

**NEW HANOVER COUNTY
BOARD OF EDUCATION
Wilmington, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2025*

Draft

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the New Hanover County Board of Education
Wilmington, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hanover County Board of Education, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the New Hanover County 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 the New Hanover County Board of Education, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Other Restricted funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the New Hanover County 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.

Change in Accounting Principle

As described in Note 5 to the financial statements, the Board adopted the provisions of GASB Statement No. 101, Compensated Absences, as of July 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the New Hanover County Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the New Hanover County 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 Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB liability and the Schedules of Board Contributions on pages 54 through 59, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Hanover County Board of Education's basic financial statements. The accompanying individual fund budgetary schedules, other schedules and schedule of expenditures of federal and State awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedules and schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **October 28, 2025**, on our consideration of the New Hanover County 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Hanover County 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 New Hanover County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 28, 2025
West End, North Carolina
(910) 603-0508

NEW HANOVER COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the New Hanover County 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, 2025. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- As discussed in Note 5 to the financial statements, effective July 1, 2024, the Board implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement required the Board to begin recording liabilities for employee sick leave balances that are more likely than not to be used. As a result of implementation of this statement, the Board's governmental and business-type activities net position, as previously reported at June 30, 2024, was reduced by \$33.5 million and \$789,000, respectively.
- For the fiscal year ended June 30, 2025, the Board's total government-wide net position (not including the decrease in net position due to the GASB 101 restatement) decreased by \$1.7 million. Governmental activities net position increased by \$797,000, and business-type activities net position decreased by \$2.5 million.
- The General Fund reported a decrease in fund balance of \$30,000 for the year ended June 30, 2025 and the Other Restricted reported an increase of \$6.8 million.
- The Board's final average daily membership (ADM) for the fiscal year ended June 30, 2025 was 24,599 students, a decrease of 120 students over the 2024 ADM of 24,719.

Overview of the Financial Statements

The audited financial statements of the New Hanover County Board of Education consist of five 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.*
- *Supplemental section that presents individual fund statements and budgetary schedules for governmental and enterprise funds.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets, 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, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary fund. These statements present

NEW HANOVER COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Government-wide Statements

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

The two government-wide statements report the Board's net position and how they have changed. Net position is the difference between the Board's assets and liabilities. This 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, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

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

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

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

Fund Financial Statements

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

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

New Hanover County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) 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

**NEW HANOVER COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 fund 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 Other Restricted Fund, the Individual Schools Fund, the Capital Outlay Fund and the Federal Grants Fund.

The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

Proprietary funds: 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. The New Hanover County Board of Education has one proprietary fund - an enterprise fund – the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows exceeded assets and deferred outflows by \$104.9 million as of June 30, 2025 as compared to liabilities and deferred inflows exceeding assets and deferred outflows by \$68.9 million as of June 30, 2024, a decrease of \$36.0 million. The largest component of net position is net investment in capital assets of \$276.2 million. As previously discussed, this decrease is primarily due to the implementation of GASB Statement 101 during the year, which had the effect of reducing beginning of year total primary government net position, as previously reported at June 30, 2024, by \$34.3 million.

Following is a summary of the Statement of Net Position as of June 30, 2025 and 2024:

**NEW HANOVER COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 1
Condensed Statement of Net Position
As of June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Current and other assets	\$ 43,853,033	\$ 37,341,663	\$ 9,838,197	\$ 9,764,028	\$ 53,691,230	\$ 47,105,691
Capital assets	<u>278,286,696</u>	<u>279,871,089</u>	<u>883,621</u>	<u>721,229</u>	<u>279,170,317</u>	<u>280,592,318</u>
Total assets	<u>322,139,729</u>	<u>317,212,752</u>	<u>10,721,818</u>	<u>10,485,257</u>	<u>332,861,547</u>	<u>327,698,009</u>
Deferred outflows of resources	<u>180,772,048</u>	<u>179,813,208</u>	<u>4,450,148</u>	<u>3,023,389</u>	<u>185,222,196</u>	<u>182,836,597</u>
Current liabilities	24,893,881	23,143,756	607,003	484,044	25,500,884	23,627,800
Long-term liabilities	<u>521,434,952</u>	<u>468,892,699</u>	<u>12,600,110</u>	<u>7,978,218</u>	<u>534,035,062</u>	<u>476,870,917</u>
Total liabilities	<u>546,328,833</u>	<u>492,036,455</u>	<u>13,207,113</u>	<u>8,462,262</u>	<u>559,535,946</u>	<u>500,498,717</u>
Deferred inflows of resources	<u>61,907,280</u>	<u>77,598,061</u>	<u>1,523,998</u>	<u>1,304,737</u>	<u>63,431,278</u>	<u>78,902,798</u>
Net investment in						
capital assets	275,330,522	276,391,315	883,621	721,229	276,214,143	277,112,544
Restricted net position	10,123,147	4,889,911	9,809	-	10,132,956	4,889,911
Unrestricted net position (deficit)	<u>(390,778,005)</u>	<u>(353,889,782)</u>	<u>(452,575)</u>	<u>3,020,418</u>	<u>(391,230,580)</u>	<u>(350,869,364)</u>
Total net position (deficit)	<u>\$ (105,324,336)</u>	<u>\$ (72,608,556)</u>	<u>\$ 440,855</u>	<u>\$ 3,741,647</u>	<u>\$ (104,883,481)</u>	<u>\$ (68,866,909)</u>

Net of the \$33.5 million reduction in beginning of year net position for implementation of GASB 101, the net position of the Board's governmental activities increased \$797,000 during the year, from \$(72.6) million at June 30, 2024 to \$(105.3) million at June 30, 2025. Restricted net position increased by \$5.2 million, primarily due to a increase in restricted grants funds for instructional services in the Other Restricted fund related to Medicaid funds and the Early Literacy Grant received during the current year. Unrestricted net position decreased by \$36.9 million compared to the prior year as a result of the overall decrease in net position due to the implementation of GASB 101. Net investment in capital assets decreased \$1.1 million due to an excess of depreciation expense over capital additions for the year. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the Board participates in. The Board is required to record its proportionate share of these items along with its proportionate share of the plan liabilities. See Note 2 of the financial statements for more details regarding these plans.

