Kannapolis City
Board of Education

Financial Statements
Year Ended June 30, 2024

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A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Kannapolis City Board of Education
Kannapolis, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited 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, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise of the Kannapolis City Board of Education's basic financial statements as 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, the business-type activities, each major fund, and the aggregate remaining fund information of Kannapolis City Board of Education as of June 30, 2024, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Other Specific Revenue Fund, the Head Start Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditors' 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 accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee

that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement and maintained 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 responsible 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 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 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 11 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 52 through 57, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kannapolis City Board of Education's basic financial statements. The individual fund budgetary schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (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, individual fund budgetary schedules and the schedule of expenditures 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 January 29, 2025 on our consideration of Kannapolis City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 an opinion on the effectiveness of Kannapolis City Board of Education's 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 Kannapolis City Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

January 29, 2025
Huntersville, North Carolina

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, 2024. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board's average daily membership was 5,314 for the year ended June 30, 2024. This was a 1% decrease from the previous fiscal year's average daily membership of 5,357.

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 the Schedules of Board Contributions.*

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, deferred outflows of resources, liabilities and deferred inflows of resources. 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 type of statement included in the basic financial statements is the *Fund Financial Statements,* which are presented for the Board's governmental funds and proprietary fund. 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 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.

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, deferred outflows of resources, liabilities and deferred inflows of resources. 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 – is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, 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 must be considered.

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 and State funding 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 Exhibit 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 three 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 Head Start Fund, the Other Specific Revenue Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

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 Board of Education as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $13,236,181 as of June 30, 2024. Other than unrestricted net position, the largest component of net position is net investment in capital assets of $80,687,899.

Following is a summary of the Statement of Net Position:

Table 1
Condensed Statement of Net Position
As of June 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Current assets	$ 6,403,215	$ 5,996,589	$ 649,094	$ 731,212	$ 7,052,309	$ 6,727,801
Capital assets	83,121,552	83,183,824	470,552	527,622	83,592,104	83,711,446
Total assets	89,524,767	89,180,413	1,119,646	1,258,834	90,644,413	90,439,247
Deferred outflows of resources	30,839,469	25,075,940	1,242,870	982,155	32,082,339	26,058,095
Current liabilities	412,493	864,492	1,696	-	414,189	864,492
Long-term liabilities	89,308,414	77,291,801	3,424,962	2,828,992	92,733,376	80,120,793
Total liabilities	89,720,907	78,156,293	3,426,658	2,828,992	93,147,565	80,985,285
Deferred inflows of resources	15,699,870	23,724,053	632,724	929,206	16,332,594	24,653,259
Net investment in capital assets	80,217,347	79,758,995	470,552	527,622	80,687,899	80,286,617
Restricted net position	1,009,561	740,090	-	-	1,009,561	740,090
Unrestricted net position	(66,283,449)	(68,123,078)	(2,177,830)	(2,052,686)	(68,461,279)	(70,175,764)
Total net position	$ 14,943,459	$ 12,376,007	$ (1,707,278)	$ (1,525,064)	$ 13,236,181	$ 10,850,943

Note that net position of governmental activities increased by approximately $2,567,452 million during the year, indicating improvement in the financial condition of the Board. Also note that the Board carries capital assets for which Cabarrus County carries the offsetting debt.

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

Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Revenues:						
Program revenues:						
Charges for services	$ 210,931	$ 209,239	$ 172,237	$ 175,134	$ 383,168	$ 384,373
Operating grants and contributions	48,927,287	51,835,562	4,362,603	4,264,674	53,289,890	56,100,236
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
County	16,434,293	14,301,900	-	-	16,434,293	14,301,900
State	-	259,995	-	-	-	259,995
Other revenues	4,479,176	5,963,418	64	71	4,479,240	5,963,489
Total revenues	70,051,687	72,570,114	4,534,904	4,439,879	74,586,591	77,009,993
Expenses:						
Governmental activities:						
Instructional services	49,215,276	41,621,014	-	-	49,215,276	41,621,014
System-wide support services	16,938,598	14,700,663	-	-	16,938,598	14,700,663
Ancillary services	163,445	128,315	-	-	163,445	128,315
Non-programmed	873,315	517,735	-	-	873,315	517,735
Depreciation	138,423	173,555	-	-	138,423	173,555
Interest	104,785	74,085	-	-	104,785	74,085
Business-type activities:						
Food service	-	-	4,767,511	4,662,227	4,767,511	4,662,227
Total expenses	67,433,842	57,215,367	4,767,511	4,662,227	72,201,353	61,877,594
Revenues over (under) expenditures	2,617,845	15,354,747	(232,607)	(222,348)	2,385,238	15,132,399
Transfers in (out)	(50,393)	(49,740)	50,393	49,740	-	-
Increase (decrease) in net position	2,567,452	15,305,007	(182,214)	(172,608)	2,385,238	15,132,399
Beginning net position	12,376,007	(2,929,000)	(1,525,064)	(1,352,456)	10,850,943	(4,281,456)
Ending net position	$ 14,943,459	$ 12,376,007	$ (1,707,278)	$ (1,525,064)	$ 13,236,181	$ 10,850,943

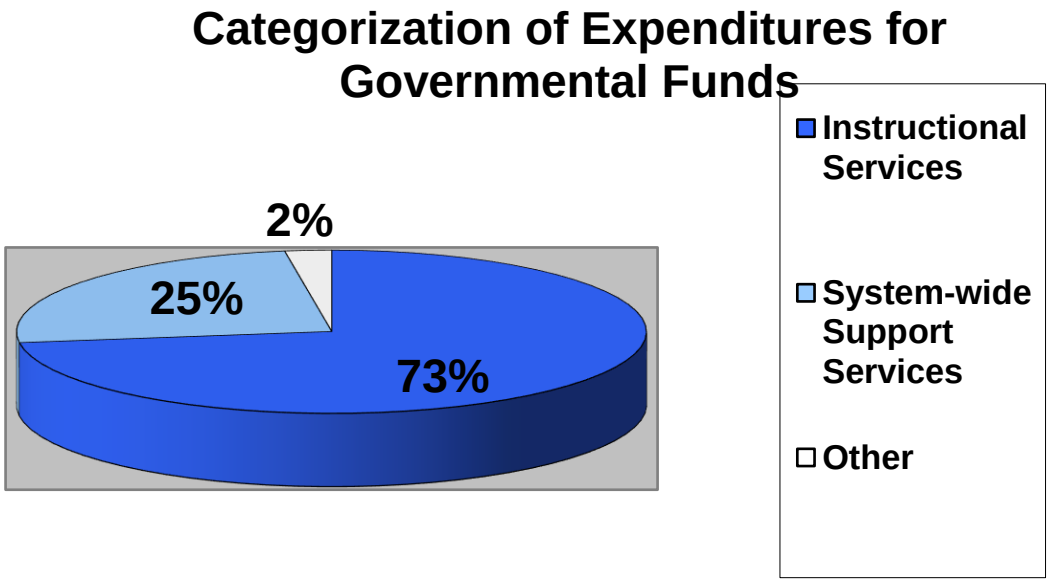
Total governmental activities generated revenues of $70.1 million while expenses in this category totaled $67.4 million for the year ended June 30, 2024. Comparatively, revenues were $72.6 million and expenses totaled $57.2 million for the year ended June 30, 2023. The increase in governmental activities net position stands at $2,567,452 at June 30, 2024, compared to a $15,305,007 increase in 2023. Business-type activities generated revenue of $4.5 million while expenses totaled $4.8 million. The decrease in business-type net position, after transfers in, stands at $182,214.

