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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, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Current year, net of refund	\$ 38,627,140	\$ 39,046,135	\$ 418,995
Prior year, net of refunds	400,000	510,876	110,876
Total	<u>39,027,140</u>	<u>39,557,011</u>	<u>529,871</u>
Other Taxes and Licenses:			
Vehicle licenses	420,000	436,865	16,865
Local option sales tax	16,676,892	16,415,546	(261,346)
Other taxes and licenses	25,000	214,935	189,935
Total	<u>17,121,892</u>	<u>17,067,346</u>	<u>(54,546)</u>
Unrestricted Intergovernmental:			
Franchise tax	2,805,308	3,250,278	444,970
Beer and wine	210,000	274,339	64,339
ABC profit distribution	138,000	144,651	6,651
Rowan County contribution	4,000	9,415	5,415
Total	<u>3,157,308</u>	<u>3,678,683</u>	<u>521,375</u>
Restricted Intergovernmental:			
"State Street-Aid" allocation	1,794,902	1,794,902	-
Federal Emergency Management Agency	273,050	295,183	22,133
Controlled substance tax	-	31,336	31,336
Federal asset forfeiture funds	-	14,552	14,552
NC Department of Transportation	860,642	728,526	(132,116)
TIF contribution Cabarrus County	1,326,113	1,336,644	10,531
Total	<u>4,254,707</u>	<u>4,201,143</u>	<u>(53,564)</u>
Sales and Services:			
Public safety fees	386,000	248,672	(137,328)
Rents	770,000	1,306,028	536,028
Lease revenue	450,000	598,092	148,092
Other fees	2,892,000	1,937,336	(954,664)
Total	<u>4,498,000</u>	<u>4,090,128</u>	<u>(407,872)</u>
Investment Earnings	<u>1,000,000</u>	<u>2,413,754</u>	<u>1,413,754</u>
Miscellaneous	<u>1,240,244</u>	<u>1,920,443</u>	<u>680,199</u>
Total revenues	<u>70,299,291</u>	<u>72,928,508</u>	<u>2,629,217</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, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	164,321	158,438	5,883
Operating expenditures	<u>212,239</u>	<u>187,708</u>	<u>24,531</u>
Total	<u>376,560</u>	<u>346,146</u>	<u>30,414</u>
City Manager:			
Salaries and employee benefits	1,954,014	1,930,285	23,729
Operating expenditures	171,600	124,867	46,733
Capital outlay	<u>19,000</u>	<u>18,855</u>	<u>145</u>
Total	<u>2,144,614</u>	<u>2,074,007</u>	<u>70,607</u>
Human Resources:			
Salaries and employee benefits	640,053	626,215	13,838
Operating expenditures	<u>273,082</u>	<u>218,843</u>	<u>54,239</u>
Total	<u>913,135</u>	<u>845,058</u>	<u>68,077</u>
Attorney:			
Salaries and employee benefits	446,060	436,150	9,910
Operating expenditures	<u>179,700</u>	<u>146,951</u>	<u>32,749</u>
Total	<u>625,760</u>	<u>583,101</u>	<u>42,659</u>
Finance:			
Salaries and employee benefits	1,020,491	984,146	36,345
Operating expenditures	<u>415,500</u>	<u>369,565</u>	<u>45,935</u>
Total	<u>1,435,991</u>	<u>1,353,711</u>	<u>82,280</u>
Information Technology:			
Salaries and employee benefits	669,369	655,819	13,550
Contract services	35,000	23,066	11,934
Operating expenditures	3,146,398	2,717,840	428,558
Capital outlay	<u>182,000</u>	<u>107,329</u>	<u>74,671</u>
Total	<u>4,032,767</u>	<u>3,504,054</u>	<u>528,713</u>
General Services:			
Salaries and employee benefits	960,558	913,990	46,568
Operating expenditures	2,264,947	1,408,526	856,421
Capital outlay	<u>852,241</u>	<u>271,630</u>	<u>580,611</u>
Total	<u>4,077,746</u>	<u>2,594,146</u>	<u>1,483,600</u>
Economic Development:			
Operating expenditures	<u>3,412,887</u>	<u>2,970,579</u>	<u>442,308</u>
Communications:			
Operating expenditures	<u>503,908</u>	<u>281,168</u>	<u>222,740</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, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Non-Departmental:			
Operating expenditures	128,344	24,916	103,428
Capital outlay	2,377,243	2,266,074	111,169
Total	<u>2,505,587</u>	<u>2,290,990</u>	<u>214,597</u>
Total general government	<u>20,028,955</u>	<u>16,842,960</u>	<u>3,185,995</u>
Public Safety:			
Police:			
Salaries and employee benefits	11,417,868	11,152,341	265,527
Operating expenditures	2,748,532	1,923,106	825,426
Capital outlay	1,351,616	565,803	785,813
Total	<u>15,518,016</u>	<u>13,641,250</u>	<u>1,876,766</u>
Fire:			
Salaries and employee benefits	10,519,632	10,343,928	175,704
Operating expenditures	2,059,868	1,824,209	235,659
Capital outlay	2,005,024	94,318	1,910,706
Total	<u>14,584,524</u>	<u>12,262,455</u>	<u>2,322,069</u>
Total public safety	<u>30,102,540</u>	<u>25,903,705</u>	<u>4,198,835</u>
Public Works:			
Engineering:			
Salaries and employee benefits	960,686	879,690	80,996
Operating expenditures	59,800	46,247	13,553
Contract services	2,104,387	1,370,506	733,881
Total	<u>3,124,873</u>	<u>2,296,443</u>	<u>828,430</u>
Streets and Highways:			
Salaries and employee benefits	1,207,463	1,188,387	19,076
Operating expenditures	1,808,121	1,352,189	455,932
Capital outlay	481,575	145,519	336,056
Total	<u>3,497,159</u>	<u>2,686,095</u>	<u>811,064</u>
Powell Bill:			
Operating expenditures	<u>4,310,492</u>	<u>1,232,673</u>	<u>3,077,819</u>
Total public works	<u>10,932,524</u>	<u>6,215,211</u>	<u>4,717,313</u>
Community Development:			
Planning:			
Salaries and employee benefits	1,124,207	1,105,321	18,886
Operating expenditures	154,000	105,544	48,456
Capital outlay	36,000	36,075	(75)
Total	<u>1,314,207</u>	<u>1,246,940</u>	<u>67,267</u>
Total community development	<u>1,314,207</u>	<u>1,246,940</u>	<u>67,267</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, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Parks and Recreation:			
Parks and Recreation Programs:			
Salaries and employee benefits	3,350,751	3,140,911	209,840
Operating expenditures	5,955,523	3,893,994	2,061,529
Capital outlay	5,777,781	2,045,055	3,732,726
Total	<u>15,084,055</u>	<u>9,079,960</u>	<u>6,004,095</u>
Stadium:			
Operating expenditures	227,800	97,518	130,282
Capital outlay	1,050,462	1,032,077	18,385
Total	<u>1,278,262</u>	<u>1,129,595</u>	<u>148,667</u>
Total parks and recreation	<u>16,362,317</u>	<u>10,209,555</u>	<u>6,152,762</u>
Debt Service:			
Principal retirement	10,228,231	10,228,231	-
Interest and fees	3,887,287	3,886,321	966
Total debt service	<u>14,115,518</u>	<u>14,114,552</u>	<u>966</u>
Total expenditures	<u>92,856,061</u>	<u>74,532,923</u>	<u>18,323,138</u>
Revenues over (under) expenditures	<u>(22,556,770)</u>	<u>(1,604,415)</u>	<u>20,952,355</u>
Other Financing Sources (Uses):			
Long-term debt issued	2,500,000	-	(2,500,000)
Lease liability issued	498,736	498,736	-
Subscription liability issued	56,181	56,181	-
Transfers out	(6,320,001)	(6,320,001)	-
Appropriated fund balance	<u>25,821,854</u>	<u>-</u>	<u>(25,821,854)</u>
Total other financing sources (uses)	<u>22,556,770</u>	<u>(5,765,084)</u>	<u>(28,321,854)</u>
Net change in fund balance	<u>\$ -</u>	<u>(7,369,499)</u>	<u>\$ (7,369,499)</u>
Fund Balance:			
Beginning of year - July 1		<u>58,301,203</u>	
End of year - June 30		<u>\$ 50,931,704</u>	

CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2024

	<i>Schedule C-1</i> Special Revenue Funds	<i>Schedule D-1</i> Capital Project Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ 812,964	\$ 1,508,126	\$ 2,321,090
Long-term receivable	301,220	-	301,220
Due from other governments	173,407	31,035	204,442
Cash and cash equivalents, restricted	<u>1,335,552</u>	<u>-</u>	<u>1,335,552</u>
Total assets	<u>\$ 2,623,143</u>	<u>\$ 1,539,161</u>	<u>\$ 4,162,304</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	<u>\$ 8,048</u>	<u>\$ 1,496</u>	<u>\$ 9,544</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	474,627	31,035	505,662
Restricted, all other	2,140,468	-	2,140,468
Committed	<u>-</u>	<u>1,506,630</u>	<u>1,506,630</u>
Total fund balances	<u>2,615,095</u>	<u>1,537,665</u>	<u>4,152,760</u>
Total liabilities and fund balances	<u>\$ 2,623,143</u>	<u>\$ 1,539,161</u>	<u>\$ 4,162,304</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, 2024**

