

KANNAPOLIS CITY
BOARD OF EDUCATION

Financial Statements
(Audited)

Year Ended June 30, 2022

KANNAPOLIS CITY BOARD OF EDUCATION

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government – wide Financial Statements:	
1 Statement of Net Position.....	11
2 Statement of Activities.....	12
Fund Financial Statements:	
3 Balance Sheet – Governmental Funds.....	13
4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	14
5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Head Start, and Annually Budgeted Major Special Revenue Funds.....	16
6 Statement of Net Position – Proprietary Fund.....	17
7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund.....	18
8 Statement of Cash Flows – Proprietary Fund.....	19
Notes to the Financial Statements.....	21
Required Supplemental Information	
Schedule of Proportionate Share of Net Pension Liability.....	47
Schedule of Board Contributions.....	48
Schedule of the Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund.....	49
Schedule of Board Contributions – Retiree Health Benefit Fund.....	50
Schedule of the Proportionate Share of the Net OPEB Asset – Disability Income Plan of North Carolina.....	51
Schedule of Contributions – Disability Income Plan of North Carolina.....	52
Individual Fund Schedules:	
A-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	53
B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund.....	55
C-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Other Specific Revenue.....	56
D-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund.....	57

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	59
Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	61
Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 and the State Single Audit Implementation Act	63
Schedule of Findings and Questioned Costs	65
Corrective Action Plan	68
Summary Schedule of Prior Year Findings	69
Schedule of Expenditures of Federal and State Awards	70

INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the
Kannapolis City Board of Education
Kannapolis, North Carolina

Report on the Audit of the Financial Statements**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kannapolis City Board of Education, North Carolina, as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Kannapolis City Board of Education's basic financial statements listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Kannapolis City Board of Education, North Carolina as of June 30, 2022, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, the State Public School, the Head Start, the Federal Grants, and the Other Specific Revenue funds 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Kannapolis City Board of Education 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 Audit of the Financial Statements

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

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 Kannapolis City Board of Education'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Kannapolis City Board of Education'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 Kannapolis City Board of Education'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 Management's Discussion and Analysis on pages 4 through 10 and the Schedule of the Proportionate Share of Net Pension and OPEB Liabilities and the Schedule of Board Contributions on pages 47 thru 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 the 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 basic financial statements of Kannapolis City Board of Education. North Carolina. The individual nonmajor fund financial statements and schedules, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by Title 2 US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 individual non-major fund financial statements and schedules, budgetary schedules, other schedules, and the schedule of federal and State awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of Kannapolis City Board of Education's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the 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 Kannapolis City Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

Gastonia, North Carolina
November 15, 2022

**KANNAPOLIS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

This section of the Kannapolis City Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2022. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board's enrollment has decreased.

Overview of the Financial Statements

The audited financial statements of the Kannapolis City Board of Education consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (Assets) and Schedule of Board Contributions*
- *Supplementary section that presents budgetary schedules for governmental and enterprise funds.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The Statement of Net Position includes all of the Board's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary fund is presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

**KANNAPOLIS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how they have changed. Net position – the difference between the Board's assets and liabilities – are one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- **Governmental activities:** Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and state and federal aid finance most of these activities.
- **Business-type activities:** The Board charges fees to help it cover the costs of certain services it provides. School food service is included here.

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds – not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants fund.

Kannapolis City Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Head Start Fund, and the Federal Grants Fund.

**KANNAPOLIS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Fund Financial Statements (Continued)

The governmental fund statements are shown as Exhibits 3, 4, and 5 of this report.

Proprietary fund: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Kannapolis City Board of Education has one proprietary fund – an enterprise fund – the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows by \$6,465,592 as of June 30, 2022. The largest component of net position is investment in capital assets of \$75,429,916.

Following is a summary of the Statement of Net Position:

Note that net position decreased during the year. Also note that the Board carries capital assets for which Cabarrus County carries the offsetting debt.

**Condensed Statement of Net Position
as of June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Current assets	\$2,591,265	\$1,450,968	\$1,046,169	\$159,674	\$3,637,434	\$1,610,642
Capital assets	78,253,007	78,978,780	390,475	359,306	78,643,482	79,338,086
Total assets	80,844,272	80,429,748	1,436,644	518,980	82,280,916	80,948,728
Deferred outflow of resources	16,508,798	14,754,327	572,797	301,892	17,081,595	15,056,219
Current liabilities	860,184	2,403,832	-	2,810	860,184	2,406,642
Long-term liabilities	69,716,653	80,920,338	2,255,448	1,548,656	71,972,101	82,468,994
Total liabilities	70,576,837	83,324,170	2,255,448	1,551,466	72,832,285	84,875,636
Deferred inflows of resources	31,889,369	27,061,305	1,106,449	553,709	32,995,818	27,615,014
Investment in capital assets	75,039,441	75,591,436	390,475	359,306	75,429,916	75,950,742
Restricted net position	1,525,682	1,093,088	4,983	3,956	1,530,665	1,097,044
Unrestricted net position	(81,678,259)	(91,885,924)	(1,747,914)	(1,647,565)	(83,426,173)	(93,533,489)
Total net position,	\$ (5,113,136)	\$ (15,201,400)	\$ (1,352,456)	\$ (1,284,303)	\$ (6,465,592)	\$ (16,485,703)

**KANNAPOLIS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Financial Analysis of the Schools as a Whole (Continued)

The following table shows the revenues and expenses for the Board for the current and prior fiscal year.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Revenues:						
Program revenues:						
Charges for services	\$ 118,447	\$ 82,879	\$ 158,426	\$ 8,391	\$ 276,873	\$ 91,270
Operating grants and contributions	51,228,030	44,309,705	4,473,980	2,251,875	55,702,010	46,561,580
Capital grants and contributions	140,088	104,590	-	-	140,088	104,590
General revenues:						
Other revenues	16,080,170	14,776,052	55	52,156	16,080,225	14,828,208
Total revenues	<u>67,566,735</u>	<u>59,273,226</u>	<u>4,632,461</u>	<u>2,312,422</u>	<u>72,199,196</u>	<u>59,048,896</u>
Expenses:						
Governmental activities:						
Instructional Services	43,056,387	45,920,243	-	-	43,056,387	45,920,243
System-wide support services	13,183,688	11,943,788	-	-	13,183,688	11,943,788
Ancillary services	283,190	668,058	-	-	283,190	668,058
Non-programmed Charges	693,403	827,168	-	-	693,403	827,168
Depreciation	124,079	169,388	-	-	124,079	169,388
Interest	92,432	118,393	-	-	92,432	118,393
Business-type activities:						
Food service	-	-	4,745,906	775,237	4,745,906	775,237
Total expenses	<u>57,433,179</u>	<u>59,647,038</u>	<u>4,745,906</u>	<u>775,237</u>	<u>62,179,085</u>	<u>60,422,275</u>
Transfer in (out)	(45,292)	(81,690)	45,292	81,690	-	-
Increase (decrease) in net position	10,088,264	(455,502)	(68,153)	1,618,875	10,020,111	1,163,373
Beginning net position	(15,201,400)	(14,745,898)	(1,284,303)	(2,903,178)	(16,485,703)	(17,649,076)
Ending net position	<u>\$ (5,113,136)</u>	<u>\$ (15,201,400)</u>	<u>\$ (1,352,456)</u>	<u>\$ (1,284,303)</u>	<u>\$ (6,465,592)</u>	<u>\$ (16,485,703)</u>

**KANNAPOLIS CITY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2022**

Financial Analysis of the Schools as a Whole (Continued)

Total governmental activities generated revenues of \$67.6 million while expenses in this category totaled \$57.4 million for the year ended June 30, 2022. Comparatively, revenues were \$59.3 million and expenses totaled \$59.6 million for the year ended June 30, 2021. After transfers to the business-type activities, the increase in net position was \$10,088,264 at June 30, 2022, compared to the decrease in net position of approximately \$455,502 at June 30, 2021. Instructional expenses comprised 75% of total governmental-type expenses while supporting services made up 23% of those expenses. County funding comprised 19% of total governmental revenue while unrestricted State funding added another 1% for 2022. In 2021, county funding was 21% and unrestricted State funding added 1%. Much of the remaining 81% of total governmental revenue for 2022 consists of restricted State and Federal money. This revenue represented 79% of total revenue in 2021. Business-type activities generated revenue of \$4.6 million and had expenses of \$4.7 million. Net position decreased by \$68,153 in the business-type activities.