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 $5,990,722, a $858,625 increase from the prior year. The General Fund reported a $673,312 increase in fund balance, the Capital Outlay Fund balance increased by $25,600, the Individual Schools Fund reported a $26,158 increase in fund balance, the Head Start Fund reported an increase in fund balance of $31,795, and the Other Specific Revenue Fund reported a $101,760 increase in fund balance for the year ended June 30, 2024.

Proprietary Funds: The Board's business-type fund had a decrease in net position of $182,214.



Expenditures presented on modified accrual basis of accounting

General Fund Budgetary Highlights

The Board approved several budget amendments to account for changes in revenue and expenditure projections. Budget amendments are submitted to the Board on a monthly basis to reflect new revenues not measurable or known at the time of the original budget resolution. State and federal budgets are not approved at the State level until after the fiscal year begins and amendments are needed to reconcile the initial budget to final approved State and federal budgets. The State may send new allotments throughout the year and require additional budget amendments. There were no significant budget amendments during the year and there were no significant expenditures in excess of the budgeted expenditures. Actual expenditures were less than budgeted expenditures mainly due increases in State and federal funding, cuts made in previous years, and conservative spending by the district.

Capital Assets

Capital assets decreased by $119,342 from the previous year. This was due to depreciation expense exceeding capital additions. More detailed information about the Board's capital assets is available in the notes to the financial statements. 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, 2024 and 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Land	$ 1,892,616	$ 1,892,616	$ -	$ -	$ 1,892,616	$ 1,892,616
Construction in progress	994,061	490,302	-	-	994,061	490,302
Buildings and improvements	77,168,646	77,822,343	-	-	77,168,646	77,822,343
Equipment and furniture	1,856,720	1,762,553	470,552	527,622	2,327,272	2,290,175
Vehicles	1,209,509	1,216,010	-	-	1,209,509	1,216,010
Total	$83,121,552	$83,183,824	$ 470,552	$ 527,622	$83,592,104	$83,711,446

A more detailed description of capital assets is available in Note 3 of the basic financial statements.

Debt Outstanding

The Board is limited by North Carolina General Statutes with regard to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. A more detailed description of the long-term debt is available in Note 3 of the basic financial statements.

Economic Factors

The Board anticipates increased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. The North Carolina Research Campus still makes Kannapolis an attractive destination for both business and residential development.

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
Director of Human Resources &
Finance Officer
Kannapolis City Board of Education
100 Denver Street
Kannapolis, NC 28083

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2024

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,915,463	$ 704,462	$ 6,619,925
Receivables (net)	249,943	-	249,943
Due from other governments	121,478	31,064	152,542
Internal balances	116,331	(116,331)	-
Inventories	-	29,899	29,899
Capital assets			
Land, improvements, and construction in progress	2,886,677	-	2,886,677
Other capital assets, net of depreciation	80,234,875	470,552	80,705,427
Total capital assets	83,121,552	470,552	83,592,104
Total assets	89,524,767	1,119,646	90,644,413
DEFERRED OUTFLOWS OF RESOURCES	30,839,469	1,242,870	32,082,339
LIABILITIES			
Accounts payable and accrued expenses	412,493	1,696	414,189
Unearned revenue	-	10,412	10,412
Long-term liabilities:			
Due within one year	1,851,727	48,862	1,900,589
Due in more than one year			
Net pension liability	34,547,486	1,392,308	35,939,794
Net OPEB liability	48,326,450	1,947,617	50,274,067
Other	4,582,751	36,175	4,618,926
Total liabilities	89,720,907	3,437,070	93,157,977
DEFERRED INFLOWS OF RESOURCES	15,699,870	632,724	16,332,594
NET POSITION			
Net investment in capital assets	80,217,347	470,552	80,687,899
Restricted for:			
Stabilization by State statute	581,194	-	581,194
Individual schools	428,367	-	428,367
Unrestricted	(66,283,449)	(2,177,830)	(68,461,279)
Total net position	$ 14,943,459	$ (1,707,278)	$ 13,236,181

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

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental Activities:							
Instructional programs:							
Regular instructional	$ 28,276,545	$ 29,417	$ 26,458,054	$ -	$ (1,789,074)	$ -	$ (1,789,074)
Special populations	8,409,667	-	7,759,307	-	(650,360)	-	(650,360)
Alternative programs	4,303,181	-	3,811,196	-	(491,985)	-	(491,985)
School Leadership	4,416,411	-	3,153,227	-	(1,263,184)	-	(1,263,184)
Co-curricular	336,611	-	-	-	(336,611)	-	(336,611)
School-based support	3,472,861	-	3,010,906	-	(461,955)	-	(461,955)
Support services:							
Support and development	602,536	-	404,612	-	(197,924)	-	(197,924)
Special populations	349,177	-	-	-	(349,177)	-	(349,177)
Alternative programs	323,287	-	-	-	(323,287)	-	(323,287)
Technology support	726,637	-	245,018	-	(481,619)	-	(481,619)
Operational support	11,209,370	181,514	2,858,800	-	(8,169,056)	-	(8,169,056)
Financial and human resource services	1,573,627	-	790,406	-	(783,221)	-	(783,221)
Accountability services	251,802	-	-	-	(251,802)	-	(251,802)
System-wide pupil support services	790,144	-	6,734	-	(783,410)	-	(783,410)
Policy, leadership and public relations	1,112,018	-	429,027	-	(682,991)	-	(682,991)
Ancillary services	163,445	-	-	-	(163,445)	-	(163,445)
Non-programmed charges	873,315	-	-	-	(873,315)	-	(873,315)
Interest	104,785	-	-	-	(104,785)	-	(104,785)
Unallocated depreciation expense**	138,423	-	-	-	(138,423)	-	(138,423)
Total governmental activities	67,433,842	210,931	48,927,287	-	(18,295,624)	-	(18,295,624)
Business-type activities:							
School food service	4,767,511	172,237	4,362,603	-	-	(232,671)	(232,671)
Total primary government	$ 72,201,353	$ 383,168	$ 53,289,890	$ -	(18,295,624)	(232,671)	(18,528,295)
General revenues:							
Unrestricted county appropriations - operating					12,961,976	-	12,961,976
Unrestricted county appropriations - capital					3,472,317	-	3,472,317
Investment earnings, unrestricted					-	64	64
Miscellaneous, unrestricted					4,479,176	-	4,479,176
Total general revenues					20,913,469	64	20,913,533
Transfers					(50,393)	50,393	-
Total general revenues and transfers					20,863,076	50,457	20,913,533
Change in net position					2,567,452	(182,214)	2,385,238
Net position-beginning					12,020,527	(1,525,064)	10,495,463
Restatement					355,480	-	355,480
Net position - beginning, as restated					12,376,007	(1,525,064)	10,850,943
Net position-ending					$ 14,943,459	$ (1,707,278)	$ 13,236,181