Net of a reduction of \$789,000 to beginning of year net position for implementation of GASB 101, the net position of the Board's business-type activities decreased \$2.5 million from \$3.7 million at June 30, 2024 to \$441,000 at June 30, 2025. This decrease is the net income generated by our school food service operations during the 2025 fiscal year and the implementation of GASB 101. The loss in the school food service fund is largely due to an increase in salaries and benefits. The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

**NEW HANOVER COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Revenues:						
Program revenues:						
Charges for services	\$ 3,702,384	\$ 3,735,523	\$ 2,322,799	\$ 2,549,179	\$ 6,025,183	\$ 6,284,702
Operating grants and contributions	216,890,758	242,590,398	11,339,301	12,023,312	228,230,059	254,613,710
Capital grants and contributions	1,109,027	535,478	-	232,168	1,109,027	767,646
General revenues:						
County appropriations	111,298,875	102,048,340	-	-	111,298,875	102,048,340
State appropriations	4,144,409	3,839,321	-	-	4,144,409	3,839,321
Other revenues	3,588,839	4,009,447	313,921	186,388	3,902,760	4,195,835
Total revenues	<u>340,734,292</u>	<u>356,758,507</u>	<u>13,976,021</u>	<u>14,991,047</u>	<u>354,710,313</u>	<u>371,749,554</u>
Expenses:						
Governmental activities:						
Instructional services	261,271,833	274,209,930	-	-	261,271,833	274,209,930
System-wide support services	69,458,670	76,411,795	-	-	69,458,670	76,411,795
Ancillary services	289,895	439,023	-	-	289,895	439,023
Payments to other governments	8,011,612	7,195,897	-	-	8,011,612	7,195,897
Interest on long-term debt	58,825	63,013	-	-	58,825	63,013
Unallocated depreciation	717,607	585,915	-	-	717,607	585,915
Business-type activities:						
School food service	-	-	16,616,728	14,008,872	16,616,728	14,008,872
Total expenses	<u>339,808,442</u>	<u>358,905,573</u>	<u>16,616,728</u>	<u>14,008,872</u>	<u>356,425,170</u>	<u>372,914,445</u>
Excess (deficiency) before transfers	925,850	(2,147,066)	(2,640,707)	982,175	(1,714,857)	(1,164,891)
Transfers in (out)	(129,089)	(126,684)	129,089	126,684	-	-
Increase (decrease) in net position	<u>796,761</u>	<u>(2,273,750)</u>	<u>(2,511,618)</u>	<u>1,108,859</u>	<u>(1,714,857)</u>	<u>(1,164,891)</u>
Beginning net position (deficit), as previously reported	(72,608,556)	(70,334,806)	3,741,647	2,632,788	(68,866,909)	(67,702,018)
Change in accounting principle (Note 5)	(33,512,541)	-	(789,174)	-	(34,301,715)	-
Beginning net position (deficit), as restated	<u>(106,121,097)</u>	<u>(70,334,806)</u>	<u>2,952,473</u>	<u>2,632,788</u>	<u>(103,168,624)</u>	<u>(67,702,018)</u>
Ending net position (deficit)	<u>\$ (105,324,336)</u>	<u>\$ (72,608,556)</u>	<u>\$ 440,855</u>	<u>\$ 3,741,647</u>	<u>\$ (104,883,481)</u>	<u>\$ (68,866,909)</u>

Total governmental activities generated revenues of \$340.7 million while expenses in this category totaled \$339.8 million for the year ended June 30, 2025, resulting in an increase in net position of

NEW HANOVER COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

\$797,000 (including transfers out to business-type activities of \$129,000). Comparatively, revenues were \$356.8 million, expenses totaled \$358.9 million and transfers out were \$127,000 for the year ended June 30, 2024 resulting in a decrease in net position of \$2.3 million. In comparing the two years, revenues decreased \$16.0 million, or 4.5%, and expenses decreased by \$19.1 million, or 5.3%. The Board received \$31.6 million Education Stabilization funds in the previous year to help offset the cost of the COVID-19 pandemic which largely attributed to the decrease in levels of revenues and expenses as these funds expired as of December 31, 2024.

The Board's primary sources of revenues were funding from the State of North Carolina, New Hanover County, and the United States Government, which respectively comprised 57.5%, 32.6% and 4.7% of our total governmental activities revenues. As would be expected, the major component of our expenses was instructional services which accounted for 76.9% of our total expenses during the most recent fiscal year. Of the remaining 23.1% of our total expenses, 20.4% was attributable to system-wide support services.

Our business-type activities generated revenues of \$14.0 million, expenses in this category totaled \$16.6 million for the year ended June 30, 2025. For the year, net position decreased by \$2.5 million (including transfers in of \$129,000). Comparatively, net position increased by \$1.1 million for the year ended June 30, 2024. In comparing the two years, profitability declined by \$3.6 million. Revenues decreased \$1.0 million, or 6.8% from the previous year and expenditures increased \$2.6 million, or 18.6% due to increased food costs as a result of inflation and an increase in salaries and benefits as a result of an increase in pension and OPEB expenses of \$3.4 million. While revenues decreased as a result of participation, the reimbursement rates from the USDA increased slightly and the increase in expenses was mostly due to non cash expenses, the net effect of operations was only a slight decrease in cash of \$42,000

Financial Analysis of the Board's Funds

Governmental Funds: The focus of New Hanover County 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.