Financial Analysis of the Board’s Funds

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

The Board’s governmental funds reported a combined fund balance of \$1,702,258, a \$807,420 increase from last year. All of the Board’s governmental funds had expenditures that exceeded revenues and other financing uses, except Capital Outlay.

Proprietary Fund: The School Food Service Fund’s operating expenses exceeded the total revenues. Net position decreased \$68,153.

**Categorization of Expenditures
for Governmental Funds**

Instructional Services	\$ 49,724,484
System-wide support Services	15,348,053
Ancillary Services	283,190
Non-programed charges	693,403

Expenditures presented on modified accrual basis of accounting

**KANNAPOLIS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

General Fund Budgetary Highlights

Capital Assets

Capital assets decreased by \$694,604 (or .9%) from the previous year.

The following is a summary of the capital assets, net of depreciation at year-end.

**Table 3
Summary of Capital Assets
as of June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2022	6/30/2021	6/30/2022	6/30/2021	6/30/2022	6/30/2021
Land	\$ 1,892,616	\$ 1,892,616	\$ -	\$ -	\$ 1,892,616	\$1,892,616
Construction in progress	-	-	-	-	-	-
Building and improvements	72,955,854	74,340,488	-	-	72,955,854	74,340,488
Equipment and furniture	2,282,855	1,616,223	390,475	359,306	2,673,330	1,975,529
Vehicles	1,121,682	1,129,453	-	-	1,121,682	1,129,453
Total	\$ 78,253,007	\$ 78,978,780	\$ 390,475	\$ 359,306	\$ 78,643,482	\$ 79,338,086

Debt Outstanding

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The Board's debt decreased by \$173,778. The Board entered into an Energy Savings Contract agreement during the year ended June 30, 2021. The County holds virtually all debt issued for school capital construction.

Economic Factors

The Board anticipates a decreased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. The poor economy has resulted in decreased funding from the State level, but local funding has remained steady. Growth in general has slowed in Cabarrus County, as it has in the rest of the State, but the County has remained financially stable. The North Carolina Research Campus still makes Kannapolis an attractive destination for both business and residential development.

Impact of Coronavirus on School

During the fiscal year, the State and nation continued to be affected by the spread of a coronavirus (COVID-19). Educational services were provided to students remotely, within the traditional classroom environment or a hybrid method incorporating on-site instruction and remote learning. The Board incurred additional expenses as a result of COVID-19 including: purchase of personal protective equipment and remote learning educational tools. In addition, the Board received grants from the federal government to assist with these additional expenses incurred due to COVID-19.

**KANNAPOLIS CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Requests for Information

This report is intended to provide a summary of the financial condition of Kannapolis City Board of Education. Questions or requests for additional information should be addressed to:

Kim Greek, Finance Officer
Kannapolis City Board of Education
100 Denver Street
Kannapolis, NC 28083

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,085,284	\$ 978,677	\$ 3,063,961
Receivables (net)	52,092	-	52,092
Due from other governments	308,735	120,223	428,958
OPEB asset	28,823	1,000	29,823
Internal balances	116,331	(116,331)	-
Inventories	-	62,600	62,600
Capital assets:			
Land	1,892,616	-	1,892,616
Other capital assets, net of depreciation	76,360,391	390,475	76,750,866
Total capital assets	<u>78,253,007</u>	<u>390,475</u>	<u>78,643,482</u>
Total assets	<u>80,844,272</u>	<u>1,436,644</u>	<u>82,280,916</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>16,508,798</u>	<u>572,797</u>	<u>17,081,595</u>
LIABILITIES			
Accounts payable and accrued expenses	860,184	-	860,184
Long-term liabilities:			
Net pension liability	9,331,744	323,779	9,655,523
Net OPEB liability	53,412,988	1,853,242	55,266,230
Due within one year	2,089,377	62,500	2,151,877
Due in more than one year	4,882,544	15,927	4,898,471
Total liabilities	<u>70,576,837</u>	<u>2,255,448</u>	<u>72,832,285</u>
DEFERRED INFLOWS OF RESOURCES	<u>31,889,369</u>	<u>1,106,449</u>	<u>32,995,818</u>
NET POSITION			
Net investment in capital assets	75,039,441	390,475	75,429,916
Restricted for:			
Stabilization by State Statue	18,237	-	18,237
Individual Schools	383,482	-	383,482
Other Specific Revenue	980,329	-	980,329
DIPNC OPEB plan	143,634	4,983	148,617
Unrestricted	(81,678,259)	(1,747,914)	(83,426,173)
Total net position	<u>\$ (5,113,136)</u>	<u>\$ (1,352,456)</u>	<u>\$ (6,465,592)</u>

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional services:							
Regular	\$ 25,456,142	\$ -	\$ 27,335,449	\$ 140,088	\$ 2,019,395	\$ -	\$ 2,019,395
Special populations	6,338,363	-	7,231,145	-	892,782	-	892,782
Alternative programs	4,439,239	-	4,619,578	-	180,339	-	180,339
School leadership	3,351,448	-	2,313,874	-	(1,037,574)	-	(1,037,574)
Co-cirricular	978,278	-	-	-	(978,278)	-	(978,278)
School-based support	2,492,917	-	2,699,251	-	206,334	-	206,334
System-wide support services:							
Support and development	314,162	-	153,029	-	(161,133)	-	(161,133)
Special populations support and development	238,146	-	178,995	-	(59,151)	-	(59,151)
Alternative programs and services support and development	282,691	-	191,864	-	(90,827)	-	(90,827)
Technology support	386,871	-	77,585	-	(309,286)	-	(309,286)
Operational support	9,417,023	118,447	5,355,696	-	(3,942,880)	-	(3,942,880)
Financial and human resources	1,489,974	-	292,356	-	(1,197,618)	-	(1,197,618)
Accountability	300,895	-	250,549	-	(50,346)	-	(50,346)
System-wide pupil support	29,426	-	11,422	-	(18,004)	-	(18,004)
Policy, leadership and public relations	724,500	-	268,425	-	(456,075)	-	(456,075)
Ancillary services	283,190	-	221,983	-	(61,207)	-	(61,207)
Non-programmed charges	693,403	-	26,829	-	(666,574)	-	(666,574)
Interest	92,432	-	-	-	(92,432)	-	(92,432)
Unallocated depreciation expense**	124,079	-	-	-	(124,079)	-	(124,079)
Total governmental activities	57,433,179	118,447	51,228,030	140,088	(5,946,614)	-	(5,946,614)
Business-type activities:							
School food service	4,745,906	158,426	4,473,980	-	-	(113,500)	(113,500)
Total primary government	\$ 62,179,085	\$ 276,873	\$ 55,702,010	\$ 140,088	(5,946,614)	(113,500)	(6,060,114)
General revenues:							
Unrestricted county appropriations - operating					12,074,900	-	12,074,900
Unrestricted county appropriations - capital					607,107	-	607,107
Unrestricted State appropriations - capital					112,167	-	112,167
Investment earnings, unrestricted					-	55	55
Miscellaneous, unrestricted					3,285,996	-	3,285,996
Transfers					(45,292)	45,292	-
Total general revenues and transfers					16,034,878	45,347	16,080,225
Change in net position					10,088,264	(68,153)	10,020,111
Net position-beginning,					(15,201,400)	(1,284,303)	(16,485,703)
Net position-ending					\$ (5,113,136)	\$ (1,352,456)	\$ (6,465,592)