	<i>Schedule C-2</i> Special Revenue Funds	<i>Schedule D-2</i> Capital Project Funds	Total
Revenues:			
Other taxes and licenses	\$ 873,730	\$ -	\$ 873,730
Restricted intergovernmental	780,573	59,504	840,077
Investment earnings	<u>95,323</u>	<u>131,141</u>	<u>226,464</u>
Total revenues	<u>1,749,626</u>	<u>190,645</u>	<u>1,940,271</u>
Expenditures:			
Economic development	2,296,969	-	2,296,969
Contracted services	-	2,059,384	2,059,384
Capital outlay	<u>-</u>	<u>74,381</u>	<u>74,381</u>
Total expenditures	<u>2,296,969</u>	<u>2,133,765</u>	<u>4,430,734</u>
Revenues over (under) expenditures	(547,343)	(1,943,120)	(2,490,463)
Other Financing Sources (Uses):			
Transfers in	<u>323,031</u>	<u>3,949,153</u>	<u>4,272,184</u>
Net change in fund balances	<u>(224,312)</u>	<u>2,006,033</u>	<u>1,781,721</u>
Fund Balances:			
Beginning of year - July 1	2,692,999	(468,368)	2,224,631
Correction of an error	<u>146,408</u>	<u>-</u>	<u>146,408</u>
Beginning of year - July 1, as restated	<u>2,839,407</u>	<u>(468,368)</u>	<u>2,371,039</u>
End of year - June 30	<u>\$ 2,615,095</u>	<u>\$ 1,537,665</u>	<u>\$ 4,152,760</u>

Special Revenue Funds

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

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

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

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CITY OF KANNAPOLIS, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2024

	<u>Community Development Block Grant</u>	<u>Transit Tax Fund</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 8,048	\$ 804,916	\$ 812,964
Long-term receivable	301,220	-	301,220
Due from other governments	97,707	75,700	173,407
Restricted cash	<u>1,335,552</u>	<u>-</u>	<u>1,335,552</u>
Total assets	<u>\$ 1,742,527</u>	<u>\$ 880,616</u>	<u>\$ 2,623,143</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	<u>\$ 8,048</u>	<u>\$ -</u>	<u>\$ 8,048</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	398,927	75,700	474,627
Restricted, all other	<u>1,335,552</u>	<u>804,916</u>	<u>2,140,468</u>
Total fund balances	<u>1,734,479</u>	<u>880,616</u>	<u>2,615,095</u>
Total liabilities and fund balances	<u>\$ 1,742,527</u>	<u>\$ 880,616</u>	<u>\$ 2,623,143</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, 2024**

	Community Development Block Grant	Transit Tax Fund	Total
Revenues:			
Other taxes and licenses	\$ -	\$ 873,730	\$ 873,730
Restricted intergovernmental	780,573	-	780,573
Investment earnings	<u>51,746</u>	<u>43,577</u>	<u>95,323</u>
Total revenues	<u>832,319</u>	<u>917,307</u>	<u>1,749,626</u>
Expenditures:			
Current:			
Economic development	<u>753,324</u>	<u>1,543,645</u>	<u>2,296,969</u>
Revenues over (under) expenditures	<u>78,995</u>	<u>(626,338)</u>	<u>(547,343)</u>
Other Financing Sources (Uses):			
Transfers in (out)	<u>-</u>	<u>323,031</u>	<u>323,031</u>
Net change in fund balances	<u>78,995</u>	<u>(303,307)</u>	<u>(224,312)</u>
Fund Balances:			
Beginning of year - July 1	1,509,076	1,183,923	2,692,999
Correction of an error	<u>146,408</u>	<u>-</u>	<u>146,408</u>
Beginning of year - July 1, as restated	<u>1,655,484</u>	<u>1,183,923</u>	<u>2,839,407</u>
End of year - June 30	<u>\$ 1,734,479</u>	<u>\$ 880,616</u>	<u>\$ 2,615,095</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, 2024

	Project Authorization	Actual		Total To Date
		Prior Years	Current Year	
Revenues:				
CDBG	4,433,731	3,777,898	562,086	4,339,984
HOME Program	795,808	663,954	131,854	795,808
CDBG Program Income	95,820	9,188	86,632	95,820
HOME Program Income	160,995	122,867	19,502	142,369
Urgent Repair Grant	196,937	196,937	-	196,937
Investment Income	-	11,427	51,746	63,173
Total revenues	<u>5,683,291</u>	<u>4,782,271</u>	<u>851,820</u>	<u>5,634,091</u>
Expenditures:				
CDBG Program Income:				
Administration	16,000	-	2,630	2,630
Public service	12,000	-	-	-
Urgent Repair Program	<u>53,400</u>	<u>-</u>	<u>42,127</u>	<u>42,127</u>
Total	<u>81,400</u>	<u>-</u>	<u>44,757</u>	<u>44,757</u>
CDBG:				
Administration	698,768	568,940	93,617	662,557
Infrastructure improvements	507,553	50,571	296,653	347,224
Public service	734,524	678,962	55,562	734,524
Section 108 loan payments	2,058,729	2,038,727	-	2,038,727
Urgent Repair Program	437,581	204,051	114,584	318,635
Demolition	<u>36,728</u>	<u>16,240</u>	<u>-</u>	<u>16,240</u>
Total	<u>4,473,883</u>	<u>3,557,491</u>	<u>560,416</u>	<u>4,117,907</u>
HOME Program Grant:				
Administration	56,886	33,915	22,971	56,886
Construction	90,000	90,000	-	90,000
Downpayment assistance	38,925	31,531	-	31,531
Program rehabilitation	590,391	444,485	119,081	563,566
Transitional housing	<u>133,436</u>	<u>124,418</u>	<u>-</u>	<u>124,418</u>
Total	<u>909,638</u>	<u>724,349</u>	<u>142,052</u>	<u>866,401</u>
HOME Program Income:				
Program rehabilitation	<u>19,502</u>	<u>12,737</u>	<u>6,098</u>	<u>18,835</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, 2024

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Urgent Repair Grant:				
Rehabilitation	<u>198,868</u>	<u>198,867</u>	<u>1</u>	<u>198,868</u>
Total expenditures	<u>5,683,291</u>	<u>4,493,444</u>	<u>753,324</u>	<u>5,246,768</u>
Revenues over (under) expenditures	<u>-</u>	<u>288,827</u>	<u>98,496</u>	<u>387,323</u>
Other Financing Sources (Uses):				
Transfers in	<u>-</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>\$ 1,509,076</u>	<u>98,496</u>	<u>\$ 1,607,572</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Current year loan repayments			<u>(19,501)</u>	
Net change in fund balance			<u>\$ 78,995</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, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Other taxes and licenses:			
Vehicle license tax	\$ 900,000	\$ 873,730	\$ (26,270)
Investment earnings	-	43,577	43,577
Total revenues	<u>900,000</u>	<u>917,307</u>	<u>17,307</u>
Expenditures:			
Contracted services	1,670,031	1,543,645	126,386
Capital outlay	281,231	-	281,231
Total expenditures	<u>1,951,262</u>	<u>1,543,645</u>	<u>407,617</u>
Revenues over (under) expenditures	<u>(1,051,262)</u>	<u>(626,338)</u>	<u>424,924</u>
Other Financing Sources (Uses):			
Transfers in (out)	323,031	323,031	-
Appropriated fund balance	728,231	-	(728,231)
Total other financing sources (uses)	<u>1,051,262</u>	<u>323,031</u>	<u>(728,231)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (303,307)</u>	<u>\$ (303,307)</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, 2024

	Irish Buffalo Creek Greenway	Little Texas Road Sidewalk	Fire Station Improvements	Bethpage Sidewalks	Total
Assets:					
Cash and investments	\$ 8,387	\$ 1,555	\$ 974,967	\$ 523,217	\$ 1,508,126
Due from other governments	-	14,111	-	16,924	31,035
Total assets	<u>\$ 8,387</u>	<u>\$ 15,666</u>	<u>\$ 974,967</u>	<u>\$ 540,141</u>	<u>\$ 1,539,161</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,496	\$ -	\$ 1,496
Fund Balances:					
Restricted:					
Stabilization by state statute	-	14,111	-	16,924	31,035
Committed	<u>8,387</u>	<u>1,555</u>	<u>973,471</u>	<u>523,217</u>	<u>1,506,630</u>
Total fund balances	<u>8,387</u>	<u>15,666</u>	<u>973,471</u>	<u>540,141</u>	<u>1,537,665</u>
Total liabilities and fund balances	<u>\$ 8,387</u>	<u>\$ 15,666</u>	<u>\$ 974,967</u>	<u>\$ 540,141</u>	<u>\$ 1,539,161</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, 2024**