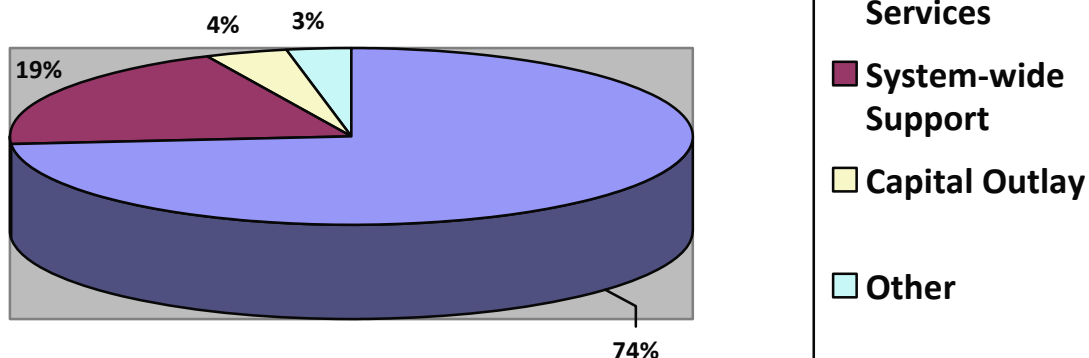
The Board's governmental funds reported a combined fund balance of \$29.5 million at June 30, 2025, an increase of \$6.7 million from the \$22.7 million reported at June 30, 2024. The Board's Other Restricted and Individual Schools funds each reported an increase in fund balance for the year of \$6.8 million, and \$75,000 respectively. The increase in Other Restricted fund balance is the result of decreases in expenditures. The Individual Schools revenue and expenditures were comparable to the previous year due to fundraising efforts and athletics. The General and Capital Outlay fund balance decreased by \$30,000 and \$130,000, respectively. The Board made a significant effort to reduce spending in the General fund as well as receiving increased allotments from the County. Revenues in the Capital Outlay fund are mainly on a reimbursement basis from the County and Lottery revenues to fund numerous capital projects throughout the district.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Federal revenues and expenditures decreased by \$31.6 million for the fiscal year ended June 30, 2025 due to the expiration of the COVID-19 Education Stabilization funds used to help provide instructional and support services during the pandemic and provide services for learning loss, mental health services, 1:1 technology and facility repairs and improvements to help limit the spread of COVID-19. State Public School fund revenues and expenditures increased \$3.1 million or 1.7%, for the fiscal year ended June 30, 2025. The change in State revenues and expenditures is a result of increases in allotments to cover legislated salary and benefit increases.

The Other Restricted fund reported an increase in fund balance for the 2025 year of \$6.8 million, this increase is due to an increase in Medicaid reimbursements and an Early Literacy Grant received for the year ended June 30, 2025 which were not fully spent during the fiscal year. These increases were offset by a decrease in indirect cost allocated as the amount of available federal funds which could be charged indirect cost decreased.

**NEW HANOVER COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported a decrease in net position of \$2.5 million for the fiscal year ended June 30, 2025 compared to an increase of \$1.1 million for the same 2024 period, a year-over-year decline of \$3.6 million. See the section above titled *Financial Analysis of the Board as a Whole* for a detailed explanation of the reasons for this decrease in profitability.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments.

For the year, the Board's General Fund reported a decrease in fund balance of \$30,000 (including the increase in reserve for inventory of \$8,000). Revenues from New Hanover County for the local operating budget increased \$5.5 million, from the prior year. Overall, total General Fund revenues increased by \$5.2 million from the prior year while expenditures decreased \$3.1 million. These increases in revenues and decreases in expenditures in the General Fund was an intentional effort to not use any more General fund balance. The General fund also recognized \$260,000 in other financing sources related to IT subscription agreements entered into in the current year.

Capital Assets

Total primary government capital assets were \$279.2 million at June 30, 2025 compared to \$280.6 million at June 30, 2024, a decrease of 0.5%. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2025 and 2024. More detailed information about the Board's capital assets is contained in Note 2 to the basic financial statements.

**NEW HANOVER COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 3
Summary of Capital Assets
As of June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Land	\$ 24,041,049	\$ 24,041,049	\$ -	\$ -	\$ 24,041,049	\$ 24,041,049
Right to use assets	908,305	1,046,368	-	-	908,305	1,046,368
Construction in progress	9,233,062	5,938,154	-	-	9,233,062	5,938,154
Buildings and improvements	237,779,028	243,350,245	-	-	237,779,028	243,350,245
Equipment and furniture	2,571,497	2,084,079	883,621	721,229	3,455,118	2,805,308
Vehicles	3,753,755	3,411,194	-	-	3,753,755	3,411,194
Total	<u>\$ 278,286,696</u>	<u>\$ 279,871,089</u>	<u>\$ 883,621</u>	<u>\$ 721,229</u>	<u>\$ 279,170,317</u>	<u>\$ 280,592,318</u>

Debt Outstanding

During the year, the Board's long-term debt decreased by \$437,000 from \$1.6 million at June 30, 2024 to \$1.2 million at June 30, 2025. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in Note 2 to the basic financial statements.

Economic Factors

County funding is a major source of income for the school district; therefore, the County's economic outlook directly affects that of the school district. Along with the national and State economy, our local economy has felt the impact of the recent recession. The following factors impact the current economic outlook of New Hanover County and the Board of Education:

- The unemployment rate in New Hanover County at June 30, 2025 was 3.7% which is a 0.2% increase from the 3.5% rate at June 30, 2024. The County's unemployment rate is lower than the N.C. statewide rate which was 3.6% at June 30, 2024.
- New Hanover County's population estimation of approximately 245,000 is an increase of approximately 1.3% from last year.

All of these factors were considered in preparing the Board's budget for the new fiscal year. The Board's budget was created with a focus on protecting instructional program allocations and personnel.

Requests for Information

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

Ashley Sutton, Chief Financial Officer
New Hanover County Board of Education
6410 Carolina Beach Road
Wilmington, North Carolina 28412

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Draft

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2025

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 36,891,199	\$ 9,234,683	\$ 46,125,882
Due from other governments	4,666,331	298,651	4,964,982
Receivables	89,597	-	89,597
Net OPEB asset	311,111	7,659	318,770
Inventories	1,018,923	297,204	1,316,127
Prepays	875,872	-	875,872
Capital assets:			
Right to use assets, net of amortization	908,305	-	908,305
Land and construction in progress	33,274,111	-	33,274,111
Other capital assets, net of depreciation	244,104,280	883,621	244,987,901
Total capital assets	<u>278,286,696</u>	<u>883,621</u>	<u>279,170,317</u>
Total assets	<u>322,139,729</u>	<u>10,721,818</u>	<u>332,861,547</u>
Deferred Outflows of Resources	<u>180,772,048</u>	<u>4,450,148</u>	<u>185,222,196</u>
Liabilities			
Bank overdraft	2,089,716	-	2,089,716
Accounts payable and accrued expenses	8,845,143	205,645	9,050,788
Accrued salaries and wages payable	2,024,452	43,868	2,068,320
Unearned revenue	1,131,816	163,935	1,295,751
Long-term liabilities:			
Due within one year	10,802,754	193,555	10,996,309
Due in more than one year	41,048,708	774,221	41,822,929
Net pension liability due in more than one year	161,097,899	3,965,821	165,063,720
Net OPEB liability due in more than one year	<u>319,288,345</u>	<u>7,860,068</u>	<u>327,148,413</u>
Total liabilities	<u>546,328,833</u>	<u>13,207,113</u>	<u>559,535,946</u>
Deferred Inflows of Resources	<u>61,907,280</u>	<u>1,523,998</u>	<u>63,431,278</u>
Net position			
Net investment in capital assets	275,330,522	883,621	276,214,143
Restricted for:			
Stabilization by State statute	649,938	-	649,938
School capital outlay	122,598	-	122,598
Instructional services	6,557,223	-	6,557,223
Individual schools activities	2,394,989	-	2,394,989
DIPNC OPEB plan	398,399	9,809	408,208
Unrestricted (deficit)	<u>(390,778,005)</u>	<u>(452,575)</u>	<u>(391,230,580)</u>
Total net position (deficit)	<u>\$(105,324,336)</u>	<u>\$ 440,855</u>	<u>\$(104,883,481)</u>