** This amount excludes the depreciation that is included in the direct expenses of the various programs

**KANNAPOLIS CITY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022**

Exhibit 3

	Major Funds						Total Governmental Funds	
	General	State Public School	Capital Outlay	Head Start	Federal Grants Fund	Individual Schools		Other Specific Revenue
ASSETS								
Cash and cash equivalents	\$ 863,675	\$ -	\$ -	\$ 10,890	\$ -	\$ 383,482	\$ 827,237	\$ 2,085,284
Receivables (net)	-	-	-	-	-	-	52,092	52,092
Due from other governemnts	2,906	-	305,829	-	-	-	-	308,735
Due from other funds	15,331	-	-	-	-	-	101,000	116,331
Total assets	<u>\$ 881,912</u>	<u>\$ -</u>	<u>\$ 305,829</u>	<u>\$ 10,890</u>	<u>\$ -</u>	<u>\$ 383,482</u>	<u>\$ 980,329</u>	<u>\$ 2,562,442</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 245,096	\$ -	\$ 604,198	\$ 10,890	\$ -	\$ -	\$ -	\$ 860,184
Due to other funds	-	-	-	-	-	-	-	-
Accrued salaries and wages	-	-	-	-	-	-	-	-
Unavailable revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>245,096</u>	<u>-</u>	<u>604,198</u>	<u>10,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,184</u>
Fund balances:								
Restricted:								
Stabilization by State Statue	18,237	-	-	-	-	-	-	18,237
School Capital Outlay	-	-	-	-	-	-	-	-
Individual Schools	-	-	-	-	-	383,482	-	383,482
Other Specific Revenue	-	-	-	-	-	-	980,329	980,329
Assigned:								
Subsequent years expenditures	-	-	-	-	-	-	-	-
Unassigned:	618,579	-	(298,369)	-	-	-	-	320,210
Total fund balances	<u>636,816</u>	<u>-</u>	<u>(298,369)</u>	<u>-</u>	<u>-</u>	<u>383,482</u>	<u>980,329</u>	<u>1,702,258</u>
Total liabilities and fund balances	<u>\$ 881,912</u>	<u>\$ -</u>	<u>\$ 305,829</u>	<u>\$ 10,890</u>	<u>\$ -</u>	<u>\$ 383,482</u>	<u>\$ 980,329</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

OPEB asset	\$ 28,823
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	78,253,007
Deferred outflows of resources related to pensions	9,360,271
Deferred outflows of resources related to OPEB	7,148,527
Liabilities for earned but deferred revenues in fund statements.	-
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(6,971,921)
Net pension liability	(9,331,744)
Net OPEB liability	(53,412,988)
Deferred inflows of resources related to pensions	(12,711,769)
Deferred inflows of resources related to OPEB	(19,177,600)
Net position of governmental activities	<u>\$ (5,113,136)</u>

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Capital Outlay	Head Start	Federal Grants Fund	Individual Schools	
REVENUES							
State of North Carolina	\$ -	\$ 36,220,857	\$ 112,167	\$ -	\$ -	\$ -	\$ 36,333,024
County appropriations	12,074,900	-	607,107	-	-	-	12,682,007
U.S. Government	398,682	1,149,421	305,829	4,141,631	9,748,519	81,321	15,825,403
Other	204,399	-	3,650	-	-	772,076	2,726,300
Total revenues	<u>12,677,981</u>	<u>37,370,278</u>	<u>1,028,753</u>	<u>4,141,631</u>	<u>9,748,519</u>	<u>772,076</u>	<u>67,566,734</u>
EXPENDITURES							
Current:							
Instructional services:							
Regular	1,677,724	23,486,067	110,121	-	3,865,581	-	29,478,481
Special populations	238,516	5,739,352	-	-	1,491,793	-	7,512,906
Alternative programs	35,559	1,001,842	-	981,102	2,636,634	-	5,171,221
School leadership	1,662,886	2,016,833	-	297,041	-	-	3,976,760
Co-curricular	301,914	-	-	-	-	723,838	1,025,752
School-based support	258,795	1,923,622	-	173,133	602,496	-	2,958,046
System-wide support services:							
Support and development	219,749	60,400	-	-	92,629	-	372,778
Special populations support and development	103,584	178,995	-	-	-	-	282,579
Alternative programs and services support and development	143,571	31,907	-	63,256	96,701	-	335,435
Technology support	157,175	77,585	-	-	-	129,623	364,383
Operational support	4,610,432	2,023,927	988,530	2,617,927	713,842	29,456	10,984,114
Financial and human resources	1,474,068	292,356	-	-	-	1,305	1,767,729
Accountability	106,487	250,549	-	-	-	-	357,036
System-wide pupil support	23,494	2,250	-	9,172	-	-	34,916
Policy, leadership and public relations	523,881	268,394	-	-	31	56,777	849,083
Ancillary services	7,293	-	-	-	221,983	53,914	283,190
Non-programmed charges	666,574	-	-	-	26,829	-	693,403
Debt service:							
Principle	173,778	-	-	-	-	-	173,778
Interest	92,432	-	-	-	-	-	92,432
Capital outlay:							
Real property and buildings	-	-	-	-	-	-	-
Furniture and equipment	-	-	-	-	-	-	-
Buses and motor vehicles	-	-	-	-	-	-	-
Total expenditures	<u>12,477,912</u>	<u>37,354,079</u>	<u>1,098,651</u>	<u>4,141,631</u>	<u>9,748,519</u>	<u>723,838</u>	<u>66,714,022</u>
Excess of revenues over (under) expenditures	200,069	16,199	(69,898)	-	-	48,238	852,712
OTHER FINANCING USES							
Transfers to other funds	(20,785)	(16,199)	-	-	-	(8,308)	(45,292)
Capital lease obligations issued	-	-	-	-	-	-	-
Total other financing sources	<u>(20,785)</u>	<u>(16,199)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,308)</u>	<u>(36,984)</u>
Net change in fund balance	179,284	-	(69,898)	-	-	48,238	807,420
Fund balances-beginning	457,532	-	(228,471)	-	-	335,244	894,838
Fund balances-ending	<u>\$ 636,816</u>	<u>\$ -</u>	<u>\$ (298,369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,482</u>	<u>\$ 1,702,258</u>

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

Page 14

**KANNAPOLIS CITY BOARD OF EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2022**

**Exhibit 4
 (Continued)**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 807,420
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(725,773)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	5,335,284
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	2,048,776
Payments on Long-term debt	173,778
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB non-employer contributions	334,290
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	25,214
Pension expense	(943,038)
OPEB benefit	3,032,313
	<hr/>
Total changes in net position of governmental activities	<u>\$ 10,088,264</u>

**KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
GENERAL FUND, HEAD START, AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2022**

	General Fund				State Public School Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:								
State of North Carolina	\$ -	\$ -	\$ -	\$ -	\$ 35,429,221	\$ 36,969,589	\$ 36,220,857	\$ (748,732)
County appropriations	12,108,240	12,108,240	12,074,900	(33,340)	-	-	-	-
U.S. Government	-	-	398,682	398,682	1,149,421	1,149,421	1,149,421	-
Other	167,000	167,000	204,399	37,399	-	-	-	-
Total revenues	<u>12,275,240</u>	<u>12,275,240</u>	<u>12,677,981</u>	<u>402,741</u>	<u>36,578,642</u>	<u>38,119,010</u>	<u>37,370,278</u>	<u>(748,732)</u>
Expenditures:								
Current:								
Instructional services:								
Regular	1,187,450	1,391,915	1,677,724	(285,809)	23,061,727	23,849,701	23,486,067	363,634
Special populations	301,879	283,112	238,516	44,596	5,489,800	5,762,108	5,739,352	22,756
Alternative programs	111,994	53,018	35,559	17,459	1,307,759	1,089,828	1,001,842	87,986
School leadership	1,709,282	1,662,886	1,662,886	-	1,960,107	2,022,738	2,016,833	5,905
Co-curricular	293,139	321,909	301,914	19,995	-	-	-	-
School-based support	219,006	309,077	258,795	50,282	1,873,442	1,931,954	1,923,622	8,332
System-wide support services:								
Support and development	187,460	219,749	219,749	-	70,838	60,400	60,400	-
Special populations support and development	208,938	116,600	103,584	13,016	54,600	178,995	178,995	-
Alternative programs and services support and development	132,106	145,317	143,571	1,746	28,631	31,907	31,907	-
Technology support	158,000	164,818	157,175	7,643	76,229	77,585	77,585	-
Operational support	5,016,070	4,330,598	4,610,432	(279,834)	1,635,229	2,117,183	2,023,927	93,256
Financial and human resources	1,291,128	1,561,098	1,474,068	87,030	307,441	384,407	292,356	92,051
Accountability	148,611	124,848	106,487	18,361	150,000	250,549	250,549	-
System-wide pupil support	39,576	24,690	23,494	1,196	10,000	2,250	2,250	-
Policy, leadership and public relations	402,593	565,654	523,881	41,773	455,135	343,206	268,394	74,812
Ancillary services	28,100	28,085	7,293	20,792	-	-	-	-
Non-programmed charges	573,908	684,831	666,574	18,257	-	-	-	-
Unbudgeted funds	-	-	-	-	-	-	-	-
Debt Service:								
Principle	173,568	173,818	173,778	40	-	-	-	-
Interest	92,432	92,432	92,432	-	-	-	-	-
Capital outlay:								
Buses and motor vehicles	-	-	-	-	-	-	-	-
Total expenditures	<u>12,275,240</u>	<u>12,254,455</u>	<u>12,477,912</u>	<u>(223,497)</u>	<u>36,480,938</u>	<u>38,102,811</u>	<u>37,354,079</u>	<u>748,732</u>
Revenues over (under) expenditures	-	20,785	200,069	179,244	97,704	16,199	16,199	-
Other financing uses:								
Transfers to other funds	-	(20,785)	(20,785)	-	(97,704)	(16,199)	(16,199)	-
Revenues under expenditures and other uses	-	-	179,284	179,244	-	-	-	-
Appropriated fund balance	-	-	-	-	-	-	-	-
Revenues and appropriated fund balance under expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>179,284</u>	<u>\$ 179,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning of year			457,532					
Fund balances, end of year			<u>\$ 636,816</u>				<u>\$ -</u>	