	Irish Buffalo Creek Greenway	Little Texas Road Sidewalk	Fire Station Improvements	Bethpage Sidewalks	Total
Revenues:					
Restricted intergovernmental	\$ -	\$ 48,960	\$ -	\$ 10,544	\$ 59,504
Investment earnings	<u>109</u>	<u>(183)</u>	<u>105,382</u>	<u>25,833</u>	<u>131,141</u>
Total revenues	<u>109</u>	<u>48,777</u>	<u>105,382</u>	<u>36,377</u>	<u>190,645</u>
Expenditures:					
Current:					
Contracted services	73	-	2,059,311	-	2,059,384
Capital outlay	<u>-</u>	<u>61,201</u>	<u>-</u>	<u>13,180</u>	<u>74,381</u>
Total expenditures	<u>73</u>	<u>61,201</u>	<u>2,059,311</u>	<u>13,180</u>	<u>2,133,765</u>
Revenues over (under) expenditures	36	(12,424)	(1,953,929)	23,197	(1,943,120)
Other Financing Sources (Uses):					
Transfers in	<u>383,000</u>	<u>-</u>	<u>3,079,753</u>	<u>486,400</u>	<u>3,949,153</u>
Net change in fund balances	383,036	(12,424)	1,125,824	509,597	2,006,033
Fund Balances:					
Beginning of year - July 1	<u>(374,649)</u>	<u>28,090</u>	<u>(152,353)</u>	<u>30,544</u>	<u>(468,368)</u>
End of year - June 30	<u>\$ 8,387</u>	<u>\$ 15,666</u>	<u>\$ 973,471</u>	<u>\$ 540,141</u>	<u>\$ 1,537,665</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, 2024**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 3,116,000	\$ 2,999,151	\$ -	\$ 2,999,151
Contributions	647,245	647,245	-	647,245
Investment earnings	-	-	109	109
Total revenues	<u>3,763,245</u>	<u>3,646,396</u>	<u>109</u>	<u>3,646,505</u>
Expenditures:				
Capital outlay	4,424,263	4,407,958	-	4,407,958
Contract engineering	<u>988,982</u>	<u>993,087</u>	<u>73</u>	<u>993,160</u>
Total expenditures	<u>5,413,245</u>	<u>5,401,045</u>	<u>73</u>	<u>5,401,118</u>
Revenues over (under) expenditures	<u>(1,650,000)</u>	<u>(1,754,649)</u>	<u>36</u>	<u>(1,754,613)</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	<u>674,976</u>	<u>404,976</u>	<u>383,000</u>	<u>787,976</u>
Total other financing sources (uses)	<u>1,650,000</u>	<u>1,380,000</u>	<u>383,000</u>	<u>1,763,000</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(374,649)</u>	\$ <u>383,036</u>	\$ <u>8,387</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, 2024**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 2,051,200	\$ 623,137	\$ 48,960	\$ 672,097
Investment earnings	-	(2,644)	(183)	(2,827)
Total revenues	<u>2,051,200</u>	<u>620,493</u>	<u>48,777</u>	<u>669,270</u>
Expenditures:				
Capital outlay	<u>2,564,000</u>	<u>780,910</u>	<u>61,201</u>	<u>842,111</u>
Revenues over (under) expenditures	<u>(512,800)</u>	<u>(160,417)</u>	<u>(12,424)</u>	<u>(172,841)</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>\$ 28,090</u>	<u>\$ (12,424)</u>	<u>\$ 15,666</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, 2024

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ 152,764	\$ 151,220	\$ 105,382	\$ 256,602
Expenditures:				
Capital outlay	13,717,460	712,339	-	712,339
Contract engineering	3,868,814	10,463,091	2,059,311	12,522,402
Debt service:				
Interest and fees	61,416	61,416	-	61,416
Total expenditures	17,647,690	11,236,846	2,059,311	13,296,157
Revenues over (under) expenditures	(17,494,926)	(11,085,626)	(1,953,929)	(13,039,555)
Other Financing Sources (Uses):				
Issuance of long-term debt	14,400,000	11,100,000	-	11,100,000
Transfers out	(1,021,727)	(1,021,727)	-	(1,021,727)
Transfers in	4,116,653	855,000	3,079,753	3,934,753
Total other financing sources (uses)	17,494,926	10,933,273	3,079,753	14,013,026
Net change in fund balance	\$ -	\$ (152,353)	\$ 1,125,824	\$ 973,471

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, 2024

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Proceeds from grants	\$ 2,193,600	\$ 123,072	\$ 10,544	\$ 133,616
Investment earnings	-	(687)	25,833	25,146
Total revenues	<u>2,193,600</u>	<u>122,385</u>	<u>36,377</u>	<u>158,762</u>
Expenditures:				
Capital outlay	<u>2,742,000</u>	<u>153,841</u>	<u>13,180</u>	<u>167,021</u>
Revenues over (under) expenditures	(548,400)	(31,456)	23,197	(8,259)
Other Financing Sources (Uses):				
Transfers in	<u>548,400</u>	<u>62,000</u>	<u>486,400</u>	<u>548,400</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 30,544</u>	<u>\$ 509,597</u>	<u>\$ 540,141</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, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating Revenues:			
Charges for services:			
Water and sewer charges	\$ 19,631,437	\$ 20,249,691	\$ 618,254
Water and sewer taps	2,440,000	3,412,932	972,932
Penalties	400,000	531,399	131,399
Other	15,000	40,197	25,197
Total operating revenues	<u>22,486,437</u>	<u>24,234,219</u>	<u>1,747,782</u>
Non-Operating Revenues:			
Interest on investments	30,000	647,683	617,683
Capital contributions	-	500,000	500,000
Total non-operating revenues	<u>30,000</u>	<u>1,147,683</u>	<u>1,117,683</u>
Total revenues	<u>22,516,437</u>	<u>25,381,902</u>	<u>2,865,465</u>
Expenditures:			
Administration:			
Salaries and employee benefits	1,076,854	1,001,634	75,220
Operating expenditures	479,200	288,605	190,595
Total	<u>1,556,054</u>	<u>1,290,239</u>	<u>265,815</u>
Distribution:			
Salaries and employee benefits	3,339,096	3,264,694	74,402
Operating expenditures	2,931,167	2,142,160	789,007
Repairs and maintenance	458,707	451,667	7,040
Capital outlay	947,688	837,577	110,111
Total	<u>7,676,658</u>	<u>6,696,098</u>	<u>980,560</u>
Filter Plant:			
Salaries and employee benefits	1,589,741	1,534,832	54,909
Operating expenditures	2,839,487	2,628,842	210,645
Repairs and maintenance	396,827	357,546	39,281
Capital outlay	240,000	159,977	80,023
Total	<u>5,066,055</u>	<u>4,681,197</u>	<u>384,858</u>
General Services	<u>1,823,413</u>	<u>1,823,413</u>	<u>-</u>
Sewage Treatment	<u>4,855,480</u>	<u>4,760,400</u>	<u>95,080</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, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt Service:			
Principal	4,372,860	4,372,860	-
Interest and fees	1,420,349	1,404,912	15,437
Total debt service	<u>5,793,209</u>	<u>5,777,772</u>	<u>15,437</u>
Total expenditures	<u>26,770,869</u>	<u>25,029,119</u>	<u>1,741,750</u>
Revenues over (under) expenditures	<u>(4,254,432)</u>	<u>352,783</u>	<u>4,607,215</u>
Other Financing Sources (Uses):			
Transfers out	(2,732,549)	(2,732,549)	-
Appropriated fund balance	<u>6,986,981</u>	<u>-</u>	<u>(6,986,981)</u>
Total other financing sources (uses)	<u>4,254,432</u>	<u>(2,732,549)</u>	<u>(6,986,981)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(2,379,766)</u>	<u>\$ (2,379,766)</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Depreciation and amortization		(3,724,407)	
Amortization of intangible asset		(48,222)	
Capital outlay		997,554	
Interfund transfers - capital projects		2,732,549	
Payment of debt principal		4,372,860	
Change in accrued interest		(9,241)	
Change in OPEB liability		(265,692)	
Change in compensated absences		(116,667)	
Change in total pension liability - SSA		(162,733)	
Change in net pension liability - LGERS		(250,172)	
Change in deferred outflows of resources - pensions		82,362	
Change in deferred inflows of resources - pensions		(1,989)	
Change in deferred outflows of resources - OPEB		(471,590)	
Change in deferred inflows of resources - OPEB		750,057	
Interest from capital projects		338,184	
Total		<u>4,222,853</u>	
Change in net position		<u>\$ 1,843,087</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, 2024