** 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, 2024

Exhibit 3

	Major Funds							
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	Other Specific Revenue Fund	Head Start	Total Governmental Funds
ASSETS								
Cash and cash equivalents	$ 2,500,223	$ -	$ 428,367	$ -	$ -	$ 2,955,078	$ 31,795	$ 5,915,463
Receivables (net)	-	-	-	-	-	249,943	-	249,943
Due from other governments	9,104	-	-	90,522	-	21,852	-	121,478
Due from other funds	199,295	-	-	-	-	101,000	-	300,295
Total assets	$ 2,708,622	$ -	$ 428,367	$ 90,522	$ -	$ 3,327,873	$ 31,795	$ 6,587,179
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and other accruals	$ 256,093	$ -	$ -	$ 90,522	$ -	$ 65,878	$ -	$ 412,493
Due to other funds	-	-	-	183,964	-	-	-	183,964
Total liabilities	256,093	-	-	274,486	-	65,878	-	596,457
Fund balances:								
Restricted:								
Stabilization by State statute	208,399	-	-	-	-	372,795	-	581,194
Individual Schools	-	-	428,367	-	-	-	-	428,367
Assigned								
Designated for subsequent year's expenditures	2,200,343	-	-	-	-	-	-	2,200,343
Special revenues	-	-	-	-	-	2,889,200	31,795	2,920,995
Unassigned	43,787	-	-	(183,964)	-	-	-	(140,177)
Total fund balances	2,452,529	-	428,367	(183,964)	-	3,261,995	31,795	5,990,722
Total liabilities and fund balances	$ 2,708,622	$ -	$ 428,367	$ 90,522	$ -	$ 3,327,873	$ 31,795	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	83,121,552
Deferred outflows of resources related to pensions	19,970,626
Deferred outflows of resources related to OPEB	10,868,843
Some liabilities, including compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.	(6,434,478)
Net pension liability	(34,547,486)
Net OPEB liability	(48,326,450)
Deferred inflows of resources related to OPEB	(15,159,280)
Deferred inflows of resources related to pensions	(540,590)
Net position of governmental activities	$ 14,943,459

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

Exhibit 4

	Major Funds							
	General	**State Public School**	**Individual Schools**	**Capital Outlay**	**Federal Grants**	**Other Specific Revenue Fund**	**Head Start**	**Total Governmental Funds**
REVENUES								
State of North Carolina	$ -	$ 39,663,579	$ -	$ 113,586	$ -	$ -	$ -	$ 39,777,165
County appropriations	12,961,976	-	-	3,472,317	-	-	-	16,434,293
U.S. Government	-	-	-	-	8,222,191	102,870	1,791,998	10,117,059
Other	242,618	-	1,045,333	-	-	2,411,781	23,438	3,723,170
Total revenues	13,204,594	39,663,579	1,045,333	3,585,903	8,222,191	2,514,651	1,815,436	70,051,687
EXPENDITURES								
Current:								
Instructional services:								
Regular instructional	1,420,756	23,383,636	1,019,175	-	2,856,725	362,698	-	29,042,990
Special populations	8,638	5,597,241	-	-	2,008,974	839,584	-	8,454,437
Alternative programs	14,123	719,420	-	-	1,881,973	577,547	1,066,389	4,259,452
School Leadership	1,364,162	2,804,990	-	-	5,405	4,848	342,420	4,521,825
Co-curricular	344,678	-	-	-	-	-	-	344,678
School-based support	307,515	2,416,259	-	-	359,831	237,007	207,395	3,528,007
System-wide support services:								
Support and development	212,131	267,958	-	-	126,978	-	-	607,067
Special populations	1,933	352,167	-	-	3,445	-	-	357,545
Alternative programs	54,638	126,224	-	-	123,125	-	27,047	331,034
Technology support	398,799	245,018	-	68,077	-	32,157	-	744,051
Operational support	5,445,264	2,415,276	-	3,068,370	282,500	105,043	139,496	11,455,949
Financial and human resource services	820,211	789,512	-	-	-	720	894	1,611,337
Accountability services	125,569	59,724	-	-	-	66,509	-	251,802
System-wide pupil support services	126,396	6,734	-	442,192	-	-	-	575,322
Policy, leadership and public relations	709,640	429,027	-	-	-	-	-	1,138,667
Ancillary services	-	-	-	-	-	167,362	-	167,362
Non-programmed charges	888,564	-	-	-	573,235	19,416	-	1,481,215
Debt service								
Principal	183,480	-	-	113,586	-	-	-	297,066
Interest	104,785	-	-	-	-	-	-	104,785
Total expenditures	12,531,282	39,613,186	1,019,175	3,692,225	8,222,191	2,412,891	1,783,641	69,274,591
Revenues over (under) expenditures	673,312	50,393	26,158	(106,322)	-	101,760	31,795	777,096
OTHER FINANCING USES								
Transfers to other funds	-	(50,393)	-	-	-	-	-	(50,393)
Installment purchase obligations issued	-	-	-	131,922	-	-	-	131,922
Total other financing sources (uses)	-	(50,393)	-	131,922	-	-	-	81,529
Net change in fund balance	673,312	-	26,158	25,600	-	101,760	31,795	858,625
Fund balances-beginning	1,779,217	-	402,209	(209,564)	-	3,160,235	-	5,132,097
Fund balances-ending	$ 2,452,529	$ -	$ 428,367	$ (183,964)	$ -	$ 3,261,995	$ 31,795	$ 5,990,722

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

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	$	858,625
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 expense exceeded capital outlays in the current period.		(62,272)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		6,021,145
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.		2,476,080
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
OPEB nonemployer contributions		63,422
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		165,144
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.		
Pension (expense) benefit		(8,590,580)
Net OPEB (expense) benefit		1,783,855
Compensated absences		(147,967)
Total changes in net position of governmental activities	$	2,567,452

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2024

Exhibit 5

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	13,160,048	13,160,048	12,961,976	(198,072)
U.S. Government	-	-	-	-
Other	168,000	219,197	242,618	23,421
Total revenues	13,328,048	13,379,245	13,204,594	(174,651)
Expenditures:				
Current:				
Instructional services	4,050,874	3,920,869	3,459,872	460,997
System-wide support services	8,229,907	8,280,691	7,894,581	386,110
Non-programmed charges	781,626	889,420	888,564	856
Debt service	265,641	288,265	288,265	-
Total expenditures	13,328,048	13,379,245	12,531,282	847,963
Revenues over (under) expenditures	$ -	$ -	673,312	$ 673,312
Fund balances, beginning of year			1,779,217	
Fund balances, end of year			$ 2,452,529	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2024