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

Head Start				Federal Grants Fund				Other Specific Revenue Fund			
Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,475,010	6,475,010	4,141,631	(2,333,379)	16,083,918	20,973,183	9,748,519	(11,224,664)	32,000	32,000	81,321	(49,321)
-	-	-	-	-	-	-	-	1,590,500	1,646,755	1,746,175	(99,420)
6,475,010	6,475,010	4,141,631	(2,333,379)	16,083,918	20,973,183	9,748,519	(11,224,664)	1,622,500	1,678,755	1,827,496	(148,741)
-	-	-	-	3,932,995	7,928,073	3,865,581	4,062,492	385,835	393,673	338,988	54,685
-	-	-	-	1,634,019	2,290,854	1,491,793	799,061	285,653	285,653	43,245	242,408
987,354	981,102	981,102	-	5,052,139	5,912,764	2,636,634	3,276,130	629,950	620,762	516,084	104,678
287,098	297,041	297,041	-	-	-	-	-	160	160	-	160
-	-	-	-	-	-	-	-	-	-	-	-
179,918	173,133	173,133	-	3,451,632	2,519,025	602,496	1,916,529	2,867	2,867	-	2,867
-	-	-	-	73,447	92,634	92,629	5	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
6,549	63,256	63,256	-	100,105	102,605	96,701	5,904	-	-	-	-
-	-	-	-	-	-	-	-	205,538	206,418	129,623	76,795
5,011,341	4,951,306	2,617,927	2,333,379	1,722,429	1,846,442	713,842	1,132,600	10,000	38,476	29,456	9,020
-	-	-	-	-	-	-	-	-	5,000	1,305	3,695
-	-	-	-	-	-	-	-	-	-	-	-
2,000	9,172	9,172	-	-	-	-	-	-	-	-	-
750	-	-	-	-	31	31	-	62,000	63,524	56,777	6,747
-	-	-	-	45,255	241,405	221,983	19,422	40,497	53,914	53,914	-
-	-	-	-	71,897	39,350	26,829	12,521	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
6,475,010	6,475,010	4,141,631	2,333,379	16,083,918	20,973,183	9,748,519	11,224,664	1,622,500	1,670,447	1,169,392	501,055
-	-	-	-	-	-	-	-	-	8,308	658,104	666,412
-	-	-	-	-	-	-	-	-	(8,308)	(8,308)	-
-	-	-	-	-	-	-	-	-	-	649,796	-
-	-	-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,796	\$ 666,412
-	-	-	-	-	-	-	-	-	-	330,533	-
-	-	-	-	-	-	-	-	-	-	\$ 980,329	-

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

Exhibit 6

	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 978,677
OPEB asset	1,000
Due from other governments	120,223
Inventories	62,600
Total current assets	<u>1,162,500</u>
Noncurrent assets:	
Capital assets, net	<u>390,475</u>
Total assets	<u>1,552,975</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>572,797</u>
LIABILITIES	
Current liabilities:	
Due to other funds	116,331
Compensated absences	62,500
Total current liabilities	<u>178,831</u>
Noncurrent liabilities:	
Net pension liability	323,779
Net OPEB liability	1,853,242
Compensated absences	15,927
Total noncurrent liabilities	<u>2,192,948</u>
Total liabilities	<u>2,371,779</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,106,449</u>
NET POSITION	
Net investment in capital assets	390,475
DIPNC OPEB plan	4,983
Unrestricted	<u>(1,747,914)</u>
Total net position	<u>\$ (1,352,456)</u>

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
For the Year Ended June 30, 2022

Exhibit 7

	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
OPERATING REVENUES	
Food sales	\$ 158,426
OPERATING EXPENSES	
Purchase of food	1,364,102
Salaries and benefits	2,865,988
Indirect costs	240,819
Materials and supplies	202,942
Telephone and utilities	10,317
Contracted services	6,171
Depreciation	55,567
Other	-
Total operating expenses	<u>4,745,906</u>
Operating loss	<u>(4,587,480)</u>
NONOPERATING REVENUES	
Federal reimbursements	3,894,619
Federal commodities	338,542
Interest earned	55
Indirect costs not paid	240,819
Miscellaneous	-
Total nonoperating revenue	<u>4,474,035</u>
Income before transfers	(113,445)
Transfers from other funds	<u>45,292</u>
Change in net position	(68,153)
Total net position - beginning	<u>(1,284,303)</u>
Total net position - ending	<u>\$ (1,352,456)</u>

**KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2022**

Exhibit 8

	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 158,426
Cash paid for goods and services	(1,257,615)
Cash paid to employees for services	(1,834,036)
Net cash used by operating activities	<u>(2,933,225)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	<u>3,822,984</u>
Net cash provided by noncapital financing activities	<u>3,822,984</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(86,736)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>55</u>
Net increase in cash and cash equivalents	803,078
Balances-beginning of the year	<u>175,599</u>
Balances-end of the year	<u>\$ 978,677</u>

**KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2022**

**Exhibit 8
(Continued)**

	<u>Major Fund</u>
	<u>School Food Service</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (4,587,480)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	55,567
Donated commodities consumed	338,542
Salaries paid by special revenue fund	45,292
Indirect costs not paid	240,819
Changes in assets and liabilities:	
Decrease in OPEB asset	843
Increase in inventory	(12,625)
Increase in deferred outflows	(270,905)
Decrease in net pension liability	(188,665)
Increase in OPEB liability	817,030
Increase in deferred inflows	552,740
Increase in compensated absences	75,617
	<u>1,654,255</u>
Total adjustments	1,654,255
Net cash used by operating activities	<u>\$ (2,933,225)</u>

Noncash investing, capital, and financing activities:

The School Food Service Fund received donated commodities with a value of \$338,542 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

The State Public School Fund paid salaries and benefits of \$45,292 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected by a transfer in and an operating expense on Exhibit 7.

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Kannapolis City Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Kannapolis, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through 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 Board and for each function of the Board'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 are presented as general revenues.

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

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

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the “Local Current Expense Fund,” which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Cabarrus and Rowan County appropriations, restricted sales tax moneys, proceeds of Cabarrus and Rowan County bonds issued for public school construction, lottery proceeds, as well as certain State assistance.

Head Start Fund. The Head Start program is a child development program providing comprehensive educational and health services to disadvantaged pre-school children. The U.S. Government provides the funding for the program.

Federal Grants Fund. The Federal Grants Fund includes appropriations from various funding sources for the current operating expenditures of the various grants awarded to the Board.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

Other Specific Revenue Fund. The Other Specific Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

The Board reports the following major enterprise fund:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system.

Measurement Focus and 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 and 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 Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for 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. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

All governmental and business-type activities and enterprise funds of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to a certain limit) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change purpose appropriations by more than the limit. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary to account for changes in revenue expectations. 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.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Fund Equity

Deposits and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board 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; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1. The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

Cash and Cash Equivalents

The Board 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.

Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary fund inventories consist of food and supplies and are recorded as expenses when consumed.

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1978 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Buildings	50
Equipment and furniture	10
Vehicles	6
Computer equipment	3

Depreciation for buildings and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities.

Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has several items that meet this criterion – unearned grant revenue in the General Fund and pension related deferrals.