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ -	\$ 45,731	\$ -	\$ 45,731
Investment earnings	416,002	579,081	338,184	917,265
Total revenues	<u>416,002</u>	<u>624,812</u>	<u>338,184</u>	<u>962,996</u>
Expenditures:				
Downtown sewer outfall	4,750,000	335,207	-	335,207
Lane Street water line	4,338,500	3,776,191	-	3,776,191
High Bridge water line	10,400,000	8,384,169	1,243,078	9,627,247
Sludge Lagoon dewatering	1,311,500	1,001,433	-	1,001,433
Mooresville Road water line	4,680,708	168,594	2,533,148	2,701,742
Rodgers Lake Road bridge water	200,000	12,500	-	12,500
Concrete spillway	3,500,000	186,758	92,873	279,631
Bulk storage replacement	700,000	520,710	-	520,710
Clearwell pre-construction engineering	1,743,215	69,150	9,000	78,150
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>74,818,966</u>	<u>16,854,535</u>	<u>3,878,099</u>	<u>20,732,634</u>
Revenues over (under) expenditures	<u>(74,402,964)</u>	<u>(16,229,723)</u>	<u>(3,539,915)</u>	<u>(19,769,638)</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	15,002,549	11,675,000	2,732,549	14,407,549
Transfer (out)	(609,387)	(219,291)	-	(219,291)
Total other financing sources (uses)	<u>74,402,964</u>	<u>34,239,518</u>	<u>2,732,549</u>	<u>36,972,067</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 18,009,795</u>	<u>\$ (807,366)</u>	<u>\$ 17,202,429</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 3,325,000	\$ 3,208,080	\$ (116,920)
Miscellaneous revenue	-	1,151	1,151
Total operating revenues	<u>3,325,000</u>	<u>3,209,231</u>	<u>(115,769)</u>
Non-operating revenues:			
Grant revenues	225,000	141,200	(83,800)
Investment earnings	30,000	101,119	71,119
Total non-operating revenues	<u>255,000</u>	<u>242,319</u>	<u>(12,681)</u>
Total revenues	<u>3,580,000</u>	<u>3,451,550</u>	<u>(128,450)</u>
Expenditures:			
Salaries and employee benefits	1,425,652	1,378,396	47,256
Operating expenditures	1,099,987	1,048,253	51,734
General services	463,882	463,882	-
Capital outlay	302,900	245,572	57,328
Total	<u>3,292,421</u>	<u>3,136,103</u>	<u>156,318</u>
Debt Service:			
Principal	367,563	367,563	-
Interest	191,916	195,124	(3,208)
Total	<u>559,479</u>	<u>562,687</u>	<u>(3,208)</u>
Total expenditures	<u>3,851,900</u>	<u>3,698,790</u>	<u>153,110</u>
Revenues over (under) expenditures	(271,900)	(247,240)	24,660
Other Financing Sources (Uses):			
Appropriated fund balance	<u>271,900</u>	<u>-</u>	<u>(271,900)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(247,240)</u>	<u>\$ (247,240)</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Reconciliation from Budgetary Basis (Modified Accrual)			
to Full Accrual Basis:			
Reconciling items:			
Depreciation and amortization		(293,533)	
Capital outlay		245,572	
Change in interest accrued		3,207	
Change in compensated absences		(31,562)	
Change in total pension liability - SSA		(62,590)	
Change in net pension liability - LGERS		(96,219)	
Change in deferred outflows of resources - pensions		31,677	
Change in deferred inflows of resources - pensions		(764)	
Change in OPEB liability		(102,189)	
Change in deferred outflows of resources - OPEB		(69,949)	
Change in deferred inflows of resources - OPEB		84,616	
Payment of debt principal		<u>367,563</u>	
Total		<u>75,829</u>	
Change in net position		<u>\$ (171,411)</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, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services:			
Sales and services	\$ 4,145,000	\$ 4,154,805	\$ 9,805
Investment earnings	20,000	105,072	125,072
Miscellaneous revenue	196,000	87,020	(108,980)
Total revenues	<u>4,361,000</u>	<u>4,346,897</u>	<u>25,897</u>
Expenditures:			
Salaries and employee benefits	838,659	779,493	59,166
Operating expenditures	490,050	461,895	28,155
Contracted services	3,919,108	3,560,600	358,508
Capital outlay	436,000	435,168	832
Total	<u>5,683,817</u>	<u>5,237,156</u>	<u>446,661</u>
Revenues over (under) expenditures	<u>(1,322,817)</u>	<u>(890,259)</u>	<u>432,558</u>
Other Financing Sources (Uses):			
Transfers in	1,147,817	1,147,817	-
Appropriated fund balance	175,000	-	(175,000)
Total other financing sources (uses)	<u>1,322,817</u>	<u>1,147,817</u>	<u>(175,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>257,558</u>	<u>\$ 257,558</u>
Reconciliation of Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Reconciling items:			
Capital outlay		435,168	
Depreciation and amortization		(64,437)	
Change in total pension liability - SSA		(12,517)	
Change in net pension liability - LGERS		(19,244)	
Change in deferred outflows of resources - pensions		6,336	
Change in deferred inflows of resources - pensions		(154)	
Change in OPEB liability		(20,438)	
Change in deferred outflows of resources - OPEB		(110,564)	
Change in deferred inflows of resources - OPEB		193,608	
Change in compensated absences		(26,864)	
Total		<u>380,894</u>	
Change in net position		<u>\$ 638,452</u>	

Internal Service Fund

The Internal Service Fund accounts for the accumulation of premiums and allocation of costs associated with claims for employees, retirees and family member included on the self-insured health insurance plan and active employees covered by the workers' compensation policy

The City of Kannapolis has one Internal Service Fund:

Health Insurance and Risk Fund

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CITY OF KANNAPOLIS, NORTH CAROLINA

INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2024**Insurance and
Risk Fund****Assets:**

Current assets:

Cash and cash equivalents	\$ 1,068,886
Accounts receivable, net	175,294
Due from other governments	<u>3</u>
Total current assets	<u>1,244,183</u>

Liabilities:

Current liabilities:

Accounts payable and accrued liabilities	<u>604,604</u>
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Net Position:

Unrestricted	<u>\$ 639,579</u>
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CITY OF KANNAPOLIS, NORTH CAROLINA

**INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

	Insurance and Risk Fund
Operating Revenues:	
Charges for services	\$ 6,090,884
Other operating revenues	<u>4,364</u>
Total operating revenues	<u>6,095,248</u>
Operating Expenses:	
Health insurance	5,661,411
Workers' compensation	<u>750,848</u>
Total operating expenses	<u>6,412,259</u>
Operating income (loss)	<u>(317,011)</u>
Non-Operating Revenues (Expenses):	
Interest earned on investments	56,590
Transfers from other funds	<u>900,000</u>
Total non-operating revenues (expenses)	<u>956,590</u>
Change in net position	639,579
Net Position:	
Beginning of year - July 1	<u>-</u>
End of year - June 30	<u>\$ 639,579</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Insurance and Risk Fund
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 5,919,954
Cash paid for goods and services	<u>(5,807,655)</u>
Net cash provided (used) by operating activities	<u>112,299</u>
Cash Flows from Non-Capital Financing Activities:	
Due to (from) other funds	(3)
Transfers from other funds	<u>900,000</u>
Net cash provided (used) by non-capital financing activities	<u>899,997</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>56,590</u>
Net increase (decrease) in cash and cash equivalents	1,068,886
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>-</u>
End of year - June 30	<u>\$ 1,068,886</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (317,011)
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	(175,294)
Increase (decrease) in accounts payable	<u>604,604</u>
Net cash provided (used) by operating activities	<u>\$ 112,299</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

**INSURANCE AND RISK FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Operating Revenues:			
Charges for services	\$ 6,046,480	\$ 6,090,884	\$ 44,404
Other operating revenues	-	4,364	4,364
Total operating revenues	<u>6,046,480</u>	<u>6,095,248</u>	<u>48,768</u>
Non-Operating Revenues:			
Investment earnings	-	<u>56,590</u>	<u>56,590</u>
Total revenues	<u>6,046,480</u>	<u>6,151,838</u>	<u>105,358</u>
Expenditures:			
General government:			
Health insurance	6,468,600	5,661,411	807,189
Workers' compensation	<u>477,880</u>	<u>750,848</u>	<u>(272,968)</u>
Total expenditures	<u>6,946,480</u>	<u>6,412,259</u>	<u>534,221</u>
Revenues over (under) expenditures	(900,000)	(260,421)	639,579
Other Financing Sources (Uses):			
Transfers from other funds	<u>900,000</u>	<u>900,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 639,579</u>	<u>\$ 639,579</u>
Reconciliation from Budgetary Basis to Full Accrual Basis:			
Change in net position		<u>\$ 639,579</u>	