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 151,669,657	\$ -	\$ 119,548,239	\$ -	\$ (32,121,418)	\$ -	\$ (32,121,418)
Special populations	47,936,536	-	43,710,733	-	(4,225,803)	-	(4,225,803)
Alternative programs	18,093,580	-	10,764,739	-	(7,328,841)	-	(7,328,841)
School leadership	19,214,939	-	10,108,992	-	(9,105,947)	-	(9,105,947)
Co-curricular	5,633,025	3,285,351	12,417	-	(2,335,257)	-	(2,335,257)
School-based support	18,724,096	-	12,139,670	-	(6,584,426)	-	(6,584,426)
System-wide support services:							
Support and development	2,930,866	-	328,975	-	(2,601,891)	-	(2,601,891)
Special population support and development	540,143	-	208,783	-	(331,360)	-	(331,360)
Alternative programs and services support and development	2,026,336	-	812,101	-	(1,214,235)	-	(1,214,235)
Technology support	5,663,186	-	611,460	-	(5,051,726)	-	(5,051,726)
Operational support	43,439,303	-	14,321,520	1,109,027	(28,008,756)	-	(28,008,756)
Financial and human resource services	10,249,562	417,033	1,373,701	-	(8,458,828)	-	(8,458,828)
Accountability	404,874	-	72,281	-	(332,593)	-	(332,593)
System-wide pupil support	615,142	-	84,257	-	(530,885)	-	(530,885)
Policy, leadership and public relations	3,589,258	-	1,697,273	-	(1,891,985)	-	(1,891,985)
Ancillary services	289,895	-	59,601	-	(230,294)	-	(230,294)
Payments to other governments	8,011,612	-	1,036,016	-	(6,975,596)	-	(6,975,596)
Interest on long-term debt	58,825	-	-	-	(58,825)	-	(58,825)
Unallocated depreciation expense**	717,607	-	-	-	(717,607)	-	(717,607)
Total governmental activities	<u>339,808,442</u>	<u>3,702,384</u>	<u>216,890,758</u>	<u>1,109,027</u>	<u>(118,106,273)</u>	<u>-</u>	<u>(118,106,273)</u>
Business-type activities:							
School food service	<u>16,616,728</u>	<u>2,322,799</u>	<u>11,339,301</u>	<u>-</u>	<u>-</u>	<u>(2,954,628)</u>	<u>(2,954,628)</u>
Total primary government	<u>\$ 356,425,170</u>	<u>\$ 6,025,183</u>	<u>\$ 228,230,059</u>	<u>\$ 1,109,027</u>	<u>(118,106,273)</u>	<u>(2,954,628)</u>	<u>(121,060,901)</u>
			General revenues:				
			Unrestricted county appropriations - operating		101,729,118	-	101,729,118
			Unrestricted county appropriations - capital		9,569,757	-	9,569,757
			Unrestricted State appropriation - capital		4,144,409	-	4,144,409
			Investment earnings, unrestricted		828,466	293,353	1,121,819
			Miscellaneous, unrestricted		2,760,373	20,568	2,780,941
			Transfers		(129,089)	129,089	-
			Total general revenues and transfers		<u>118,903,034</u>	<u>443,010</u>	<u>119,346,044</u>
			Change in net position		<u>796,761</u>	<u>(2,511,618)</u>	<u>(1,714,857)</u>
			Net position (deficit) - beginning		(72,608,556)	3,741,647	(68,866,909)
			Change in accounting principle (Note 5)		<u>(33,512,541)</u>	<u>(789,174)</u>	<u>(34,301,715)</u>
			Net position (deficit) - beginning, as restated		<u>(106,121,097)</u>	<u>2,952,473</u>	<u>(103,168,624)</u>
			Net position (deficit) - ending		<u>\$ (105,324,336)</u>	<u>\$ 440,855</u>	<u>\$ (104,883,481)</u>

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

The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Draft

NEW HANOVER COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

Exhibit 3

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Restricted Fund	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 10,564,836	\$ 961,629	\$ 36,169	\$ 22,933,576	\$ -	\$ 2,394,989	\$ 36,891,199
Due from other governments	102,973	-	-	457,368	4,105,990	-	4,666,331
Accounts receivable	19,954	-	-	69,643	-	-	89,597
Inventories	1,018,923	-	-	-	-	-	1,018,923
Prepays	875,872	-	-	-	-	-	875,872
Total assets	\$ 12,582,558	\$ 961,629	\$ 36,169	\$ 23,460,587	\$ 4,105,990	\$ 2,394,989	\$ 43,541,922
Liabilities and fund balances							
Liabilities:							
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 2,089,716	\$ -	\$ 2,089,716
Accounts payable and accrued liabilities	6,665,390	-	-	420,095	1,759,658	-	8,845,143
Accrued salaries and wages payable	2,024,452	-	-	-	-	-	2,024,452
Unearned revenue	-	961,629	36,169	-	134,018	-	1,131,816
Total liabilities	8,689,842	961,629	36,169	420,095	3,983,392	-	14,091,127
Fund balances:							
Nonspendable:							
Inventories	1,018,923	-	-	-	-	-	1,018,923
Prepays	875,872	-	-	-	-	-	875,872
Restricted:							
Stabilization by State statute	122,927	-	-	527,011	-	-	649,938
School capital outlay	-	-	-	-	122,598	-	122,598
Instructional services	-	-	-	6,557,223	-	-	6,557,223
Individual schools	-	-	-	-	-	2,394,989	2,394,989
Committed:							
Disaster recovery	500,000	-	-	-	-	-	500,000
Assigned:							
Special revenues	-	-	-	15,956,258	-	-	15,956,258
Unassigned:	1,374,994	-	-	-	-	-	1,374,994
Total fund balances	3,892,716	-	-	23,040,492	122,598	2,394,989	29,450,795
Total liabilities and fund balances	\$ 12,582,558	\$ 961,629	\$ 36,169	\$ 23,460,587	\$ 4,105,990	\$ 2,394,989	\$ 43,541,922