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2021 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

The sick leave policy of the Board provides 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 Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

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

Fund Balance

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:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

 Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

 Restricted for School Capital Outlay- portion of fund balance that can only be used for School Capital Outlay. [G.S. 159-18 through 22]

 Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Assigned fund balance – portion of fund balance that Kannapolis City Board of Education intends to use for specific purposes.

 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; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(6,815,394) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 118,459,168
Less accumulated depreciation	<u>40,206,161</u>
Net capital assets	78,253,007
Net OPEB asset	28,823
Pension related deferred outflows of resources	9,360,271
OPEB related deferred outflows of resources	7,148,527
Liabilities for revenue unavailable but earned and therefore recorded in the fund statements but not the government-wide	--
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Direct financing	(3,213,566)
Compensated absences	(3,758,355)
Net pension liability	(9,331,744)
Net OPEB liability	(53,412,988)
Deferred inflows of resources related to pensions	(12,711,769)
Deferred in flows of resources related to OPEB	<u>(19,177,600)</u>
Total adjustment	<u>\$ (6,815,394)</u>

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$ 9,280,844 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,578,260
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(2,304,033)
Principal payments on debt owed are recorded as a use of funds on the fund statement but affect only the statement of net position in the government-wide statements.	173,778
Issuance of long-term debt	--
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	5,335,284
Contributions to the OPEB plans in the current fiscal year are not included in the Statement of Activities	2,048,776
Pension expense	(943,038)
OPEB benefit	3,032,313
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
OPEB non-employer contribution	334,290
Change in unavailable revenue	-
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	<u>25,214</u>
Total adjustment	<u>\$ 9,280,844</u>

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over appropriations

During the fiscal year ended June 30, 2022, the Board reported expenditures within the General Fund that violated State law (G.S. 115C-441) because they exceeded the amounts appropriated in the budget ordinance in the Regular Instructional and Operational Support category by \$285,809 and \$279,834, respectively. The Regular Instructional was caused by incorrect posting of Emergency Connectivity Funds received. The Operational Support cause was expenditures recorded for amounts paid by Cabarrus County to Cabarrus County Schools on behalf of Kannapolis City Schools that were not fully budgeted.

Deficits in fund balance of individual funds

The Capital Outlay Fund has a deficit in fund balance of \$298,369. The Board will budget funds in subsequent years to eliminate this deficit.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit'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 Board, these deposits are considered to be held by the agent in the entity's 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 Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2022, the Board had deposits with financial institutions with a carrying amount of \$2,959,570 and with the State Treasurer of \$ 0. The bank balances with the financial institutions and the State Treasurer were \$2,600,453 and \$742,729, respectively. Of these balances, \$633,482 was covered by federal depository insurance and \$2,709,700 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2022, the Board of Education had \$104,391 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2022. The Board has no policy for managing interest rate risk or credit risk.

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Receivable

Receivables at the government-wide level at June 30, 2022 were as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other
	<u> </u>	<u> </u>	<u> </u>
Governmental activities:			
General Fund	\$ 15,331	\$ 2,906	\$ -
Capital Outlay	-	305,829	-
Federal Grants Fund	-	-	-
State Public School Fund	-	-	-
Other Specific Revenue	<u>101,000</u>	<u>-</u>	<u>52,092</u>
Total	<u>\$ 116,331</u>	<u>\$ 308,735</u>	<u>\$ 52,092</u>
Business-type activities:			
School Food Service	<u>\$ (116,331)</u>	<u>\$ 120,223</u>	<u>\$ -</u>
	<u>\$ (116,331)</u>	<u>\$ 120,223</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental activities:

Counties	\$ 2,906	Fines and forfeitures and other Capital projects
Counties	<u>305,829</u>	
Total	<u>\$ 308,735</u>	

Business-type activities:

North Carolina	<u>\$ 120,223</u>	USDA reimbursement
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**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,892,616	\$ -	\$ -	\$ 1,892,616
Construction in progress	--	-	-	-
Total capital assets not being depreciated	<u>1,892,616</u>	<u>-</u>	<u>-</u>	<u>1,892,616</u>
Capital assets being depreciated:				
Buildings	109,821,271	735,917	-	110,557,188
Equipment and furniture	2,534,736	790,711	-	3,325,447
Vehicles	<u>2,632,285</u>	<u>51,632</u>	-	<u>2,683,917</u>
Total capital assets being depreciated	<u>114,988,292</u>	<u>1,578,260</u>	<u>-</u>	<u>116,566,552</u>
Less accumulated depreciation for:				
Buildings	35,480,782	2,120,552	-	37,601,334
Equipment and furniture	918,513	124,079	-	1,042,592
Vehicles	<u>1,502,833</u>	<u>59,402</u>	-	<u>1,562,235</u>
Total accumulated depreciation	<u>37,902,128</u>	<u>2,304,033</u>	<u>-</u>	<u>40,206,161</u>
Total capital assets being depreciated, net	<u>77,086,164</u>			<u>76,360,391</u>
Governmental activity capital assets, net	<u>\$ 78,978,780</u>			<u>\$ 78,253,007</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated				
Furniture and office equipment	\$ 1,666,214	\$ 86,736	\$ -	\$ 1,752,950
Less accumulated depreciation for:				
Furniture and office equipment	<u>1,306,908</u>	<u>55,567</u>	<u>-</u>	<u>1,362,475</u>
School Food Service capital assets, net	<u>\$ 359,306</u>			<u>\$ 390,475</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 124,079
Technology support services	59,402
Regular instructional services	<u>2,120,552</u>
Total	<u>\$ 2,304,033</u>

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. assigns retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consist 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 Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. 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. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% 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. General employee 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. General employee 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. 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 regardless of age 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.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

TSERS 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 LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contributions provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2022, was 14.78% from July 1, 2021 to December 31, 2021 and 17.78% from January 1, 2022 to June 30, 2022 of covered payroll, 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 Board were \$5,520,400 for the year ended June 30, 2022.

Refunds of Contributions. Board employees who have terminated service as a contributing member of TSERS, 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 TSERS.

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

At June 30, 2022, the Board reported a liability of \$9,655,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board'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 TSERS employers, actuarially determined. At June 30, 2021 and at June 30, 2020, the Board's proportion was .21% and .21%, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$2,072,035. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 542,749	\$ 219,288
Changes of assumptions	3,621,891	-
Net difference between projected and actual earnings on pension plan investments	-	11,963,314
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	970,221
Board contributions subsequent to the measurement date	<u>5,520,400</u>	<u>-</u>
	<u>\$ 9,685,040</u>	<u>\$ 13,152,823</u>

\$5,520,400 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2023	\$ (1,607,724)
2024	(1,805,694)
2025	(1,905,665)
2026	(3,669,100)
Total	<u>\$ (8,988,183)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. 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 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was reported at June 30, 2022 and 2021 was 6.50% and 7.00%, respectively. the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Board’s proportionate share of net pension liability (asset)	\$ 32,388,263	\$ 9,655,523	\$ (9,241,082)

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 (ACFR) for the State of North Carolina.

b. Other Post-employment Benefits

Post-employment Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation. Contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina’s ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2021-57 repeals retiree medical benefits for employees first hired January 1, 2022. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2022, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2022 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.68% from July 1, 2021 to December 31, 2021 and 5.90% from January 1, 2022 to June 30, 2022 of covered payroll which amounted to \$2,119,861. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$334,290.

At June 30, 2022, Board reported a liability of \$55,266,230 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

liability was based on a projection of the Board’s present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board’s proportion was 0.186% and 0.191%.

\$2,119,861 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (7,630,353)
2024	(3,878,377)
2025	(1,401,809)
2026	(1,895,434)
2027	135,094
Total	<u>\$ (14,670,879)</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.00%
Healthcare cost trend rate - prescription drug	5.00-9.50%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.16% and 2.21% for June 30, 2022 and 2021, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 65,738,377	\$ 55,266,230	\$ 46,784,969

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	1% Decrease (Medical - 4.00-5.00%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical -5.00-6.00%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% increase (Medical - 6.00-7.00%, Pharmacy - 6.00-10.50%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 44,765,325	\$ 55,266,230	\$ 69,208,585

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

2. Disability Benefits

Plan description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$30,332 for the year ended June 30, 2022.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another postemployment benefit.