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, 2024**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2023</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2024</u>
2023 - 2024	\$ -	\$ 39,438,076	\$ 39,076,421	\$ 361,655
2022 - 2023	362,283	-	262,435	99,848
2021 - 2022	115,441	-	49,359	66,082
2020 - 2021	68,975	-	22,860	46,115
2019 - 2020	43,015	-	11,884	31,131
2018 - 2019	26,572	-	5,365	21,207
2017 - 2018	32,363	-	9,198	23,165
2016 - 2017	19,786	-	4,861	14,925
2015 - 2016	33,791	-	19,342	14,449
2014 - 2015	35,535	-	20,165	15,370
2013 - 2014	<u>37,675</u>	<u>-</u>	<u>37,675</u>	<u>-</u>
 Total	 <u>\$ 775,436</u>	 <u>\$ 39,438,076</u>	 <u>\$ 39,519,565</u>	 <u>693,947</u>
 Less: Allowance for uncollectible accounts				 <u>663,064</u>
 Ad valorem taxes receivable - net				 <u>\$ 30,883</u>
 Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 39,557,011
Reconciling items:				
Penalties and interest				(134,920)
Taxes written off - state statute				37,675
Miscellaneous adjustment				<u>59,799</u>
 Total collections and credits				 <u>\$ 39,519,565</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2024

	City-Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original Levy:					
Property taxed at current year's rate	\$ 6,250,038,541	\$ 0.6300	\$ 39,375,243	\$ 35,851,689	\$ 3,523,554
Motor vehicles taxed at prior year's rate	419,048	0.6300	2,640	2,640	-
Penalties	-		48,300	48,300	-
Total	<u>6,250,457,589</u>		<u>39,426,183</u>	<u>35,902,629</u>	<u>3,523,554</u>
Discoveries:					
Current year taxes	12,074,860	0.6300	76,072	76,072	-
Prior year taxes	9,376,895	0.6300	59,074	59,074	-
Penalties	-		10,917	10,917	-
Total	<u>21,451,755</u>		<u>146,063</u>	<u>146,063</u>	<u>-</u>
Releases:					
Property taxed at current year's rate	<u>(21,296,879)</u>	0.6300	<u>(134,170)</u>	<u>(134,170)</u>	<u>-</u>
Total property valuation	<u>\$ 6,250,612,465</u>				
Net Levy			39,438,076	35,914,522	3,523,554
Less uncollected taxes at June 30, 2024			<u>361,655</u>	<u>361,655</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 39,076,421</u>	<u>\$ 35,552,867</u>	<u>\$ 3,523,554</u>
Percent Current Year Collected			<u>99.08%</u>	<u>98.99%</u>	<u>100.00%</u>

CITY OF KANNAPOLIS, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
SECONDARY MARKET DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2024**Assessed Valuation:**

Assessment ratio (1)	<u>100.00%</u>
Real property	\$ 5,247,330,613
Personal property	886,237,828
Public service companies (2)	<u>117,044,024</u>
Total assessed valuation	<u>\$ 6,250,612,465</u>
Tax rate per \$100	<u>0.6300</u>
Levy (includes discoveries, releases, penalties, and abatements)	<u>\$ 39,438,076</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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities										
Net investment in capital assets	\$ 115,035	\$ 110,342	\$ 115,399	\$ 116,405	\$ 117,862	\$ 126,260	\$ 142,469	\$ 142,693	\$ 151,564	\$ 158,585
Restricted	3,909	3,626	8,591	9,291	15,207	7,607	8,280	10,024	11,007	12,041
Unrestricted	(2,942)	1,750	(11,002)	(38,986)	(41,417)	(37,939)	(44,365)	(21,229)	(20,357)	(29,804)
Total governmental activities net position	\$ 116,003	\$ 115,718	\$ 112,988	\$ 86,710	\$ 91,652	\$ 95,928	\$ 106,384	\$ 131,487	\$ 142,214	\$ 140,822
Business-type activities										
Net investment in capital assets	\$ 61,843	\$ 62,887	\$ 71,696	\$ 77,496	\$ 80,925	\$ 83,602	\$ 83,324	\$ 80,114	\$ 85,378	\$ 88,839
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,564	9,331	5,054	(1,438)	945	(88)	4,121	7,942	6,190	5,039
Total business-type activities net position	\$ 66,304	\$ 72,218	\$ 76,750	\$ 76,058	\$ 81,870	\$ 83,514	\$ 87,445	\$ 88,056	\$ 91,568	\$ 93,878
Primary government										
Net investment in capital assets	\$ 176,879	\$ 173,229	\$ 187,095	\$ 193,901	\$ 198,787	\$ 209,862	\$ 226,893	\$ 222,807	\$ 236,942	\$ 247,424
Restricted	3,909	3,626	8,591	9,291	15,207	7,607	8,280	10,024	11,007	12,041
Unrestricted	3,621	11,081	(5,948)	(40,424)	(40,472)	(38,027)	(40,244)	(13,228)	(14,167)	(24,765)
Total primary government net position	\$ 184,410	\$ 187,936	\$ 189,738	\$ 162,768	\$ 173,522	\$ 179,442	\$ 194,929	\$ 219,543	\$ 233,782	\$ 234,700

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses										
Governmental activities:										
General government	\$ 5,292	\$ 744	\$ 7,325	\$ 10,748	\$ 9,492	\$ 8,761	\$ 5,819	\$ 12,557	\$ 13,920	\$ 18,649
Public safety	14,412	18,549	17,463	18,459	18,626	20,005	24,248	25,979	24,996	25,580
Public works	5,037	10,485	7,236	6,330	5,462	5,520	4,890	7,152	7,889	8,446
Community development	1,829	1,420	1,432	1,685	2,108	2,114	1,955	2,058	3,086	5,616
Parks and recreation	2,365	2,479	143	2,783	3,271	3,260	4,327	5,442	5,997	12,995
Interest on long-term debt	3,026	3,110	2,982	3,328	3,105	2,803	2,492	4,408	4,188	3,886
Total governmental activities	31,962	36,787	36,581	43,333	42,064	42,463	43,731	57,597	60,076	75,172
Business-type activities:										
Water and sewer	12,363	14,130	14,819	14,891	16,640	18,260	19,541	19,493	22,317	23,877
Stormwater	1,552	1,684	1,901	2,113	2,288	2,292	2,949	2,934	2,863	3,623
Environmental services	3,523	3,632	3,645	3,814	3,822	4,391	4,556	4,036	4,613	4,856
Downtown		1,630	1,561	1,639	4,207	8,103	3,020	-	-	-
Total business-type activities	17,437	21,076	21,926	22,457	26,957	33,046	30,066	26,463	29,793	32,356
Total primary government expenses	\$ 49,400	\$ 57,863	\$ 58,507	\$ 65,790	\$ 69,021	\$ 75,509	\$ 73,797	\$ 84,060	\$ 89,869	\$ 107,528
Program Revenues										
Governmental activities:										
- Charges for services:										
General government	\$ 62	\$ 94	\$ 118	\$ 155	\$ 204	\$ 145	\$ 166	\$ 1,635	\$ 548	\$ 1,084
Public safety	102	246	142	160	230	136	283	308	337	304
Public works	62	144	84	74	116	-	-	-	-	-
Community development	99	118	110	150	184	155	119	184	308	298
Parks and recreation	257	132	280	444	425	383	207	635	1,009	1,583
Operating grants and contributions:										
General government	769	829	1,376	975	3,653	769	3,662	4,437	1,288	2,548
Public safety	212	-	92	39	56	11	735	9,409	126	341
Public works	-	-	-	-	-	-	-	-	-	-
Community development	104	13	68	71	85	75	-	-	230	121
Parks and recreation	-	67	-	-	-	-	-	-	-	-
Capital grants and contributions:										
General government	1,520	1,523	1,522	1,524	1,523	1,523	1,347	1,427	2,273	2,065
Public works	1,572	1,590	1,324	1,316	1,880	4,995	1,259	1,573	1,583	2,060
Community development	686		355	322	2,132	498	599	678	678	566
Parks and recreation	-	457	121	66	46	25	-	312	910	60
Total governmental activities program revenues	5,445	5,213	5,592	5,296	10,534	8,715	8,377	20,599	9,290	11,030