Exhibit 5

	State Public School Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ 38,989,877	$ 40,364,763	$ 39,663,579	$ (701,184)
County appropriations	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	38,989,877	40,364,763	39,663,579	(701,184)
Expenditures:				
Current:				
Instructional services	34,474,364	35,611,131	34,921,546	689,585
System-wide support services	4,450,254	4,703,233	4,691,640	11,593
Total expenditures	38,924,618	40,314,364	39,613,186	701,178
Revenues over (under) expenditures	65,259	50,399	50,393	(6)
Other financing uses:				
Transfers to other funds	(65,259)	(50,399)	(50,393)	6
Revenues over (under) expenditures and other uses	$ -	$ -	-	$ -
Fund balances, beginning of year			-	
Fund balances, end of year			$ -	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2024

Exhibit 5

	Federal Grants Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	-	-	-	-
U.S. Government	9,401,861	9,703,884	8,222,191	(1,481,693)
Other	-	-	-	-
Total revenues	9,401,861	9,703,884	8,222,191	(1,481,693)
Expenditures:				
Current:				
Instructional services	8,283,900	8,434,497	7,112,908	1,321,589
System-wide support services	443,085	598,608	536,048	62,560
Non-programmed charges	674,876	670,779	573,235	97,544
Total expenditures	9,401,861	9,703,884	8,222,191	1,481,693
Revenues over (under) expenditures	$ -	$ -	-	$ -
Fund balances, beginning of year			-	
Fund balances, end of year			$ -	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2024

Exhibit 5

	Other Specific Revenue Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	-	-	-	-
U.S. Government	130,030	138,598	102,870	(35,728)
Other	1,793,487	2,102,014	2,411,781	309,767
Total revenues	1,923,517	2,240,612	2,514,651	274,039
Expenditures:				
Current:				
Instructional services	4,117,156	4,422,500	2,021,684	2,400,816
System-wide support services	204,275	208,031	204,429	3,602
Ancillary services	242,600	250,595	167,362	83,233
Non-programmed charges	68,932	68,932	19,416	49,516
Total expenditures	4,632,963	4,950,058	2,412,891	2,537,167
Revenues over (under) expenditures	(2,709,446)	(2,709,446)	101,760	2,811,206
Appropriated fund balance	2,709,446	2,709,446	-	(2,709,446)
Revenues and appropriated fund balance over (under) expenditures	$ -	$ -	101,760	$ 101,760
Fund balances, beginning of year			3,160,235	
Fund balances, end of year			$ 3,261,995	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2024

Exhibit 5

	Head Start Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	-	-	-	-
U.S. Government	1,783,681	1,783,681	1,791,998	8,317
Other	-	-	23,438	23,438
Total revenues	1,783,681	1,783,681	1,815,436	31,755
Expenditures:				
Current:				
Instructional services	1,581,540	1,616,204	1,616,204	-
System-wide support services	202,141	167,477	167,437	40
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	1,783,681	1,783,681	1,783,641	40
Revenues over (under) expenditures	$ -	$ -	31,795	$ 31,795
Fund balances, beginning of year			-	
Fund balances, end of year			$ 31,795	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2024

Exhibit 6

	Major Fund	
	School Food Service	
ASSETS		
Current assets:		
Cash and cash equivalents	$	704,462
Due from other governments		31,064
Inventories		29,899
Total current assets		765,425
Noncurrent assets:		
Investment in capital assets		470,552
Total assets		1,235,977
DEFERRED OUTFLOWS OF RESOURCES		1,242,870
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses		1,696
Due to other fund		116,331
Compensated absences		48,862
Unearned revenues		10,412
Total current liabilities		177,301
Noncurrent liabilities:		
Net pension liability		1,392,308
Net OPEB liability		1,947,617
Compensated absences		36,175
Total liabilities		3,553,401
DEFERRED INFLOWS OF RESOURCES		632,724
NET POSITION		
Investment in capital assets		470,552
Unrestricted		(2,177,830)
Total net position	$	(1,707,278)

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2024

Exhibit 7

	Major Fund School Food Service
OPERATING REVENUES	
Food sales	$ 172,237
OPERATING EXPENSES	
Purchase of food	1,992,966
Salaries and benefits	2,373,733
Indirect costs	184,085
Materials and supplies	6,917
Repairs and maintenance	2,867
Contracted services	113,163
Depreciation	72,389
Other	21,391
Total operating expenses	4,767,511
Operating loss	(4,595,274)
NONOPERATING REVENUES	
Federal reimbursements	3,915,729
Federal commodities	262,789
Interest earned	64
Indirect costs not paid	184,085
Total nonoperating revenues	4,362,667
Income (loss) before transfers	(232,607)
Transfer from other fund	50,393
Change in net position	(182,214)
Total net position - beginning	(1,525,064)
Total net position - ending	$ (1,707,278)

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2024

Exhibit 8

	Major Fund School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 174,793
Cash paid for goods and services	(1,844,160)
Cash paid to employees for services	(2,284,567)
Net cash used by operating activities	(3,953,934)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State reimbursements	4,030,881
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(15,318)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	64
Net increase (decrease) in cash and cash equivalents	61,693
Balance-beginning of the year	642,769
Balance-end of the year	$ 704,462
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	$ (4,595,274)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	72,389
Expenses paid by the State Public School Fund	50,393
Donated commodities consumed	262,789
Indirect costs not paid	184,085
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in inventories	28,659
Increase (decrease) in accounts payable and accrued liabilities	1,696
(Increase) decrease in deferred outflows	(260,715)
Increase (decrease) in net pension liability	240,968
Increase (decrease) in net OPEB liability	324,343
Increase (decrease) in deferred inflows	(296,482)
Increase (decrease) in unearned revenues	2,556
Increase (decrease) in compensated absences	30,659
Total adjustments	641,340
Net cash used by operating activities	$ (3,953,934)

Noncash Investing, Capital, and Financing Activities

Indirect costs of $184,085 that would be due to the Other Specific Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7 and C-1.

The School Food Service Fund received donated commodities with a value of $262,789 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

The State Public School Fund contributed $50,393 to the School Food Service Fund during the fiscal year to provide assistance with the payment of operating expenses. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

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. Interfund services provided and used are not eliminated in the process of consolidation. 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.

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.

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.

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. The Board has chosen to report the Individual Schools Fund as a major fund to more clearly reflect the operations of each individual fund.

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 Catawba 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 federal funding sources for the current operating expenditures of the various grants awarded to the Board.

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 and other 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.

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.

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 functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to $10,000) from one function to another within a fund. Such transfers do not require approval from the governing board. However, the transfer must be reported to the governing board at its next regular meeting. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $10,000. Amendments which alter the county appropriations or transfer moneys to or from the Capital Project Fund require the approval of the Cabarrus and Rowan County Board of Commissioners. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2024.

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) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S & P Global Ratings and AAAmf by Moody's Investors Service. The NCCMT Government Portfolio is reported at fair value.

The Short-Term Investment Fund (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 pricing 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 Level 2 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.

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:

	Years
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.

Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an expense or expenditure until then. The Board has several items that meet this criterion - pension and OPEB related deferrals and contributions made to the plans subsequent to the measurement date. 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 assets that applies to a future period and will not be recognized as revenue until then. The Board has several items that meet this criterion - pension and OPEB related deferrals.

Long-Term Obligations

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

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, 2024 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 Balances

In the governmental fund financial statements, fund balance is composed of three 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 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 the Board of Education intends to use for specific purposes.

> Subsequent year's expenditures – portion of fund balance that is appropriated in next year's budget that is not already classified in restricted. The Board of Education approves the appropriation.
>
> Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational

services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes. The Board of Education has a management policy for revenue spending 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, and lastly 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 consists of several elements as follows:

Description	Amount
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)	$ 127,794,391
Less Accumulated Depreciation	44,672,839
Net capital assets	83,121,552
Pension related deferred outflows of resources	19,970,626
OPEB related deferred outflows of resources	10,868,843
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:	
Compensated absences	(6,434,478)
Net pension liability	(34,547,486)
Net OPEB liability	(48,326,450)
Deferred inflows of resources related to pensions	(540,590)
Deferred inflows of resources related to OPEB	(15,159,280)
Total adjustment	$ 8,952,737

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 balance includes a 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 the adjustment as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	$ 2,553,405
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.	(2,615,677)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.	6,021,145
Contributions to the OPEB plan in the current fiscal year are not included in the statement of activities.	2,476,080
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	63,422
New debt issued during the year is recorded as a source of funds on the fund statements; it has no affect on the statement of activities - it only affects the government-wide statement of net position	(131,922)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affects only the statement of net position in the government-wide statements.	297,066
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.	
Pension (expense) benefit	(8,590,580)
Net OPEB (expense) benefit	1,783,855
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(147,967)
Total adjustment	$ 1,708,827

Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficits in Fund Balance or Net Position of Individual Funds

The Capital Outlay Fund has a deficit in fund balance of $183,964. The Board will budget funds in subsequent years to eliminate this deficit in fund balance.

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, 2024, the Board had deposits with banks and savings and loans with a carrying amount of $6,508,727 and with the State Treasurer of $-0-. The bank balances with the financial institutions and the State Treasurer were $6,727,788 and $423,255, respectively. Of these balances, $681,195 was

covered by federal depository insurance and $6,469,848 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2024, the Board of Education had $111,198 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, 2024. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

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

	Due from other governments	Other
Governmental activities:		
General Fund	$ 9,104	$ -
Capital Outlay Fund	90,522	-
Other Specific Revenue Fund	21,852	249,943
Total	$ 121,478	$ 249,943
Business-type activities:		
School Food Service	$ 31,064	$ -

Due from other governments consists of the following:

Governmental activities:		
General Fund	$ 9,104	County fines and forfeitures
Capital Outlay Fund	90,522	County funds for capital construction
Other Specific Revenue Fund	21,852	Federal grant revenues
Total	$ 121,478	
Business-type activities:		
School Food Service	$ 31,064	USDA reimbursement

Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balances (as restated)	Increases	Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,892,616	$ -	$ -	$ 1,892,616
Construction in progress	490,302	1,933,587	(1,429,828)	994,061
Total capital assets not being depreciated	2,382,918	1,933,587	(1,429,828)	2,886,677
Capital assets being depreciated:				
Buildings and improvements	116,925,188	165,443	1,429,828	118,520,459
Equipment and furniture	2,886,869	322,453	-	3,209,322
Vehicles	3,046,011	131,922	-	3,177,933
Total capital assets being depreciated	122,858,068	619,818	1,429,828	124,907,714
Less accumulated depreciation for:				
Buildings and improvements	39,102,845	2,248,968	-	41,351,813
Equipment and furniture	1,124,316	228,286	-	1,352,602
Vehicles	1,830,001	138,423	-	1,968,424
Total accumulated depreciation	42,057,162	2,615,677	-	44,672,839
Total capital assets being depreciated, net	80,800,906			80,234,875
Governmental activity capital assets, net	$ 83,183,824			$ 83,121,552

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	$ 1,960,707	$ 15,318	$ -	$ 1,976,025
Less accumulated depreciation for:				
Furniture and office equipment	1,433,085	72,388	-	1,505,473
School Food Service capital assets, net:	$ 527,622			$ 470,552

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	$ 138,423
Instructional services	2,248,968
System-wide support services	228,286
Total	$ 2,615,677

Construction Commitments

Kannapolis City Board of Education has on-going construction projects as of June 30, 2024. At year-end, the Board's commitments with contractors for school construction are as follows:

Project	Spent to Date	Left to be Spent	Total Project
FLW Addition	$ 627,361	$ 13,587,752	$ 14,215,113
FP HVAC	366,700	220,660	587,360
	$ 994,061	$ 13,808,412	$ 14,802,473

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 of North Carolina. TSERS membership is comprised of employees of 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. 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 consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent,

who serve as ex-officio members. The 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, 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 service 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.

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

Contributions. Contribution provisions are established by General Statute 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, 2024, was 17.63% 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 $6,263,802 for the year ended June 30, 2024.

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, 2024, the Board reported a liability of $35,939,794 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The 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, 2023 and at June 30, 2022, the Board's proportion was 0.216 and 0.206%, respectively.

For the year ended June 30, 2024, the Board recognized pension expense of $8,951,017. At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,929,943	$ 265,261
Changes of assumptions	1,262,158	-
Net difference between projected and actual earnings on pension plan investments	10,009,230	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	310,335	297,115
Board contributions subsequent to the measurement date	6,263,802	-
Total	$ 20,775,468	$ 562,376

$6,263,802 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2025	$	4,414,408
2026		2,562,141
2027		6,545,177
2028		427,564
2029		-
Thereafter		-
Total	$	13,949,290

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including Inflation

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

The actuarial assumptions used in the December 31, 2022 actuarial valuation were based on the actuarial experience study for the 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 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 at June 30, 2024 and 2023 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board'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 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:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	$ 61,700,204	$ 35,939,794	$ 14,688,291

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

b. Other Post-employment Benefits

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 in Chapter 135, Article 1 of the General Statutes. 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, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer 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.

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 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. 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, 2021, 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, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135, 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 7.14% of covered payroll which amounted to $2,536,786. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling $35 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 $65,978.

At June 30, 2024, Board reported a liability of $50,223,412 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2023 and at June 30, 2022, the Boards proportion was 0.189% and 0.181%, respectively.

$2,536,786 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, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2025		$ (3,159,043)
2026		(3,680,677)
2027		(1,560,362)
2028		1,286,103
2029		-
Thereafter		-
	Total	$ (7,113,979)

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%
Healthcare cost trend rate – medical	5.00% - 6.00%
Healthcare cost trend rate – prescription drug	5.00% - 10.00%
Healthcare cost trend rate – administrative	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF at June 30, 2024, was 3.65% and 3.54% for 2023. 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 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

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

	1% Decrease (2.65%)	**Current Discount Rate (3.65%)**	**1% Increase (4.65%)**
Net OPEB liability	$ 59,246,882	$ 50,223,412	$ 42,872,565

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 healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

	1% Decrease in Trend Rates	Current Trend Rates (5.00-6.50% Medical, 5.00-10.00% Rx, 5.00% Medicare, 3.00% Administrative Expenses)	1% Increase in Trend Rates
Net OPEB liability	$ 41,463,097	$ 50,223,412	$ 61,517,347

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.