At June 30, 2022, Board reported an asset of \$29,823 for its proportionate share of the net DIPNC net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.187% and 0.192%.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

\$30,332 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2023	\$ 19,838
2024	13,627
2025	17,578
2026	8,900
2027	14,303
Total	<u>\$ 74,246</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.50%
Salary increases	3.25%-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	3.00%, net of pension plan expense, including inflation

Sensitivity of the Board’s proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	\$ 18,829	\$ 29,823	\$ 39,992

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, 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 were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

DIPNC is primarily invested in the Bond Index Investment Pool as June 30, 2021. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%

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

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

	RHBF	DIPNC	Total
OPEB Expense (benefit)	\$ (3,137,422)	\$ 65,901	\$ (3,071,521)
OPEB Liability (Asset)	55,266,230	(29,823)	55,236,407
Proportionate share of the net OPEB liability (asset)	0.1790%	0.1830%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ 326,284	\$ 76,039	\$ 402,323
Changes of assumptions	4,520,302	5,236	4,525,538
Net difference between projected and actual earnings on plan investments	-	2,910	2,910
Changes in proportion and defferences between Board contributions and proportionate share of contributions	311,313	4,278	315,591
Board contributions subsequent to the measurement date	2,119,861	30,332	2,150,193
	<u>\$ 7,277,760</u>	<u>\$ 118,795</u>	<u>\$ 7,396,555</u>
Deferred of Inflows of Resources			
Differences between Expected and actual experience	\$ 1,028,762	\$ -	\$ 1,028,762
Changes of assumptions	13,430,895	10,827	13,441,722
Net difference between projected and actual earnings on plan investments	28,271	-	28,271
Changes in proportion and defferences between Board contributions and proportionate share of contributions	5,340,849	3,391	5,344,240
	<u>\$ 19,828,777</u>	<u>\$ 14,218</u>	<u>\$ 19,842,995</u>

**KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Accounts Payable and Accrued Liabilities

Accounts payable as of June 30, 2022 are as follows:

	<u>Vendors</u>
Governmental Activities:	
General	\$ 245,096
Capital Outlay	604,198
Head Start	<u>10,890</u>
	<u>\$ 860,184</u>

Deferred Outflows and Deferred Inflows of Resources

The balance in deferred outflows and deferred inflows of resources at year-end is composed of the following elements:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportion and difference between Employer contributions and proportionate Share of contributions	\$ 315,591	\$ 6,314,461
Change in assumptions	8,147,429	13,441,722
Difference between projected and actual earning On plan investments	2,910	11,991,585
Board contributions subsequent to the measurement date	7,670,593	-
Difference between expected and actual experience	<u>945,072</u>	<u>1,248,050</u>
Totals	<u>\$ 17,081,595</u>	<u>\$ 32,995,818</u>

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,000,000, and \$1,400,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage, and for losses in excess of \$275,000 per claim for workers' compensation coverage. The Board also participates in the State Public Education Property Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. The Fund insures the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Reinsurance is provided by the Fund to provide financial solvency for property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays most of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Installment Purchase

The Board is authorized by State law GS 115C-47(28a) to enter into installment purchase contracts to finance energy conservation measures that will reduce its operating costs. In August 2021, the Board entered into a direct placement contract to reduce the energy costs associated with certain locations. Certain equipment is pledged as collateral for the debt while it is outstanding. The financing requires payments through August 2037 in the amount of approximately \$67,000 quarterly including interest at 2.782%.

Year ending	Principal	Interest
2023	\$ 178,377	\$ 87,550
2024	183,101	82,540
2025	187,953	77,395
2026	192,934	73,278
2027	198,051	68,161
Thereafter	2,273,150	333,848
Total	<u>\$ 3,213,566</u>	<u>\$ 722,772</u>

KANNAPOLIS CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Long-Term Obligation Activity

The following is a summary of changes in the Board’s long-term obligations for the fiscal year ended June 30, 2022:

	Balance June 30, 2021	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2022	Current Maturities
Governmental activities:					
Compensated absences	\$ 3,783,569	\$ 1,885,391	\$ 1,910,605	\$ 3,758,355	\$ 1,911,000
Pension liability	25,044,604	-	15,712,860	9,331,744	-
Net OPEB liability	50,642,599	2,770,389	-	53,412,988	-
Direct placement	<u>3,387,344</u>	<u>-</u>	<u>173,778</u>	<u>3,213,566</u>	<u>178,377</u>
	<u>\$ 82,858,116</u>	<u>\$ 4,655,780</u>	<u>\$ 17,797,243</u>	<u>\$ 69,716,653</u>	<u>\$ 2,089,377</u>
Business-type activities:					
Compensated absences	\$ 2,810	\$ 138,096	\$ 62,479	\$ 78,427	\$ 62,500
Pension liability	512,444	-	188,665	323,779	-
Net OPEB liability	<u>1,036,212</u>	<u>817,030</u>	<u>-</u>	<u>1,853,242</u>	<u>-</u>
	<u>\$ 1,551,466</u>	<u>\$ 955,126</u>	<u>\$ 251,144</u>	<u>\$ 2,255,448</u>	<u>\$ 62,500</u>

Compensated absences are typically liquidated by the general and other governmental funds.

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2022, consist of the following:

From the State Public School Fund, General Fund and Other Specific Revenue Fund to School Food Service Fund for administrative costs.	\$ <u>45,292</u>
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The amount due to the governmental activities from the business-type activities is from the unpaid portion of indirect costs for the year ended June 30, 2022 of \$101,000 and previous year amounts of accrued indirect costs that remain unpaid of \$15,331.

NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board 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 moneys 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 moneys.

**KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS***

	2022	2021	2020	2019	
Board's proportion of the net pension liability (asset)	0.206%	0.212%	0.216%	0.214%	
Board's proportionate share of the net pension liability (asset)	\$9,655,523	\$25,557,048	\$22,385,370	\$21,337,890	
Board's covered payroll	\$31,711,776	\$30,815,472	\$31,307,010	\$29,506,737	
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	30.45%	82.94%	71.50%	72.32%	
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	
	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.218%	0.221%	0.221%	0.220%	0.227%
Board's proportionate share of the net pension liability (asset)	\$17,285,180	\$20,297,477	\$8,142,443	\$2,582,492	\$13,781,213
Board's covered payroll	\$28,536,060	\$28,467,541	\$27,960,316	\$26,784,316	\$27,629,621
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	60.57%	71.30%	29.12%	9.64%	49.88%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

**KANNAPOLIS CITY BOARD OF EDUCATION
 SCHEDULE OF BOARD CONTRIBUTIONS
 TEASCHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
 LAST NINE FISCAL YEARS***

	2022	2021	2020	2019
Contractually required contribution	\$ 5,520,400	\$ 4,687,000	\$ 3,996,767	\$ 3,847,631
Contributions in relation to the contractually required contribution	<u>5,520,400</u>	<u>4,687,000</u>	<u>3,996,767</u>	<u>3,647,631</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$33,702,075	\$31,711,776	\$30,815,472	\$31,307,010
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,180,826	\$ 2,847,899	\$ 2,604,549	\$ 2,558,368	\$ 2,327,557
Contributions in relation to the contractually required contribution	<u>3,180,826</u>	<u>2,847,899</u>	<u>2,604,549</u>	<u>2,558,368</u>	<u>2,327,557</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$29,506,737	\$28,536,060	\$28,467,541	\$27,960,316	\$26,784,316
Contributions as a percentage of covered payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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

**KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST SIX FISCAL YEARS***

	<u>2022</u>
Board's proportion of the net OPEB liability (asset)	0.179%
Board's proportionate share of the net OPEB liability (asset)	\$ 55,266,230
Board's covered payroll	\$ 33,702,075
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	163.98%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	0.186%	0.191%	0.191%	0.199%	0.195%
Board's proportionate share of the net OPEB liability	\$ 51,678,811	\$ 60,537,539	\$ 54,488,462	\$ 65,390,133	\$ 84,658,305
Board's covered payroll	\$ 30,815,472	\$ 31,307,010	\$ 31,307,010	\$ 29,506,737	\$ 28,536,060
Board's proportionate share of the net OPEB liability	167.70%	193.37%	174.05%	221.61%	296.67%
Plan fiduciary net position as a percentage of the total	6.92%	4.40%	4.40%	3.52%	2.41%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only six years of data presented.