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Program Revenues (Continued):										
Business-type activities										
- Charges for services:										
Water and sewer	13,708	16,315	15,803	17,032	17,113	19,249	21,028	23,548	24,039	24,234
Stormwater	1,773	2,449	2,372	2,941	2,991	3,039	3,079	3,143	3,220	3,209
Environmental services	1,609	1,932	2,366	2,534	3,274	3,369	3,458	4,067	4,173	4,242
Downtown	-	764	913	841	765	696	511	-	-	-
Operating grants and contributions:										
Water and sewer	-	-	-	100	51	17	17	-	46	-
Stormwater	-	-	-	-	-	-	-	-	-	141
Capital grants and contributions:										
Water and sewer	1,330	1,205	1,116	1,654	1,153	2,635	2,941	2,500	1,000	500
Downtown	-	-	-	-	1,103	-	-	-	-	-
Total business-type activities program revenues	18,420	22,665	22,570	25,102	26,450	29,005	31,034	33,258	32,478	32,326
Total primary government program revenues	\$ 23,865	\$ 27,878	\$ 28,162	\$ 30,398	\$ 36,984	\$ 37,720	\$ 39,411	\$ 53,856	\$ 41,768	\$ 43,356
Net (Expense)/Revenue										
Governmental activities	\$ (26,517)	\$ (31,574)	\$ (32,589)	\$ (38,037)	\$ (31,530)	\$ (33,748)	\$ (35,354)	\$ (36,999)	\$ (50,786)	\$ (64,142)
Business-type activities	983	1,589	644	2,645	(507)	(4,041)	968	6,795	2,685	(30)
Total primary government net (expense)/revenue	\$ (25,534)	\$ (29,985)	\$ (31,945)	\$ (35,392)	\$ (32,037)	\$ (37,789)	\$ (34,386)	\$ (30,203)	\$ (48,101)	\$ (64,172)
General Revenues and Other Changes in Net Position										
Governmental activities:										
- Taxes:										
Ad valorem taxes	\$ 21,586	\$ 23,620	\$ 24,802	\$ 25,379	\$ 26,139	\$ 27,679	\$ 32,759	\$ 34,529	\$ 36,142	\$ 39,433
Sales tax	7,341	8,168	9,246	9,561	10,358	10,469	11,906	14,418	15,933	16,416
Other taxes and licenses	946	758	685	693	1,165	1,326	1,456	1,496	1,550	1,670
Franchise tax	2,476	2,749	2,727	2,716	2,766	2,698	2,601	2,805	3,049	3,250
Unrestricted intergovernmental revenues	209	195	211	206	208	210	210	216	256	284
Investment earnings	193	204	299	349	889	706	106	72	1,980	2,697
Special item - Rowan County Debt Forgiveness	-	-	-	-	-	-	-	-	2,688	-
Transfers	(1,100)	(2,360)	(4,941)	(2,201)	(5,053)	(5,065)	(3,130)	7,515	(86)	(1,148)
Total general revenues and transfers	31,651	33,334	33,029	36,703	36,472	38,023	45,908	61,051	61,512	62,602
Business-type activities:										
Investment earnings	20	13	16	309	1,266	621	40	131	742	1,192
Transfers	1,100	2,360	4,941	2,201	5,053	5,065	3,939	(7,515)	86	1,148
Total business-type activities	1,120	2,373	4,957	2,510	6,319	5,686	3,979	(7,384)	828	2,340
Change in Net Position										
Governmental activities	\$ 5,135	\$ 1,760	\$ 440	\$ (1,334)	\$ 4,942	\$ 4,275	\$ 10,554	\$ 24,052	\$ 10,726	\$ (1,540)
Business-type activities	2,103	3,962	5,601	5,155	5,812	1,645	4,947	(589)	3,513	2,310
Correction of an Error										
Governmental activities	-	-	-	-	-	-	-	-	-	146
Total primary government	\$ 7,238	\$ 5,722	\$ 6,041	\$ 3,821	\$ 10,754	\$ 5,920	\$ 15,501	\$ 23,463	\$ 14,239	\$ 916

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Dollars in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Fund:										
Nonspendable	\$ 65	\$ 220	\$ 264	\$ 128	\$ 91	\$ 113	\$ 503	\$ 472	\$ 1,222	\$ 1,603
Committed		46	146	237	340	367	367	401	399	441
Restricted	7,712	7,471	7,765	8,827	11,962	4,272	11,141	8,462	7,925	9,395
Assigned	-	-	-	-	-	-	-	-	-	6,368
Unassigned	9,860	12,016	9,911	9,609	10,031	16,114	17,389	45,280	48,755	33,126
Total General Fund	<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>	<u>\$ 50,933</u>
Pine Street Assisted Living Facility										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Pine Street Assisted Living Facility	<u>\$ -</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>\$ 11,404</u>	<u>\$ 515</u>	<u>\$ -</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>\$ 10,419</u>	<u>\$ 1,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ 187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,175	1,262	1,167	1,023	3,152	3,334	1,098	1,562	3,082	2,646
Committed	214	218	620	440	269	74	203	1,395	-	1,506
Unassigned	(185)	(285)	(182)	(5)	(695)	(925)	(1,204)	(1,482)	(857)	-
Assigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 4,152</u>

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Dollars in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues:										
Ad valorem taxes	\$ 21,728	\$ 23,809	\$ 24,859	\$ 25,435	\$ 26,134	\$ 27,543	\$ 32,889	\$ 34,727	\$ 36,224	\$ 39,557
Other taxes and licenses	8,287	8,926	9,848	10,168	11,434	11,697	13,221	15,794	17,342	17,941
Unrestricted intergovernmental revenues	2,685	2,945	3,021	3,009	3,063	3,006	2,952	3,141	3,445	3,679
Restricted intergovernmental revenues	3,976	3,570	3,508	3,272	6,833	6,500	3,941	13,290	4,873	5,041
Sales and services	594	745	744	993	1,169	830	739	2,666	3,199	4,090
Investment earnings	193	204	299	349	889	706	106	72	1,980	2,640
Miscellaneous	887	908	1,350	1,040	1,264	1,395	3,662	4,437	1,377	1,920
Total revenues	38,350	41,107	43,629	44,266	50,786	51,677	57,510	74,127	68,440	74,868
Expenditures:										
General Government	5,129	6,122	7,132	10,455	8,468	7,948	7,207	10,661	12,127	16,843
Public safety	15,310	15,440	15,706	17,878	16,012	16,771	19,265	22,917	23,024	25,904
Public works	4,022	4,343	4,282	4,544	3,518	3,780	3,223	4,770	5,190	6,215
Community development	1,829	1,375	1,432	1,684	2,108	3,561	1,956	2,058	3,086	5,603
Parks and recreation	1,829	1,655	2,573	2,408	2,599	4,355	3,080	4,951	5,492	10,210
Capital Outlay	21,245	11,618	2,315	1,184	9,990	2,529	2,556	341	145	74
Debt service:										
Principal	2,852	3,693	4,717	4,374	5,200	26,237	5,428	9,951	10,674	10,228
Interest and fees	2,814	3,146	2,826	3,111	3,288	3,273	1,678	4,521	4,188	3,886
Total expenditures	55,030	47,392	40,983	45,638	51,183	68,454	44,393	60,171	63,926	78,963
Excess of revenues over (under) expenditures	(16,680)	(6,285)	2,646	(1,372)	(397)	(16,777)	13,117	13,956	4,514	(4,095)
Other Financing Sources (Uses)										
Transfers from other funds	893	840	2,326	862	53	1,883	200	17,165		3,949
Transfers to other funds	(1,993)	(3,174)	(7,267)	(3,063)	(5,106)	(6,948)	(7,159)	(9,650)	(86)	(5,997)
Lease Liability Issued	-	-	-	-	-	-	-	2,956	-	499
Subscription Liability Issued	-	-	-	-	-	-	-	-	6	56
Proceeds of installment financing	-	-	335	14,560	-	18,685	-	-	-	-
Premium on long-term debt	2,303	-	-	-	-	-	-	-	-	-
Proceeds of limited obligation bonds	25,990	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	27,193	(2,334)	(4,606)	12,359	(5,053)	13,620	(6,959)	10,471	(80)	(1,493)
Special item - sale of land	-	-	-	-	1,278	-	-	1,215	-	-
Net change in fund balances	\$ 10,513	\$ (8,619)	\$ (1,960)	\$ 10,987	\$ (4,172)	\$ (3,157)	\$ 6,158	\$ 25,642	\$ 4,434	\$ (5,588)
Debt service as a percentage of noncapital expenditures	18.10%	26.57%	21.00%	18.54%	21.07%	48.22%	19.63%	25.18%	23.81%	20.56%

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

ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Public Service Companies ⁽²⁾	Total Assessed Value	Total Direct Tax Rate ⁽³⁾
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
2024	5,247,330,648	886,237,793	117,044,024	6,250,612,465	0.630

Notes: ⁽¹⁾ Increases in FY 2017 and FY 2021 include Cabarrus County revaluation. Increase in FY 2016, FY 2020, FY 2024 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)

	2015	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019	2020 ⁽³⁾	2021 ⁽⁴⁾	2022	2023	2024 ⁽⁵⁾
City of Kannapolis:										
General fund	0.6000	0.6300	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	0.7200	0.7400	0.7400	0.7400	0.7400	0.7400	0.7400
Rowan	0.6625	0.6625	0.6625	0.6625	0.6575	0.6575	0.6575	0.6575	0.6575	0.58

Notes:

- ⁽¹⁾ Real property was revalued by Rowan County on January 1, 2015
- ⁽²⁾ Real property was revalued by Cabarrus County on January 1, 2016
- ⁽³⁾ Real property was revalued by Rowan County on January 1, 2019
- ⁽⁴⁾ Real property was revalued by Cabarrus County on January 1, 2020
- ⁽⁵⁾ Real property was revalued by Cabarrus County on January 1, 2023