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.

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, 2024, employers made a statutory contribution of 0.11% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $39,082 for the year ended June 30, 2024.

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 an other postemployment benefit.

At June 30, 2024, Board reported an OPEB liability of $50,655 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2023 and at June 30, 2022, the Boards proportion was 0.190% and 0.182%, respectively.

$39,082 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, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2025	$	22,657
2026		13,593
2027		22,991
2028		8,235
2029		4,384
Thereafter		2,904
Total	$	74,764

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

Inflation	2.50%
Salary increases	3.25% to 8.05%, including a 3.25% inflation and productivity factor
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

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 (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB liability	$ 60,894	$ 50,655	$ 40,229

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2022 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, 2023. 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.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023. 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, 2023 is 1.2%.

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 (revenue)	$ 1,859,717	$ (68,540)	$ 1,791,177
OPEB liability	50,223,412	50,655	50,274,067
Proportionate share of the net OPEB liability	0.188%	0.190%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	$ 553,058	$ 44,392	$ 597,450
Changes of assumptions	5,440,724	3,691	5,444,415
Net difference between projected and actual earnings on plan investments	401,210	66,162	467,372
Changes in proportion and defferences between Board contributions and proportionate share of contributions	2,218,654	3,112	2,221,766
Board contributions subsequent to the measurement date	2,536,786	39,082	2,575,868
Total Deferred Outflows of Resources	$ 11,150,432	$ 156,439	$ 11,306,871
Deferred of Inflows of Resources			
Differences between expected and actual experience	$ 49,209	$ 28,057	$ 77,266
Changes of assumptions	13,399,201	8,647	13,407,848
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,279,215	5,889	2,285,104
Total Deferred Inflows of Resources	$ 15,727,625	$ 42,593	$ 15,770,218

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2024 are as follows:

	Vendors
Governmental Activities	
General	$ 256,093
Other Governmental	156,400
Total-governmental activities	$ 412,493

Unavailable Revenues

The balance in unavailable revenues at year-end in the School Food Service Fund is composed of $10,412 of prepaid student meals.

Deferred Inflows of Resources

The balance in deferred inflows of resources at year-end is composed of the following.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Board contributions and proportionate share of contributions	$ 2,532,101	$ 2,582,219
Changes in assumptions	6,706,573	13,407,848
Difference between projected and actual earnings on plan investments	10,476,602	-
Board contributions subsequent to the measurement date	8,839,670	-
Difference between expected and actual experience	3,527,393	342,527
Total	$ 32,082,339	$ 16,332,594

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 moneys at any given time are performance bonded through an employee dishonesty blanket bond for $25,000. The finance officer is bonded for $250,000.

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.

Long-Term Obligations

Direct Placement Installment Purchases

The Board is authorized by state law G.S. 115C-47(28a) to enter into direct placement installment purchase contracts to finance energy construction measures that will reduce operating costs. In August 2021, the Board entered into such a contract to reduce the energy costs associated with its schools. Certain equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract requires quarterly principal payments through August 2037 with an interest rate of 2.782%.

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. The Board entered into direct placement installment purchase contracts to finance the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. These financing contracts require an annual payment of $47,626 over the next year.

The future minimum payments of the installment purchases as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest
2025	$ 221,323	$ 77,006
2026	226,316	71,715
2027	198,462	66,283
2028	203,727	60,707
2029	209,133	54,984
Thereafter	1,845,244	216,255
	$ 2,904,205	$ 546,950

Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the year ended June 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Governmental activities:					
Direct Placement:					
Installment purchases	$ 3,069,349	$ 131,922	$ 297,066	$ 2,904,205	$ 221,232
Net pension liability	29,395,470	5,152,016	-	34,547,486	-
Net OPEB liability	41,444,676	6,881,774	-	48,326,450	-
Compensated absences	3,382,306	3,177,842	3,029,875	3,530,273	1,630,495
Total	$ 77,291,801	$ 15,343,554	$ 3,326,941	$ 89,308,414	$ 1,851,727
Business-type activities:					
Net pension liability	$ 1,151,340	$ 240,968	$ -	$ 1,392,308	$ -
Net OPEB liability	1,623,274	324,343	-	1,947,617	-
Compensated absences	54,378	145,518	114,859	85,037	48,862
Total	$ 2,828,992	$ 710,829	$ 114,859	$ 3,424,962	$ 48,862

Compensated absences are typically liquidated by the general and other governmental funds. The General Fund, State Public School Fund, Federal Grants Fund, Head Start Fund, and Other Specific Revenue Fund make annual contributions to the net pension liability and the net OPEB liability.

Fund Balance

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

Total fund balance - General Fund	$ 2,452,529
Less:	
Stabilization by State statute	(208,399)
Appropriated Fund Balance in 2025 budget	(2,200,343)
Remaining fund balance	$ 43,787

Interfund Balances and Transfers to/from other funds

The amount due to the governmental activities from the business-type activities is from the unpaid portion of indirect costs of $116,331 as of June 30, 2024. The amount due to the General Fund from the Capital Outlay fund is $183,964 for the reimbursement of operating expenditures.

During the year ended June 30, 2024, the State Public School Fund paid administrative salaries of $50,393 for the School Food Service Fund.

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.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2024, the Board reported a prior period adjustment for governmental activities. Capital assets as of June 30, 2023 were increased by $355,480 to correct errors in the reported amounts of capital assets in the previous year. As a result, net position of governmental activities as of June 30, 2023 was increased by $355,480.

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
*Last Ten Fiscal Years**

	2024	2023	2022	2021	2020
Board's proportion of the net pension liability (asset)	0.216%	0.206%	0.206%	0.212%	0.216%
Board's proportionate share of the net pension liability (asset)	$ 35,939,794	$ 30,546,810	$ 9,655,523	$ 25,557,048	$ 22,385,370
Covered payroll	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472	$ 31,307,010
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	102.97%	90.64%	30.45%	82.94%	71.50%
Plan fiduciary net position as a percentage of the total pension liability	82.97%	84.14%	94.86%	85.98%	87.56%

	2019	2018	2017	2016	2015
Board's proportion of the net pension liability (asset)	0.214%	0.218%	0.221%	0.221%	0.220%
Board's proportionate share of the net pension liability (asset)	$ 21,337,890	$ 17,285,180	$ 20,297,477	$ 8,142,443	$ 2,582,492
Covered payroll	$ 29,506,737	$ 28,536,060	$ 28,467,541	$ 27,960,316	$ 26,784,316
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	72.32%	60.57%	71.30%	29.12%	9.64%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	89.51%	87.32%	94.64%	98.24%