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2025

Exhibit 3 (continued)

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

Total fund balance (All Governmental Funds)	29,450,795
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	277,378,391
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	908,305
Net OPEB asset	311,111
Deferred outflows of resources related to pensions	73,361,806
Deferred outflows of resources related to OPEB plans	107,410,242
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(51,851,462)
Net pension liability	(161,097,899)
Net OPEB liability	(319,288,345)
Deferred inflows of resources related to pensions	(6,248,599)
Deferred inflows of resources related to OPEB plans	<u>(55,658,681)</u>
Net position (deficit) of governmental activities	<u><u>\$ (105,324,336)</u></u>

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

Exhibit 4

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Restricted Fund	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 188,242,050	\$ -	\$ 3,401,364	\$ 4,451,978	\$ -	\$ 196,095,392
New Hanover County							
Local current expense	99,560,894	-	-	1,950,000	-	-	101,510,894
Other	-	-	-	-	9,569,757	-	9,569,757
U.S. Government	-	-	15,638,385	359,802	-	-	15,998,187
Other	2,082,742	-	-	12,523,451	-	3,285,351	17,891,544
Total revenues	101,643,636	188,242,050	15,638,385	18,234,617	14,021,735	3,285,351	341,065,774
Expenditures:							
Current:							
Instructional services:							
Regular instructional	25,075,647	109,109,434	1,392,258	2,708,814	49,932	-	138,336,085
Special populations	6,046,267	35,265,290	4,611,641	1,209,867	-	-	47,133,065
Alternative programs	2,020,865	4,615,337	6,019,428	5,220,239	-	-	17,875,869
School leadership	8,701,012	10,096,210	12,782	65,586	-	-	18,875,590
Co-curricular	2,330,245	12,417	-	44,574	-	3,210,718	5,597,954
School-based support	5,599,614	11,320,083	819,587	700,865	-	-	18,440,149
System-wide support services:							
Support and development	2,424,286	311,783	17,192	116,441	-	-	2,869,702
Special population support and development	291,189	130,864	77,919	30,771	-	-	530,743
Alternative programs and services support and development	793,328	377,566	434,535	383,000	-	-	1,988,429
Technology support	4,534,701	611,460	-	21,440	107,111	-	5,274,712
Operational support	25,294,935	13,384,698	807,733	785,364	289,298	-	40,562,028
Financial and human resource services	7,614,621	1,017,384	356,317	-	-	-	8,988,322
Accountability	325,979	72,281	-	-	-	-	398,260
System-wide pupil support	519,643	84,257	-	-	-	-	603,900
Policy, leadership and public relations	1,837,250	1,697,273	-	-	-	-	3,534,523
Ancillary services	71,524	6,624	52,977	158,770	-	-	289,895
Non-programmed charges	8,011,612	-	1,036,016	-	-	-	9,047,628
Debt service:							
Principal retirement	390,059	-	-	-	307,569	-	697,628
Interest and fees	58,825	-	-	-	-	-	58,825
Capital outlay	-	-	-	-	13,398,118	-	13,398,118
Total expenditures	101,941,602	188,112,961	15,638,385	11,445,731	14,152,028	3,210,718	334,501,425
Revenues over (under) expenditures	(297,966)	129,089	-	6,788,886	(130,293)	74,633	6,564,349
Other financing sources (uses):							
IT subscription agreements	260,294	-	-	-	-	-	260,294
Transfers to other funds	-	(129,089)	-	-	-	-	(129,089)
Total other financing sources (uses)	260,294	(129,089)	-	-	-	-	131,205
Net change in fund balance	(37,672)	-	-	6,788,886	(130,293)	74,633	6,695,554
Fund balances:							
Beginning of year	3,922,530	-	-	16,251,606	252,891	2,320,356	22,747,383
Change in reserve for inventories	7,858	-	-	-	-	-	7,858
End of year	\$ 3,892,716	\$ -	\$ -	\$ 23,040,492	\$ 122,598	\$ 2,394,989	\$ 29,450,795

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 6,695,554
Change in fund balance due to change in reserve for inventory	7,858
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.	(975,887)
Governmental funds report right to use leased assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the life of the lease and reported as amortization expense. This is the amount by which amortization exceeded capitalized right to use leased asset expenditures in the current period.	(138,063)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	30,047,917
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	12,742,177
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	801,458
OPEB nonemployer contributions	97,140
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 position. 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.	437,334
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	(42,151,762)
Net OPEB (expense) benefit	(5,156,449)
Compensated absences	(338,615)
Loss on disposal of capital assets	<u>(1,271,901)</u>
Total change in net position of governmental activities	<u>\$ 796,761</u>

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

Exhibit 6

	General Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
New Hanover County	99,560,738	99,560,894	99,560,894	-
U.S. Government	-	-	-	-
Other	1,653,335	2,148,955	2,082,742	(66,213)
Total revenues	101,214,073	101,709,849	101,643,636	(66,213)
Expenditures:				
Current:				
Instructional services:				
Regular instructional	19,571,528	25,092,212	25,075,647	16,565
Special populations	8,609,015	6,048,815	6,046,267	2,548
Alternative programs	2,678,971	2,020,865	2,020,865	-
School leadership	8,226,752	8,701,012	8,701,012	-
Co-curricular	2,227,627	2,330,245	2,330,245	-
School-based support	5,841,197	5,599,751	5,599,614	137
Total instructional services	47,155,090	49,792,900	49,773,650	19,250
System-wide support services:				
Support and development	2,659,960	2,428,085	2,424,286	3,799
Special population support and development	293,891	291,189	291,189	-
Alternative programs and services support and development	1,013,201	793,328	793,328	-
Technology support	4,815,824	4,638,586	4,534,701	103,885
Operational support	26,582,098	25,548,957	25,294,935	254,022
Financial and human resource services	7,935,606	7,714,802	7,614,621	100,181
Accountability	315,282	325,979	325,979	-
System-wide pupil support services	614,273	594,563	519,643	74,920
Policy, leadership and public relations	2,053,905	2,144,901	1,837,250	307,651
Total system-wide support services	46,284,040	44,480,390	43,635,932	844,458
Ancillary services:				
Community	140,000	140,000	70,868	69,132
Nutrition	-	700	656	44
Total ancillary services	140,000	140,700	71,524	69,176
Nonprogrammed charges	7,227,033	8,017,510	8,011,612	5,898
Debt service:				
Principal retirement	361,449	390,059	390,059	-
Interest and fees	46,461	58,825	58,825	-
Total debt service	407,910	448,884	448,884	-
Total expenditures	101,214,073	102,880,384	101,941,602	938,782
Excess (deficiency) of revenues over expenditures	-	(1,170,535)	(297,966)	872,569
Other financing sources (uses):				
Lease obligations issued	-	-	-	-
IT subscription agreement	-	260,294	260,294	-
Fund balance appropriated	-	910,241	-	(910,241)
Total other financing sources (uses)	-	1,170,535	260,294	(910,241)
Net change in fund balance	\$ -	\$ -	(37,672)	\$ (37,672)
Fund balances:				
Beginning of year			3,922,530	
Change in reserve for inventories			7,858	
End of year			\$ 3,892,716	