**KANNAPLOIS CITY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST TEN FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,119,861	\$ 2,118,347	\$ 1,993,761	\$ 1,962,949	\$ 1,785,158
Contributions in relation to the contractually required contribution	<u>2,119,861</u>	<u>2,118,347</u>	<u>1,993,761</u>	<u>1,962,949</u>	<u>1,785,158</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 33,702,075	\$ 31,711,776	\$ 30,815,472	\$ 31,307,010	\$ 29,506,737
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,657,945	\$ 1,594,182	\$ 1,535,021	\$ 1,446,353	\$ 1,464,370
Contributions in relation to the contractually required contribution	<u>1,657,945</u>	<u>1,594,182</u>	<u>1,535,021</u>	<u>1,446,353</u>	<u>1,464,370</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 28,536,060	\$ 28,467,541	\$ 27,960,316	\$ 26,784,316	\$ 27,629,623
Contributions as a percentage of covered payroll	5.81%	5.60%	5.49%	5.40%	5.30%

**KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST SIX FISCAL YEARS***

	<u>2022</u>
Board's proportion of the net OPEB asset	0.183%
Board's proportionate share of the net OPEB asset	\$ 29,823
Board's covered payroll	\$33,702,075
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.09%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.187%	0.192%	0.192%	0.194%	0.199%
Board's proportionate share of the net OPEB asset	\$ 91,919	\$ 82,908	\$ 58,331	\$ 118,420	\$ 123,331
Board's covered payroll	\$30,815,472	\$31,307,010	\$29,506,737	\$28,536,060	\$28,467,541
Board's proportionate share of the net OPEB asset as a	0.30%	0.26%	0.20%	0.41%	0.43%
Plan fiduciary net position as a percentage of the total	115.57%	113.00%	108.47%	116.23%	116.06%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only six years of data presented.

**KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST TEN FISCAL YEARS**

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 30,332	\$ 28,541	\$ 30,815	\$ 43,830	\$ 41,309
Contributions in relation to the contractually required contribution	<u>30,332</u>	<u>28,541</u>	<u>30,815</u>	<u>43,830</u>	<u>41,309</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 33,702,075	\$ 31,711,776	\$ 30,815,472	\$ 31,307,010	\$ 29,506,737
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%
	2017	2016	2015	2014	2013
Contractually required contribution	\$ 108,437	\$ 116,717	\$ 114,637	\$ 117,851	\$ 121,570
Contributions in relation to the contractually required contribution	<u>108,437</u>	<u>116,717</u>	<u>114,637</u>	<u>117,851</u>	<u>121,570</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 28,536,060	\$ 28,467,541	\$ 27,960,316	\$ 26,784,316	\$ 27,629,623
Contributions as a percentage of covered payroll	0.38%	0.41%	0.41%	0.44%	0.44%

**KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022**

Exhibit A-1

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
County appropriations:			
Cabarrus	\$ 9,105,993	\$ 9,072,653	\$ (33,340)
Rowan	2,975,652	2,975,652	-
Rowan other	26,595	26,595	-
Total	<u>12,108,240</u>	<u>12,074,900</u>	<u>(33,340)</u>
U.S. Government:			
Other	-	398,682	398,682
Total	<u>-</u>	<u>398,682</u>	<u>398,682</u>
Other :			
Cabarrus fines and forfeitures	125,000	161,826	36,826
Rowan fines and forfeitures	42,000	42,573	573
Other	-	-	-
Total	<u>167,000</u>	<u>204,399</u>	<u>37,399</u>
Total revenues	<u>12,275,240</u>	<u>12,677,981</u>	<u>402,741</u>
Expenditures:			
Instructional services:			
Regular	1,391,915	1,677,724	(285,809)
Special populations	283,112	238,516	44,596
Alternative programs	53,018	35,559	17,459
School leadership	1,662,886	1,662,886	-
Co-curricular	321,909	301,914	19,995
School-based support	309,077	258,795	50,282
Total instructional services	<u>4,021,917</u>	<u>4,175,394</u>	<u>(153,477)</u>
System-wide support services:			
Support and development	219,749	219,749	-
Special population support and development	116,600	103,584	13,016

**KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022**

**Exhibit A-1
(Continued)**

	Budget	Actual	Variance with Final Budget Positive (Negative)
System-wide support services (continued):			
Alternative programs and services support and development	145,317	143,571	1,746
Technology support	164,818	157,175	7,643
Operational support	4,330,598	4,610,432	(279,834)
Financial and human resource	1,561,098	1,474,068	87,030
Accountability	124,848	106,487	18,361
System-wide pupil support	24,690	23,494	1,196
Policy, leadership and public relations	565,654	523,881	41,773
Total system-wide support services	<u>7,253,372</u>	<u>7,362,441</u>	<u>(109,069)</u>
Ancillary services:			
Regular	28,085	7,293	20,792
Other	-	-	-
Total community services	<u>28,085</u>	<u>7,293</u>	<u>20,792</u>
Non-programmed charges	<u>684,831</u>	<u>666,574</u>	<u>18,257</u>
Debt service:			
Principle	173,818	173,778	40
Interest	92,432	92,432	-
	<u>266,250</u>	<u>266,210</u>	<u>-</u>
Total expenditures	<u>12,254,455</u>	<u>12,477,912</u>	<u>(223,497)</u>
Revenues under expenditures	20,785	200,069	179,244
Transfer in (out)	<u>(20,785)</u>	<u>(20,785)</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	179,284	<u>\$ 179,244</u>
Fund balance:			
Beginning of year, July 1		<u>457,532</u>	
End of year, June 30		<u>\$ 636,816</u>	

**KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2022**

Exhibit B-1

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
State:	\$ -	\$ 112,167	\$ 112,167
County appropriations:			
Cabarrus County bond proceeds	-	-	-
State public school bond proceeds	-	-	-
Rowan County 1/2 cent sales tax	1,000,000	100,000	(900,000)
Cabarrus County 1/2 cent sales tax	1,000,000	507,107	(492,893)
Total County	<u>2,000,000</u>	<u>607,107</u>	<u>(1,280,726)</u>
Other:			
Other	-	309,479	309,479
Total other	<u>-</u>	<u>309,479</u>	<u>309,479</u>
Total revenues	<u>2,000,000</u>	<u>1,028,753</u>	<u>(971,247)</u>
Expenditures:			
Instructional services:			
Regular	339,437	110,121	229,316
System-wide support services:			
Operational support	1,660,563	988,530	672,033
Real property and buildings	-	-	-
Furniture and equipment	-	-	-
Buses and motor vehicles	-	-	-
Debt service	-	-	-
Total expenditures	<u>2,000,000</u>	<u>1,098,651</u>	<u>901,349</u>
Revenues over expenditures	<u>-</u>	<u>(69,898)</u>	<u>(69,898)</u>
Other financing sources:			
Capital lease obligations issued	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures and appropriated fund balance	<u>\$ -</u>	<u>(69,898)</u>	<u>\$ (69,898)</u>
Fund balances:			
Beginning of year, July 1		<u>(228,471)</u>	
End of year, June 30		<u>\$ (298,369)</u>	

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL- OTHER SPECIFIC REVENUE
For the Year Ended June 30, 2022

Exhibit C-1

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
U. S. Government	\$ 32,000	\$ 81,321	\$ 49,321
State of North Carolina	-	-	-
Other	1,646,755	1,746,175	99,420
	<u>1,678,755</u>	<u>1,827,496</u>	<u>148,741</u>
Expenditures:			
Instructional services	1,303,115	898,317	404,798
System-wide supporting services	313,418	217,161	96,257
Ancillary services	53,914	53,914	-
Total expenditures	<u>1,670,447</u>	<u>1,169,392</u>	<u>501,055</u>
Revenues over expenditures	<u>(23,692)</u>	<u>576,783</u>	<u>600,475</u>
Other financing uses:			
Transfers out	<u>(8,308)</u>	<u>(8,308)</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ 8,308</u>	649,796	<u>\$ 649,796</u>
Fund balances:			
Beginning of year, July 1		<u>330,533</u>	
End of year, June 30		<u>\$ 980,329</u>	

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) -
SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2022