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

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution	$ 6,263,802	$ 6,065,924	$ 5,520,400	$ 4,687,000	$ 3,996,767
Contributions in relation to the contractually required contribution	6,263,802	6,065,924	5,520,400	4,687,000	3,996,767
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472
Contributions as a percentage of covered payroll	17.63%	17.38%	16.38%	14.78%	12.97%

	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,847,631	$ 3,180,826	$ 2,847,899	$ 2,604,549	$ 2,558,368
Contributions in relation to the contractually required contribution	3,847,631	3,180,826	2,847,899	2,604,549	2,558,368
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541	$ 27,960,316
Contributions as a percentage of covered payroll	12.29%	10.78%	9.98%	9.15%	9.15%

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
*Last Eight Fiscal Years**

	2024	2023	2022	2021	2020
Board's proportion of the net OPEB liability (asset)	0.189%	0.181%	0.179%	0.186%	0.191%
Board's proportionate share of the net OPEB liability (asset)	$ 50,223,412	$ 43,013,886	$ 55,266,230	$ 51,678,811	$ 60,537,539
Covered payroll	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472	$ 31,307,010
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	143.90%	127.63%	174.28%	167.70%	193.37%
Plan fiduciary net position as a percentage of the total OPEB liability	10.73%	10.58%	7.72%	6.92%	4.40%

	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.191%	0.199%	0.195%
Board's proportionate share of the net OPEB liability (asset)	$ 54,488,462	$ 65,390,133	$ 84,658,305
Covered payroll	$ 29,506,737	$ 28,536,060	$ 28,467,541
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	184.66%	229.15%	297.39%
Plan fiduciary net position as a percentage of the total OPEB liability	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 schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution	$ 2,536,786	$ 2,404,730	$ 2,119,861	$ 2,118,347	$ 1,993,761
Contributions in relation to the contractually required contribution	2,536,786	2,404,730	2,119,861	2,118,347	1,993,761
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472
Contributions as a percentage of covered-employee payroll	7.14%	6.89%	6.29%	6.68%	6.47%

	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,962,949	$ 1,785,158	$ 1,657,945	$ 1,594,182	$ 1,535,021
Contributions in relation to the contractually required contribution	1,962,949	1,785,158	1,657,945	1,594,182	1,535,021
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541	$ 27,960,316
Contributions as a percentage of covered-employee payroll	6.27%	6.05%	5.81%	5.60%	5.49%

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Eight Fiscal Years**

	2024	2023	2022	2021	2020
Board's proportion of the net OPEB asset (liability)	0.190%	0.182%	0.183%	0.187%	0.192%
Board's proportionate share of the net OPEB asset (liability)	$ (50,655)	$ (54,064)	$ 29,823	$ 91,919	$ 82,908
Covered payroll	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472	$ 31,307,010
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered-employee payroll	-0.15%	-0.16%	0.09%	0.30%	0.26%
Plan fiduciary net position as a percentage of the total OPEB asset (liability)	90.61%	90.34%	105.18%	115.57%	113.00%

	2019	2018	2017
Board's proportion of the net OPEB asset (liability)	0.192%	0.194%	0.199%
Board's proportionate share of the net OPEB asset (liability)	$ 58,331	$ 118,420	$ 123,331
Covered payroll	$ 29,506,737	$ 28,536,060	$ 28,467,541
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered-employee payroll	0.20%	0.41%	0.43%
Plan fiduciary net position as a percentage of the total OPEB asset (liability)	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 schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution	$ 39,082	$ 34,902	$ 30,332	$ 28,541	$ 30,815
Contributions in relation to the contractually required contribution	39,082	34,902	30,332	28,541	30,815
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472
Contributions as a percentage of covered-employee payroll	0.11%	0.10%	0.09%	0.09%	0.10%

	2019	2018	2017	2016	2015
Contractually required contribution	$ 43,830	$ 41,309	$ 108,437	$ 116,717	$ 114,637
Contributions in relation to the contractually required contribution	43,830	41,309	108,437	116,717	114,637
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541	$ 27,960,316
Contributions as a percentage of covered-employee payroll	0.14%	0.14%	0.38%	0.41%	0.41%

This schedule is required supplementary information as required by the Governmental Accounting Standards Board.

KANNAPOLIS CITY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2024

Exhibit A-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
County appropriations:			
Cabarrus	$ 10,247,762	$ 10,049,690	$ (198,072)
Rowan	2,912,286	2,912,286	-
Total	13,160,048	12,961,976	(198,072)
Other:			
Cabarrus fines and forfeitures		193,665	
Rowan fines and forfeitures		47,003	
Miscellaneous		1,950	
Total	219,197	242,618	23,421
Total revenues	13,379,245	13,204,594	(174,651)
Expenditures:			
Instructional services:			
Regular instructional		1,420,756	
Special populations		8,638	
Alternative programs		14,123	
School leadership		1,364,162	
Co-curricular		344,678	
School-based support		307,515	
Total instructional services	3,920,869	3,459,872	460,997
System-wide support services:			
Support and development		212,131	
Special population support		1,933	
Alternative programs and support services		54,638	
Technology support		398,799	
Operational support		5,445,264	
Financial and human resource services		820,211	
Accountability		125,569	
System-wide pupil support services		126,396	
Policy, leadership and public relations		709,640	
Total system-wide support services	8,280,691	7,894,581	386,110
Non-programmed charges:	889,420	888,564	856
Debt service:			
Principal		183,480	
Interest		104,785	
	288,265	288,265	-
Total expenditures	13,379,245	12,531,282	847,963
Revenues over (under) expenditures	$ -	673,312	$ 673,312
Fund balances:			
Beginning of year, July 1		1,779,217	
End of year, June 30		$ 2,452,529	

KANNAPOLIS CITY BOARD OF EDUCATION
CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2024

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
County appropriations	$ 21,900,023	$ 3,472,317	$ (18,427,706)
State appropriation - buses	113,586	113,586	-
Total revenues	22,013,609	3,585,903	(18,427,706)
Expenditures:			
System-wide support services	22,031,945	3,578,639	18,453,306
Debt service	113,586	113,586	-
Total expenditures	22,145,531	3,692,225	18,453,306
Revenues over (under) expenditures	(131,922)	(106,322)	25,600
Other financing sources (uses):			
Installment purchase obligations issued	131,922	131,922	-
Revenues and other sources balance over (under) expenditures	$ -	25,600	$ 25,600
Fund balances:			
Beginning of year, July 1		(209,564)	
End of year, June 30		$ (183,964)	

KANNAPOLIS CITY BOARD OF EDUCATION
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP)
For the Fiscal Year Ended June 30, 2024

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	$ 228,500	$ 172,237	$ (56,263)
Operating expenditures:			
Business support services	4,496,600	4,441,909	54,691
Operating loss	(4,268,100)	(4,269,672)	(1,572)
Nonoperating revenues:			
Federal and State reimbursements	4,020,000	3,915,729	(104,271)
Federal commodities	248,000	262,789	14,789
Interest earned	100	64	(36)
	4,268,100	4,178,582	(89,518)
Revenues over (under) expenditures	-	(91,090)	(91,090)
Other financing sources:			
Transfer from other fund	-	50,393	50,393
Revenues and other sources over (under) expenditures	$ -	(40,697)	$ (40,697)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(72,389)	
(Increase) decrease in net pension liability		(240,968)	
(Increase) decrease in net OPEB liability		(324,343)	
Increase (decrease) deferred outflows		260,715	
(Increase) decrease in deferred inflows		296,482	
(Increase) decrease in accounts payable and accrued liabilities		(1,696)	
(Increase) decrease in compensated absences		(30,659)	
Increase (decrease) in inventory		(28,659)	
Change in net position - full accrual		$ (182,214)	