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

Exhibit 6 (continued)

	State Public School Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 193,231,395	\$ 193,177,940	\$ 188,242,050	\$ (4,935,890)
New Hanover County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>193,231,395</u>	<u>193,177,940</u>	<u>188,242,050</u>	<u>(4,935,890)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	117,743,479	113,013,770	109,109,434	3,904,336
Special populations	33,603,189	35,391,146	35,265,290	125,856
Alternative programs	4,259,134	4,953,867	4,615,337	338,530
School leadership	10,110,893	10,144,772	10,096,210	48,562
Co-curricular	1,991	12,417	12,417	-
School-based support	11,500,091	11,624,351	11,320,083	304,268
Total instructional services	<u>177,218,777</u>	<u>175,140,323</u>	<u>170,418,771</u>	<u>4,721,552</u>
System-wide support services:				
Support and development	266,390	354,737	311,783	42,954
Special population support and development	232,375	153,172	130,864	22,308
Alternative programs and services support and development	78,416	396,741	377,566	19,175
Technology support	100,095	698,893	611,460	87,433
Operational support	12,620,131	13,406,897	13,384,698	22,199
Financial and human resource services	1,000,439	1,026,769	1,017,384	9,385
Accountability	72,510	74,460	72,281	2,179
System-wide pupil support services	5,971	85,589	84,257	1,332
Policy, leadership and public relations	1,516,013	1,703,647	1,697,273	6,374
Total system-wide support services	<u>15,892,340</u>	<u>17,900,905</u>	<u>17,687,566</u>	<u>213,339</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	-	7,623	6,624	999
Total ancillary services	<u>-</u>	<u>7,623</u>	<u>6,624</u>	<u>999</u>
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>193,111,117</u>	<u>193,048,851</u>	<u>188,112,961</u>	<u>4,935,890</u>
Excess (deficiency) of revenues over expenditures	<u>120,278</u>	<u>129,089</u>	<u>129,089</u>	<u>-</u>
Other financing sources (uses):				
Transfers to other funds	(120,278)	(129,089)	(129,089)	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	<u>(120,278)</u>	<u>(129,089)</u>	<u>(129,089)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

Exhibit 6 (continued)

	Federal Grants Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
New Hanover County	-	-	-	-
U.S. Government	14,756,771	19,947,335	15,638,385	(4,308,950)
Other	-	-	-	-
Total revenues	<u>14,756,771</u>	<u>19,947,335</u>	<u>15,638,385</u>	<u>(4,308,950)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	983,644	1,922,294	1,392,258	530,036
Special populations	5,675,325	6,469,025	4,611,641	1,857,384
Alternative programs	5,648,813	7,064,080	6,019,428	1,044,652
School leadership	15,921	12,782	12,782	-
Co-curricular	-	-	-	-
School-based support	466,149	1,067,860	819,587	248,273
Total instructional services	<u>12,789,852</u>	<u>16,536,041</u>	<u>12,855,696</u>	<u>3,680,345</u>
System-wide support services:				
Support and development	15,000	35,196	17,192	18,004
Special population support and development	78,575	84,652	77,919	6,733
Alternative programs and services support and development	423,817	448,997	434,535	14,462
Technology support	-	-	-	-
Operational support	48,224	906,885	807,733	99,152
Financial and human resource services	211,634	391,929	356,317	35,612
Accountability	-	-	-	-
System-wide pupil support services	-	-	-	-
Policy, leadership and public relations	-	-	-	-
Total system-wide support services	<u>777,250</u>	<u>1,867,659</u>	<u>1,693,696</u>	<u>173,963</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	200,000	80,000	52,977	27,023
Total ancillary services	<u>200,000</u>	<u>80,000</u>	<u>52,977</u>	<u>27,023</u>
Nonprogrammed charges	<u>989,669</u>	<u>1,463,635</u>	<u>1,036,016</u>	<u>427,619</u>
Total expenditures	<u>14,756,771</u>	<u>19,947,335</u>	<u>15,638,385</u>	<u>4,308,950</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

Exhibit 6 (continued)

	Other Restricted Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 3,877,478	\$ 3,548,066	\$ 3,401,364	\$ (146,702)
New Hanover County	1,950,000	1,949,844	1,950,000	156
U.S. Government	275,864	376,912	359,802	(17,110)
Other	1,235,708	9,851,857	12,523,451	2,671,594
Total revenues	<u>7,339,050</u>	<u>15,726,679</u>	<u>18,234,617</u>	<u>2,507,938</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	1,104,988	8,316,492	2,708,814	5,607,678
Special populations	-	5,652,431	1,209,867	4,442,564
Alternative programs	5,199,274	5,639,703	5,220,239	419,464
School leadership	-	129,466	65,586	63,880
Co-curricular	-	152,667	44,574	108,093
School-based support	313,994	1,034,835	700,865	333,970
Total instructional services	<u>6,618,256</u>	<u>20,925,594</u>	<u>9,949,945</u>	<u>10,975,649</u>
System-wide support services:				
Support and development	156,584	194,190	116,441	77,749
Special population support and development	-	38,365	30,771	7,594
Alternative programs and services support and development	307,210	662,538	383,000	279,538
Technology support	-	56,296	21,440	34,856
Operational support	64,000	1,793,390	785,364	1,008,026
Financial and human resource services	193,000	745,139	-	745,139
Accountability	-	-	-	-
System-wide pupil support services	-	24,496	-	24,496
Policy, leadership and public relations	-	174,284	-	174,284
Total system-wide support services	<u>720,794</u>	<u>3,688,698</u>	<u>1,337,016</u>	<u>2,351,682</u>
Ancillary services:				
Community	-	183,610	78,427	105,183
Nutrition	-	82,557	80,343	2,214
Total ancillary services	<u>-</u>	<u>266,167</u>	<u>158,770</u>	<u>107,397</u>
Nonprogrammed charges	-	-	-	-
Total expenditures	<u>7,339,050</u>	<u>24,880,459</u>	<u>11,445,731</u>	<u>13,434,728</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(9,153,780)</u>	<u>6,788,886</u>	<u>15,942,666</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	9,153,780	-	(9,153,780)
Total other financing sources (uses)	<u>-</u>	<u>9,153,780</u>	<u>-</u>	<u>(9,153,780)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,788,886</u>	<u>\$ 6,788,886</u>
Fund balances:				
Beginning of year			<u>16,251,606</u>	
End of year			<u>\$ 23,040,492</u>	