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2024		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Castle and Cooke NCRC	Real Estate	\$ 140,594,020	1	2.25%
Concord Owner LP	Real Estate	70,781,620	2	1.13%
Duke Energy Business Services	Utility	61,650,618	3	0.99%
Gordon Food Service, Inc.	Food Service	55,362,340	4	0.89%
Graces Reserves Owner LLC	Real Estate	50,581,980	5	0.81%
WOP Coddle Creek LLC	Real Estate	48,990,430	6	0.78%
SREIT Afton Ridge LLC	Real Estate	47,520,770	7	0.76%
West Shore Vive LLC	Real Estate	44,265,000	8	0.71%
Trinity Cabarrus Limited Partnership	Real Estate	41,691,780	9	0.67%
Stewart Haas Racing LLC	Racing	29,691,390	10	0.48%
Total		\$ 591,129,948		9.46%

Taxpayer	Type of Business	Fiscal Year 2015		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Castle and Cooke NCRC	Real Estate	\$ 203,450,870	1	5.68%
Castle and Cooke LLC	Real Estate	85,097,190	2	2.37%
Trinity of Cabarrus LTD/ Shoe Show	Shoe Distribution	48,276,477	3	1.35%
Atlantic American Properties, Inc./ Club at Irish Creek	Real Estate	45,862,653	4	1.28%
Afton Ridge Joint Venture CK Afton Ridge Shopping Center	Real Estate	37,077,430	5	1.03%
Wachovia Development Group	Warehousing	33,779,270	6	0.94%
Duke Energy Corporation	Utility	31,930,621	7	0.89%
Integra Springs LLC	Real Estate	26,222,780	8	0.73%
The Grand in Kannapolis LLC	Real Estate	19,472,820	9	0.54%
Public Service Company of NC, Inc.	Utility	14,713,355	10	0.41%
Total		\$ 545,883,466		15.22%

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
2015	\$ 21,392,417	\$ 190,276	\$ (47,143)	\$ 21,535,550	\$ 21,050,962	97.75%	\$ 469,218	\$ 21,520,180	99.93%
2016	23,502,259	137,451	(29,535)	23,610,175	23,193,274	98.23%	402,452	23,595,726	99.94%
2017	24,743,633	192,065	(148,154)	24,787,544	24,421,144	98.52%	351,475	24,772,619	99.94%
2018	25,236,150	187,941	(68,744)	25,355,347	25,000,952	98.60%	331,230	25,332,182	99.91%
2019	25,989,681	245,309	(122,270)	26,112,720	25,672,563	98.31%	418,950	26,091,513	99.92%
2020	27,603,268	132,477	(115,083)	27,620,662	27,054,264	97.95%	535,267	27,589,531	99.89%
2021	32,589,032	278,648	(88,187)	32,779,493	32,302,475	98.54%	430,903	32,733,378	99.86%
2022	34,303,107	171,743	(45,629)	34,429,221	34,068,390	98.95%	294,749	34,363,139	99.81%
2023	36,094,338	225,652	(181,259)	36,138,731	35,776,448	99.00%	262,435	36,038,883	99.72%
2024	39,426,182	146,063	(134,170)	39,438,075	39,076,420	99.08%	-	39,076,420	99.08%

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⁾
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	-	0.00%	-
2024	-	0.00%	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
⁽¹⁾ See Table 5 for total assessed value of property.
⁽²⁾ See Table 14 for population data.

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Governmental Activities						
Fiscal Year	Installment Obligations	U.S. Gov. Guaranteed Notes	Special Obligation Bonds	Limited Obligation Bonds	Limited Obligation Bond Premium	Leases
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
2024	11,863,308	-	5,131,000	82,057,006	1,181,916	1,803,636

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⁾
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%
2024	309,552	-	51,903,000	4,899,994	160,953,048	2,715	1.47%

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.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2024

(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	\$ 12,520	10.78%	\$ 1,350
Cabarrus County COPS/LOBS	431,825	10.78%	46,551
Cabarrus County Capital Leases/Installment Debt	6,403	10.78%	690
Rowan County General Obligation Debt	2,498	4.93%	123
Rowan County Installment Financing	56,485	4.93%	<u>2,785</u>
Subtotal, overlapping debt			51,498
City direct debt			<u>102,037</u>
Total direct and overlapping debt			<u><u>\$153,535</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 However, this does not imply that every taxpayer is a resident -- and therefore responsible for repaying the debt -- of each overlapping government. 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.

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

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assessed Value of Property	\$ 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	\$ 6,250,612
Debt Limit, 8% of Assessed Value (Statutory Limitation)	286,736	299,633	314,367	321,583	331,051	350,279	415,711	436,896	458,190	500,049
Debt applicable to debt limitations:										
Special obligation bonds	-	11,000	10,266	9,532	8,798	8,064	7,330	6,597	5,864	5,131
Limited obligation bonds	57,593	55,197	49,940	74,654	121,948	114,872	106,793	100,570	94,352	88,139
Installment obligations	17,516	14,933	13,282	19,094	16,311	13,552	26,183	19,121	15,237	12,173
Total net debt applicable to limitations	75,109	81,130	73,488	103,280	147,057	136,488	140,306	126,288	115,453	105,443
Legal debt margin	\$ 211,627	\$ 218,503	\$ 240,879	\$ 218,303	\$ 183,994	\$ 213,791	\$ 275,405	\$ 310,608	\$ 342,737	\$ 394,606
Total net debt applicable to the limit as a percentage of debt limit	26.19%	27.08%	23.38%	32.12%	44.42%	38.97%	33.75%	28.91%	25.20%	21.09%

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

Water and Sewer Revenue Bonds

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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
2024	25,220,086	18,699,458	6,520,628	4,280,000	1,339,987	5,619,987	1.16

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
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%
2024	56,417	12,910,767	7,031,826	54,754	46,990	5,358	4.1%	4.1%

* 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.
The 2015-2023 population was estimated from the US Census Bureau
The 2024 population was estimated from the North Carolina Department of Revenue
 - ⁽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
2024 figures were determined from the NCACC County Map Boo
 - ⁽³⁾ Kannapolis City Schools
 - ⁽⁴⁾ Source: N. C. Employment Security Commission - <https://desncc.com/PMINewsRates>

PRINCIPAL EMPLOYERS
Current and Nine Years Ago

Employer	2024			2015		
	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.	900	1	0.53%			
Shoe Show, Inc.	800	2	0.43%	875	1	0.54%
Kannapolis City Schools	800	3	0.43%	809	2	0.50%
City of Kannapolis	599	4	0.32%	321	6	0.20%
Walmart SuperCenter	440	5	0.24%			
Stanley Black and Decker	400	6	0.21%			
Gordon Foods	320	7	0.17%			
Stewart-Haas Racing LLC	320	8	0.17%	288	8	0.18%
North Carolina Research Campus	307	9	0.16%	353	5	0.22%
Cabarrus Health Alliance	281	10	0.15%	220	9	0.14%
Target				300	7	0.19%
Wayne Brothers				378	4	0.23%
Cabarrus County Schools				411	3	0.25%
Stanley Works				219	10	0.14%
Total	5,167		2.76%	4,174		2.59%

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			
2024	159	\$ 155,195,655	1063	\$ 124,911,783	\$ 280,107,437	\$ 26,566,242	\$ 306,673,679
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

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

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government	31 ⁽³⁾	40	41 ⁽⁴⁾	43	45	53	53	57	61	61
Public safety	192	196	201	206	208	209	210	214	215	222
Public works admin and engineering	9	9	9	9	9	9	9	11	9	9
Parks and recreation	11 ⁽³⁾	8	9	10	12	18	18	23	24	25
Streets and sign shops	8	12	12	13	15	15	15	15	16	16
Stormwater	13	13	16	16	16	16	16	17	17	17
Environmental	1	1	0	4	4	6	6	5	9	10
Water - Sewer billing and collections	7	7	8	8	8	9	10	12	14	14
Water - Sewer distribution	28	29	29	29	33	38	39	40	43	44
Water treatment plant	10	11	11	11	14	15	15	15	14	18
Total	310	326	336	349	364	388	391	409	422	436

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.