Exhibit D-1

	2022		Variance with Final Budget Positive (Negative)
	Budget	Actual	
Operating revenues, food sales	\$ 129,500	\$ 158,426	\$ 28,926
Operating expenditures:			
Purchase of food		1,351,477	
Salaries and benefits		1,930,562	
Pension expense (benefit)		-	
Indirect costs		240,819	
Materials and supplies		202,942	
Telephone and utilities		10,317	
Repairs and maintenance		-	
Contracted services		6,171	
Capital Outlay		86,736	
Other		-	
Total operating expenditures	3,832,579	3,829,024	3,555
Operating loss	(3,703,079)	(3,670,598)	32,481
Nonoperating revenues:			
Federal reimbursements	3,217,979	3,894,619	676,640
Federal commodities	250,000	338,542	88,542
Indirect cost allocated	210,000	240,819	30,819
Interest earned	100	55	(45)
Miscellaneous	25,000	-	(25,000)
Total nonoperating revenues	3,703,079	4,474,035	770,956
Revenues over (under) expenditures before other financing sources	-	803,437	803,437
Other financing sources:			
Operating transfer in	-	45,292	45,292
Revenues and other sources over expenditures	\$ -	\$ 848,729	\$ 848,729

**KANNAPOLIS CITY BOARD OF EDUCATION
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) -
 SCHOOL FOOD SERVICE FUND
 For the Year Ended June 30, 2022**

**Exhibit D-1
 (Continued)**

	<u>2022</u>
Reconciliation of modified accrual to full accrual basis:	
Revenues and other sources under expenditures	\$ 848,729
Reconciling items:	
Depreciation	(55,567)
Increase in inventory	(12,625)
Decrease in accrued compensated absences	75,617
Net pension and OPEB items	(1,011,043)
Capital outlay	<u>86,736</u>
Total reconciling items	<u>(916,882)</u>
Change in net position (full accrual)	<u>\$ (68,153)</u>

**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 Chairman and
Members of the Kannapolis City Board of Education
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Kannapolis City Board of Education, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kannapolis City Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kannapolis City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Report on Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Kannapolis City Board of Education's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson Smith & Wike PLLC

Gastonia, North Carolina
November 15, 2022



**Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act
Independent Auditor’s Report**

To the Chairman and
Members of the Kannapolis City Board of Education
Kannapolis, North Carolina

**Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program**

We have audited the Kannapolis City Board of Education, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Kannapolis City Board of Education’s major federal programs for the year ended June 30, 2022. The Kannapolis City Board of Education’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Kannapolis City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Kannapolis City Board of Education 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 provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kannapolis City Board of Education’s 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 Kannapolis City Board of Education’s 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 Kannapolis City Board of Education’s 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 judgment made by a reasonable user of the report on compliance about Kannapolis City Board of Education's 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 Kannapolis City Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Kannapolis City Board of Education's 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 Kannapolis City Board of Education's 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

Gastonia, North Carolina
November 15, 2022

**Report on Compliance With Requirements Applicable To Each Major State
Program and Internal Control Over Compliance in Accordance With the Uniform Guidance and the State
Single Audit Implementation Act
Independent Auditor's Report**

To the Chairman and
Members of the Kannapolis City Board of Education
Forest City, North Carolina

**Report on Compliance for Each Major State Program
Opinion on Each Major State Program**

We have audited the Kannapolis City Board of Education, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Kannapolis City Board of Education's major State programs for the year ended June 30, 2022. The Kannapolis City Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Kannapolis City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Kannapolis City Board of Education 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 reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Kannapolis City Board of Education's 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 Kannapolis City Board of Education's State 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 Kannapolis City Board of Education's 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 judgment made by a reasonable user of the report on compliance about Kannapolis City Board of Education's 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 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 Kannapolis City Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Kannapolis City Board of Education's 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 Kannapolis City Board of Education's 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 State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

Gastonia, North Carolina

November 15, 2022

**Kannapolis City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' 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)? yes no

**Kannapolis City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Identification of major federal programs:

<u>Federal Assistance Listing No.</u>	<u>Names of Federal Program or Cluster</u>
10.555,10.559	Child Nutrition Cluster
21.027	COVID – 19 Coronavirus Relief Fund
84.425	COVID – 19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes no
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? ___yes 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

yes no

Identification of major State programs:

Program Name
State Public School Fund

**Kannapolis City Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section II. Financial Statement Findings

Finding: None.

Section III. Federal Award Findings and Questioned Costs

Finding: None.

Section IV. State Award Findings and Questioned Costs

Finding: None.

**Kannapolis City Board of Education
Corrective Action Plan
For the Year Ended June 30, 2022**

Section II. Financial Statement Findings

Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None

**Kannapolis City Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022**

2021 - None
2020 - Corrected
2019 - None

KANNAPOLIS CITY SCHOOLS, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U. S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	35	\$ 338,542
Non-Cash Assistance			338,542
Cash Assistance			
Supply Chain Assistance Funds	10.555	35	111,820
Healthy Meal Program	10.555	35	231,714
National School Lunch Program - Cash Assistance	10.555	35	3,498,061
Summer Food Service Program for Children	10.559	35	53,024
Total Cash Assistance			3,894,619
Total Child Nutrition Cluster:			4,233,161
Total School Nutrition Program (Note 3)			4,233,161
Total U. S. Department of Agriculture			4,233,161
<u>U.S. Department of State Treasury</u>			
Passed-through the Office of State Budget and Management:			
NC Pandemic Recovery Office			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus Relief Fund			
COVID - 19 Coronavirus State and Local Fiscal Recovery Funds Employee Bonuses	21.027	141	1,149,421
Total U. S. Department of Treasury			1,149,421
<u>U.S. Department of Education</u>			
<u>Office of Elementary and Secondary Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Title I Cluster			
- Title I Grants to Local Education - Basic	84.010	50	1,628,557
English Language Acquisition Grants	84.365	104	89,423
Education for the Homeless Children and Youth	84.196	26	15,546
Supporting Effective Instruction State Grants	84.367	103	268,062
Student Support and Academic Enrichment	84.424	108	148,276
Special Education - State Personnel Development	84.323	82	989
COVID-19 Education Stabilization Fund			
Elementary and Secondary School Emergency Fund (ESSER)			
Governor's Emergency Relief Fund (GEER)			
ESSER I (Cares Act)	84.425D	PRC 163-168	66,078
GEER (Cares Act)	84.425C	PRC 169-170	170,416
ESSER II (Cares Act)	84.425D	PRC 171-178	3,147,620
ESSER III (Cares Act)	84.425D	PRC 181-189 & PRC 201-205	2,879,440
Total Education Stabilization Fund			6,263,554
<u>Office of Special Education and Rehabilitative Services</u>			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Education of the Handicapped	84.027	60	1,200,737
Preschool Handicapped	84.173	49	44,838
Special Needs Targeted	84.027	118	4,198
Targeted Assistance	84.027	119	1,271
Total Special Education Cluster:			1,251,044

KANNAPOLIS CITY SCHOOLS, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Year Ended June 30, 2022

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Passed-through the N.C. Department of Public Instruction: Career and Technical Education - Basic Grants to States - Program Development	84.048	17	83,068
Total U. S. Department of Education			8,497,475
Other Federal Assistance:			
<u>U.S. Department of Homeland Security</u>			
Passed-through the Federal Emergency Management Agency: Passed-through the NC Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		305,829
<u>Federal Communications Commission</u>			
Direct Program: COVID-19 - Emergency Connectivity Fund	32.009		440,582
<u>U.S. Department of Defense</u>			
Direct Program: ROTC	NONE		39,421
<u>U.S. Department of Health and Human Services</u>			
Direct Program: Headstart Program	93.600		4,141,631
Total U.S. Department of Health and Human Services			4,141,631
Total federal assistance			20,058,564
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund			33,931,763
Driver Training - SPSF		12	88,392
Career and Technical Education:			
- State Months of Employment		13	1,714,879
- Program Support Funds		14	485,823
K-12 Athletic Facilities Grant		440	112,167
Total N.C. Department of Public Instruction			36,333,024
Total State assistance			36,333,024
Total federal and State assistance			<u>\$ 56,391,588</u>

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 Kannapolis City Schools under programs of the federal government and the State of North Carolina for the year end June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US 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 Kannapolis City Schools, it is not intended Federal Awards (Uniform Compliance) and the State Single Audit to and does not present the financial position, changes in net assets or cash flows of Kannapolis City Schools.

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 allowed or are limited. Kannapolis City Schools has elected not to use the 10-percent de minimis indirect cost rate under the Uniform Guidance.

Note 3: Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program