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2025

Exhibit 7

	Enterprise Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 9,234,683
Due from other governments	298,651
Inventories	297,204
Total current assets	<u>9,830,538</u>
Noncurrent assets:	
Net OPEB asset	7,659
Capital assets:	
Furniture, equipment and vehicles, net	883,621
Total noncurrent assets	<u>891,280</u>
Total assets	<u>10,721,818</u>
Deferred Outflows of Resources	<u>4,450,148</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	205,645
Accrued salaries and wages payable	43,868
Compensated absences	193,555
Unearned revenue	163,935
Total current liabilities	<u>607,003</u>
Noncurrent liabilities:	
Net pension liability	3,965,821
Net OPEB liability	7,860,068
Compensated absences	774,221
Total noncurrent liabilities	<u>12,600,110</u>
Total liabilities	<u>13,207,113</u>
Deferred Inflows of Resources	<u>1,523,998</u>
Net position	
Investment in capital assets	883,621
Restricted for DIPNC OPEB plan	9,809
Unrestricted net position (deficit)	<u>(452,575)</u>
Total net position	<u>\$ 440,855</u>

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2025

Exhibit 8

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	\$ 2,322,799
Operating expenses:	
Food cost:	
Purchase of food	5,411,945
Donated commodities	991,339
Salaries and benefits	9,321,592
Indirect costs	96,924
Materials and supplies	88,795
Depreciation	34,199
Non-capitalized equipment	159,609
Contracted services	462,301
Other	50,024
Total operating expenses	<u>16,616,728</u>
Operating loss	<u>(14,293,929)</u>
Nonoperating revenues:	
Federal reimbursements and grants	10,335,489
Federal commodities	991,339
State reimbursements	12,473
Gain on disposal of capital assets	17,777
Interest earned	293,353
Other	2,791
Total nonoperating revenues	<u>11,653,222</u>
Loss before transfers	(2,640,707)
Transfers from other funds	<u>129,089</u>
Change in net position	<u>(2,511,618)</u>
Net position, beginning, as previously reported	3,741,647
Change in accounting principle (Note 5)	<u>(789,174)</u>
Net position, beginning, as restated	<u>2,952,473</u>
Net position, end of year	<u>\$ 440,855</u>

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2025

Exhibit 9

	Enterprise
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,350,795
Cash paid for goods and services	(6,280,428)
Cash paid to employees for services	<u>(6,500,548)</u>
Net cash used by operating activities	<u>(10,430,181)</u>
Cash flows from noncapital financing activities:	
Federal and State reimbursements and grants	10,271,102
Other	<u>2,791</u>
Net cash provided by noncapital activities	<u>10,273,893</u>
Cash flows from capital and related financing activities:	
Proceeds from disposal of capital assets	18,764
Purchase of capital assets	<u>(197,578)</u>
Net cash used by capital and related financing activities	<u>(178,814)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>293,353</u>
Net decrease in cash and cash equivalents	(41,749)
Cash and cash equivalents, beginning of year	<u>9,276,432</u>
Cash and cash equivalents, end of year	<u>\$ 9,234,683</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (14,293,929)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	34,199
Donated commodities	991,339
Salaries paid by special revenue fund	129,089
Changes in assets and liabilities:	
Decrease in accounts receivable	150
Increase in inventories	(31,549)
Increase in OPEB asset	(7,659)
Increase in accounts payable and accrued liabilities	20,719
Increase in accrued salaries and wages payable	13,456
Increase in unearned revenue	27,846

The notes to the basic financial statements are an integral part of this statement.

NEW HANOVER COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2025

Exhibit 9 (continued)

	Enterprise
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Reconciliation of operating loss to net cash used by operating activities (continued):	
Increase in pension liability	704,626
Increase in OPEB liability	3,403,544
Increase in deferred outflow	(1,426,759)
Increase in deferred inflow	219,261
Decrease in compensated absences payable	<u>(214,514)</u>
Total adjustments	<u>3,863,748</u>
Net cash used by operating activities	<u>\$ (10,430,181)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$991,339 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$129,089 to personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

Draft

The notes to the basic financial statements are an integral part of this statement.

**NEW HANOVER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The New Hanover County 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 New Hanover County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

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

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

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 accounted for in another fund.

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.

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

**NEW HANOVER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

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

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 New Hanover County appropriations, restricted sales tax moneys, proceeds of New Hanover County bonds issued for public school construction, lottery proceeds as well as certain State assistance.

The Board reports the following nonmajor governmental funds:

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 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.

C. 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 sixty 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. Issuance of general long-term debt and acquisitions under leases qualifying as other than short term and IT subscriptions 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 is 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.

D. 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' Funds, as required by the North Carolina General Statutes. Per State law no budget is required for individual school funds. All appropriations lapse

NEW HANOVER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

at fiscal year-end. Year-end capital outlay project appropriations are re-appropriated in the new fiscal year and related encumbrances are carried forward to the new fiscal year. All budgets, except for the Child Nutrition Proprietary Fund, are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions. The child nutrition proprietary fund budget has been prepared under the accrual basis of accounting. A budget comparison statement is presented for the Child Nutrition Proprietary Fund.