Compliance Report

INDEPENDENT AUDITORS' REPORT

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*

To 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 basic 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, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Kannapolis City Board of Education's basic financial statements and have issued our report thereon dated January 29, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kannapolis City Board of Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kannapolis City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Kannapolis City Board of Education'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.*

Kannapolis City Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Kannapolis City Board of Education's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Kannapolis City Board of Education's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

Huntersville, North Carolina
January 29, 2025

A S W ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To 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 Kannapolis City Board of Education's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Kannapolis City Board of Education's major federal programs for the year ended June 30, 2024. 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, 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditors' 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 federal programs.

Auditors' 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 circum- stances.
- 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 Auditors' Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses 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. However, material weaknesses or significant deficiencies 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

Huntersville, North Carolina
January 29, 2025

INDEPENDENT AUDITORS' REPORT

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

To the Kannapolis City Board of Education
Kannapolis, 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's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Kannapolis City Board of Education's major state programs for the year ended June 30, 2024. 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, 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, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditors' 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 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.

Auditors' 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 circum- stances.
- 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 Auditors' Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses 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. However, material weaknesses or significant deficiencies 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

Huntersville, North Carolina
January 29, 2025

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? _X_ yes ___ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___ yes _X_ none reported

Noncompliance material to financial statements noted ___ yes _X_ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___ yes _X_ 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 _X_ no

Identification of major federal programs:

AL Numbers	Names of Federal Program or Cluster
	Child Nutrtion Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snack Program
10.559	Summer Food Service Program for Children
10.559	Supply Chain Assistance
84.010A	Title I, Grants to Local Educational Agencies
84.425	COVID-19 - Education Stabilization Fund

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee?	___yes _X_ no

State Awards

Internal control over major State program:

- Material weakness(es) identified? ___yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes _X_ none reported

Type of auditors' report issued on compliance for major State program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ___yes _X_ no

Identification of major State programs:

Program Name
State Public School Fund
Vocational Education – Program Support Funds

Dollar threshold used to distinguish between Major State Programs	$ 500,000
Auditee qualified as low-risk auditee?	___yes _X_ no

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section II. Financial Statement Findings

Finding: 2024-001

MATERIAL WEAKNESS

Prior Period Adjustment

Criteria: Accurate reporting of capital assets is essential for an entity to be able to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: The Board recorded a prior period adjustment in the amount of $355,480 within governmental activities to correct previous years' errors relating to the reporting of capital assets.

Effect: The Board's financial statements were misstated in previous years.

Cause: Oversight.

Identification of a repeat finding: This is a repeat finding from the previous audit.

Recommendation: We recommend that management closely review all records relating to capital assets and installment purchases to ensure accuracy prior to inclusion of such data in the financial statements.

Management Response: The Board agrees with this finding and recommendation.

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2024

Section II. Financial Statement Findings

Finding: 2024-001

Name of Contact Person: Kim Greek, Finance Officer

Corrective Action: The Finance Department will take steps to ensure that capital assets are properly calculated and recorded in the future. The District has implemented a new capital asset system to improve accounting and financial reporting for capital assets. In addition, all such calculations will be reviewed by the Finance Officer, or designee, for accuracy.

Proposed Completion Date: As soon as possible.

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

KANNAPOLIS CITY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

Finding 2023-001: Not corrected – see repeat finding 2024-001

Finding 2023-002: Corrected

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
U. S. Department of Agriculture			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	$ 262,789
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	1,044,409
National School Lunch Program	10.555	PRC 035	2,704,212
After School Snack Program	10.555	PRC 035	5,250
Summer Food Service Program for Children	10.559	PRC 035	31,064
Supply Chain Assistance	10.559	PRC 035	130,794
Cash Assistance Subtotal			3,915,729
Total Child Nutrition Cluster:			4,178,518
Local Food for Schools Cooperative Agreement Progr	10.185	PRC 035	10,030
Total U.S. Department of Agriculture			4,188,548
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010A	PRC 050 & 115	1,528,415
Education for Homeless Children and Youth	84.196	PRC 026	55,107
Student Support and Academic Enrichment Program	84.424	PRC 108	204,254
Supporting Effective Instruction State Grant	84.367	PRC 103	221,698
English Language Acquisition Grants	84.365	PRC 104 and 111	113,023
COVID-19 - Education Stabilization Fund			
Govenor's Emergency Relief Fund (GEER)			
Govenor's Tech Teams	84.425C		20,217
CRRSA:			
K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	14,203
ESSER II - Learning Loss Funding	84.425D	PRC 176	29,316
ARP:			
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	4,234,172
ESSER III - Homeless I	84.425W	PRC 183	20,230
ESSER III - Homeless II	84.425W	PRC 184	20,290
ESSER III - Summer Career Accelerator Program	84.425U	PRC 188	86,387
ESSER III - Math Enrichment Programs	84.425U	PRC 189	18,696
ESSER III - After School Robotics Grant	84.425U	PRC 201	33,200
ESSER III - School Psychologists Grant Program	84.425U	PRC 204	3,550
ESSER III - Principal Retention Supplements	84.425U	PRC 206	5,405
Total Education Stabilization Fund			4,485,666

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	1,445,245
- Targeted Assistance	84.027	PRC 118	4,500
- Preschool Handicapped	84.173	PRC 049	39,601
COVID-19 - ARP:			
- ESSER III - Grants to States	84.027	PRC 185	16,289
- ESSER III - Preschool Grants	84.173	PRC 186	14,148
Total Special Education Cluster:			1,519,783
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States			
- Program Development	84.048	PRC 017	114,462
Total U.S. Department of Education			8,242,408
U.S. Department of Health and Human Services			
Direct Program:			
Headstart Program	93.600	PRC 390	1,791,998
U.S. Department of Defense			
Direct Program:			
JROTC	12.000		72,623
Total federal assistance			14,295,577

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
State Grants:			
N.C. Department of Public Instruction:			
State Public School Fund			37,281,370
Driver Training - SPSF		PRC 012	113,943
School Technology Fund - SPSF		PRC 015	94,500
Vocational Education			
- State Months of Employment		PRC 013	1,677,322
- Program Support Funds		PRC 014	496,444
N.C. Department of Public Instruction cash awards			39,663,579
N.C. Department of Public Instruction:			
School buses - Noncash			113,586
Total State assistance			39,777,165
Total federal and State assistance			$ 54,072,742

Notes to the Schedule of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Kannapolis City Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 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 Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Kannapolis City Board of Education.

2. Summary of Significant Accounting Policies

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

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