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OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government:										
Collection rate for city taxes	97.37%	98.23%	98.52%	98.60%	98.31%	97.95%	98.54%	98.95%	98.99%	99.08%
Applications for employment processed	1,367	1,419	1,912	1,845	1,834	699	669	719	1,692	3,387
Hiring rate	2.12%	8.97%	3.30%	2.39%	2.61%	9.47%	13.60%	13.10%	13.10%	7.00%
Parks and Recreation:										
Concerts presented by the City	19	19	22	23	24	6	4	12	20	12
Shelter reservations	956	1021	1528	1565	1601	505	448	928	994	1034
Police:										
Homicide and death investigations	61	71	64	100	96	79	134	106	98	88
Assault investigations	38	49	42	48	47	42	42	49	66	55
Fire:										
Response to all in City incidents within six minutes	80.7%	79.0%	85.0%	82.0%	80.0%	81.5%	78.0%	81.0%	78.0%	78.0%
Average response time (minutes) for fire calls	4:20	4:19	3:25	3:31	3:19	3:53	4:22	4:03	4:32	4:31
Number of fire inspections for businesses	1,689	5,946	1,058	687	234	1,200	759	563	670	720
Storm water:										
Shoulder work and ditches cleared (miles)	7.8	3.9	1.4	2.1	3.1	2.1	2.3	1.5	4.95	1.28
Drainage structures (repaired & constructed)	46	16	31	37	29	46	38	32	43	40
Streets And Sign Shop:										
Reconstruction resurfacing (miles)	3.65	3.65	3.84	2.94	3.16	0.73	1.40	1.10	3.18	2.26
Pavement repairs (including potholes)	4,615	7,370	7,370	5,322	6,387	4,678	5,297	4,419	5,263	4,084
Street name signs installed or repaired	182	218	218	239	316	293	293	117	1,087	282
Information signs installed or repaired	1,794	1,740	1,740	1,520	1,856	1,330	1,330	1,118	920	2,154
Water Sewer Distribution:										
Water services installed	46	46	93	150	215	157	144	159	62	114
Sewer services installed	15	10	54	127	189	126	130	179	56	126

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function/Program	2015	2016	2017	2018	2019	2020	2021 (4)	2022	2023	2024
Water Treatment Plant:										
Total water treated (per billion gallons)	1.100	1.550	1.410	1.290	1.360	1.390	1.450	1.650	1.740	2.026
Unit cost of treatment (\$/1,000 Gal)	1.510	1.490	1.490	1.340	1.360	1.260	1.360	1.570	1.520	1.48
Water Sewer Billing Collections:										
Average number of walk in customers	6,527	6,421	4,180	6,325	5,765	2,751	5,668	4,719	4,120	3,796
Water and Sewer collection percentage	98.00%	97.69%	97.57%	97.80%	97.80%	97.47%	77.00%	98.43%	96.94%	98.06%

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Parks and recreation:										
Park facilities	8	8	8	8	8	11	11	13	13	14
Acreage	114	128	172	172	172	257	257	262	262	262
Picnic shelters/structure	15	15	15	15	15	15	15	15	15	15
Softball fields	4	4	4	4	4	3	3	4	4	4
Playgrounds	7	7	7	7	7	6	6	6	6	6
Soccer fields	1	1	1	1	1	1	1	2	2	2
Fire Protection:										
Stations	5	5	5	5	5	5	5	5	5	5
Fire trucks (pumper)	8	8	8	9	9	9	9	9	9	9
Fire trucks (ladder)	2	2	2	3	3	3	3	3	3	3
Police:										
Patrol cars	59	60	66	66	66	68	76	78	79	78
Total police vehicles	104	109	114	114	114	110	113	113	120	121
Streets:										
Miles of streets	227	227	232	232	232	232	236	236	245	246
Water:										
Miles of water mains	324	324	335	335	335	346	351	352	385	386
Wastewater:										
Miles of sanitary sewers	316	317	325	325	325	326	331	331	363	345
Treatment capacity ⁽¹⁾	25	26	27	27	27	27	15	15	15	15

Sources: Various City departments.

⁽¹⁾ Data is by Million Gall

⁽²⁾ The addition of the Gem Theater in "Park Facilities"

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, 2024, 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 21, 2024.

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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2024-001 that we consider to be a material weakness.

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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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's 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 and 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 21, 2024

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, 2024. 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, 2024.

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 21, 2024

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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, 2024. 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, 2024.

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 21, 2024

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CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

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? Yes
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>AL #</u>
CDBG Entitlement/Special Purpose 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, 2024**

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, 2024

2. Findings Related to the Audit of the Basic Financial Statements

Material Weakness

Finding 2024-001

Criteria: Management should have a system in place for proper reporting of the long-term loans related to their Community Development Block Grant (CDBG) programs.

Condition: The City receives long-term revolving loans with their CDBG program. Required accounting and reporting treatment under *Generally Accepted Accounting Principles* (GAAP) was not implemented.

Effect: Accounting and reporting under GAAP was not properly reflected in the financial statements for the City's CDBG fund.

Cause: The long-term revolving loans were not properly documented.

Recommendation: Management should implement additional procedures to ensure proper accounting and reporting under GAAP for CDBG long-term revolving loans.

Name of Contact Person: Brian Roberts, Finance Director

Views of Responsible Officials and Planned Corrective Action: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None reported.

4. Findings and Questioned Costs Related to the Audit of State Awards

None reported.



CITY OF KANNAPOLIS, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2024

Material Weakness

Finding 2024-001

Name of Contact Person: Brian Roberts, Finance Director

Corrective Action: This was an oversight of the previous finance directors. We have implemented additional procedures including internal control training to capture communication between the Finance and Economic Development staff regarding the CDBG programs with loans.

Proposed Completion Date: Immediately.

CITY OF KANNAPOLIS, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

Finding: 2023-001
Status: Corrected

CITY OF KANNAPOLIS, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

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 / Special Purpose Grants Cluster						
2018 Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-37-0017	\$ 51,694	\$ -	\$ -	\$ -
2019 Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-37-0017	84,502	-	-	-
2020 Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-37-0017	146,422	-	-	-
2021 Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-37-0017	68,345	-	-	-
2022 Community Development Block Grants/Entitlement Grants	14.218	B-22-MC-37-0017	70,748	-	-	-
2023 Community Development Block Grants/Entitlement Grants	14.218	B-23-MC-37-0017	133,805	-	-	-
2020 CDBG/Entitlement Grants Program Income	14.218	B-20-MC-37-0017	1,223	-	-	-
2021 CDBG/Entitlement Grants Program Income	14.218	B-21-MC-37-0017	3,677	-	-	-
2022 CDBG/Entitlement Grants Program Income	14.218	B-22-MC-37-0017	44,757	-	-	-
Total CDBG Entitlement / Special Purpose Grants Cluster			605,173	-	-	-
Passed Through City of Concord						
2020 Home Investment Partnership Program	14.239	M-20-DC-370209	27,198	-	-	-
2021 Home Investment Partnership Program	14.239	M-21-DC-370209	9,525	-	-	-
2022 Home Investment Partnership Program	14.239	M-22-DC-370209	105,329	-	-	-
2021 Home Investment Partnership Program-Program Income	14.239	75000-33350-HPR22	800	-	-	-
2022 Home Investment Partnership Program-Program Income	14.239	M-22-DC-370209	4,167	-	-	-
2023 Home Investment Partnership Program-Program Income	14.239	M-23-DC-370209	1,131	-	-	-
Total Home Investment Partnership Program			148,150	-	-	-
Total U.S. Department of Housing and Urban Development			753,323	-	-	-
U.S. Department of Energy:						
Energy Efficiency and Conservation Block Grant Program	81.128	EECEQ-00198	113,050	-	9,100	-
Total U.S. Department of Energy			113,050	-	9,100	-
U.S. Department of Justice:						
Equitable Sharing Program	16.922	NC0130200	10,558	-	-	-
Total U.S. Department of Justice			10,558	-	-	-
U.S. Department of Transportation:						
Federal Highway Administration:						
Passed Through NC Department of Transportation:						
Highway Planning, Research and Construction Cluster/						
Highway Planning, Research and Construction (Note 4)						
Highway Planning and Construction	20.205	43713.1.6	10,544	-	2,636	-
Highway Planning and Construction	20.205	47301.2.1	48,960	-	12,240	-
Total Highway Planning and Construction			59,504	-	14,876	-
Highway Planning, Research and Construction Cluster						
U.S. Department of Treasury:						
Passed through the N.C. Office of State Budget and Management						
Equitable Sharing	21.016	NC0130200	13,756	-	-	-
Total U.S. Department of Treasury			13,756	-	-	-
Total Assistance - Federal Awards			950,191	-	23,976	-
State Awards:						
N.C. Department of Transportation:						
Division Needs Projects - Highway Trust Funds		TIP# U-6098/ WBS 47896.3.1	-	240,609	-	-
Economic Development Funds		TIP# U-6098/ WBS 47896.3.1	-	487,640	-	-
Powell Bill		2000068772	-	1,232,673	-	-
Total N.C. Department of Transportation			-	1,960,922	-	-
N.C. Department of Environmental Quality:						
Local Assistance for Stormwater Infrastructure - American Rescue Plan Act (ARPA) Grant		SRP-SW-ARP-0075	-	141,200	-	-
Volkswagen Settlement Grant Program		61649VW	-	152,000	19,800	-
Volkswagen Settlement Grant Program		1000014130	-	20,000	19,561	-
Total N.C. Department of Transportation			-	313,200	39,361	-
University of North Carolina Chapel Hill:						
Camino Community Development Latino Community Engagement			-	6,000	-	6,000
North Carolina Office of State Controller						
State Asset Forfeiture			-	27,000	-	-
Total Assistance - State Awards			-	2,307,122	39,361	6,000
Total Federal and State Awards			\$ 950,191	\$ 2,307,122	\$ 63,337	\$ 6,000

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, 2024. 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