Budgetary control is exercised in all funds except individual school funds. Expenditures may not legally exceed appropriations at the purpose/function total level (the legal level of control) for all annually budgeted funds. A budget comparison statement is presented for the General Fund, State Public School Fund, Federal Grants Fund and Other Restricted Revenue Fund, which includes a comparison of original budget, final budget, actual data and the variance between final budget and actual. Separately, schedules are presented Capital Outlay Fund and Enterprise Fund which include comparisons of final budget and actual data.

As specified in State law [G.S. 115C-433], the Board of Education retains the authority to approve all amendments which would increase the total of any fund. The Chief Financial Officer is authorized to approve transfers within the same function or project, and transfers between functions or projects up to \$50,000 within the same fund. Transfers which change the function in excess of \$50,000 in the aggregate must be reported to the Board at its next regular meeting. Budget amendments, transfers other than the aforementioned types or transfers between funds require prior governing board approval. Amendments which alter County appropriation of transfer monies to or from the capital project fund also require the approval of the New Hanover County Board of Commissioners. 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.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF 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. The STIF consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value as determined by 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 of 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. 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.

**NEW HANOVER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

2. 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.

3. 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.

4. Prepaid Expenditures

Prepaid expenditures represent amounts paid to vendors for goods or services in one period that benefit a future period. The Board utilizes the consumption method of accounting and recognizes prepaid items as expenditures in the period consumed.

5. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1995 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 assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

New Hanover County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

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

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs

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made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

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

Item	Capitalization Level	Years
Land improvements	10,000	20
Buildings	20,000	50
Building improvements	20,000	20
Mobile classrooms	20,000	20
Furnishings and fixtures	5,000	10
Vehicles	All	6
Buses	All	10
Equipment (non-computer)	5,000	5
Cafeteria equipment	1,000	12
Computer equipment and Software	5,000	3

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

6. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has one item that meets this criterion - contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The Board has several items that meet this criterion – pension related deferrals, grants not yet earned in the Other Restricted Fund and sales tax refunds receivable in the State Public School Fund, Capital Outlay Fund, Federal Grants Fund, Other Restricted Fund and School Food Service Fund.

7. Long-term Obligations

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

8. Compensated Absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types

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of leave qualify for liability recognition for compensated absences – vacation and sick leave. The Board follows the State’s policy for vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements on a FIFO basis. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. An estimate has been made based on prior years’ records of the current portion of compensated absences.

Vacation Leave - Employees may accumulate up to thirty (30) days of earned but unused vacation leave with such leave being fully vested when earned and eligible for payment at the employee’s current pay rate upon separation from employment.

Sick Leave - 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. However, a liability for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

9. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or 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 four 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:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid expenditures - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

Restricted for instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

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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.

Committed fund balance – portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of Board of Education’s governing body (highest level of decision-making authority) and in certain instances approval by the County’s governing body is required. Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

Disaster recovery – portion of fund balance that is for hurricane or other disaster recovery expenditures.

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

Special revenue programs – 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. These amounts can be expended for 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.

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, State funds, federal funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

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10. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(134,775,131) 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 at historical cost on government-wide statement in governmental activities column)	\$ 533,177,321
Less accumulated depreciation and amortization	<u>(255,798,930)</u>
Net capital assets	<u>277,378,391</u>
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds (total right to use leased assets at historical cost on government-wide statement in governmental activities column)	2,028,426
Less accumulated amortization	<u>(1,120,121)</u>
Right to use leased assets, net	<u>908,305</u>
Net OPEB Asset	311,111
Pension related deferred outflows of resources	73,361,806
OPEB related deferred outflows of resources	107,410,242
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:	
Installment financing	(227,909)
IT subscription liability	(273,101)
Lease liability	(695,506)
Compensated absences	(50,654,946)
Net pension liability	(161,097,899)
Net OPEB liability	(319,288,345)
Deferred inflows of resources related to pensions	(6,248,599)
Deferred inflows of resources related to OPEB	<u>(55,658,681)</u>
Total adjustment	<u>\$ (134,775,131)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances 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 that total adjustment of \$(5,898,793) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 11,732,456
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	(12,448,049)
Loss on disposal of capital assets recorded in the statement of activities but not in the fund statements	(1,271,901)
Amortization expense for intangible capital assets, the allocation of those assets over their useful lives, that is recorded in the statement of activities but not in the fund statements	(398,357)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(260,294)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	697,628
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	30,047,917
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	12,742,177
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Amount of donated assets	801,458
OPEB nonemployer contributions	97,140
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	
Pension (expense) benefit	(42,151,762)
OPEB (expense) benefit	(5,156,449)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(338,615)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>7,858</u>
Total adjustment	<u>\$ (5,898,793)</u>

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11. 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 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. 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, 2025, the Board had deposits with banks and savings and loans with a carrying amount of \$20,623,459 and with the State Treasurer of \$997,798. The bank balances with the financial institutions and the State Treasurer were \$20,407,569 and \$750,000, respectively. Of these balances, \$1,563,743 was covered by federal depository insurance and \$19,593,826 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2025, the Board had \$3,215,885 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 2.1 years at June 30, 2025. The Board had \$21,288,740 invested in the NCCMT as of June 30, 2025. The Board has no policy for managing interest rate risk or credit risk. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

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3. Accounts Receivable

Receivables at the government-wide level at June 30, 2025 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ 102,973	\$ 19,954	\$ 122,927
Other governmental activities	<u>4,563,358</u>	<u>69,643</u>	<u>4,633,001</u>
Total governmental activities	<u>\$ 4,666,331</u>	<u>\$ 89,597</u>	<u>\$ 4,755,928</u>
Business-type activities:			
School Food Service Fund	<u>\$ 298,651</u>	<u>\$ -</u>	<u>\$ 298,651</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 102,973	Amounts due from the City & County
Other Restricted Fund	457,368	Program and County funds
Capital Outlay Fund	<u>4,105,990</u>	Amounts due from County
Total	<u>\$ 4,666,331</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 298,651</u>	Federal funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	12,173,407	-	-	12,173,407
Non-exhaustible land improvements	11,867,642	-	-	11,867,642
Construction in progress	5,938,154	10,034,784	6,739,876	9,233,062
Total capital assets not being depreciated	<u>29,979,203</u>	<u>10,034,784</u>	<u>6,739,876</u>	<u>33,274,111</u>
Capital assets being depreciated:				
Land improvements	16,386,571	2,191,140	-	18,577,711
Buildings and improvements	445,483,206	3,991,229	1,062,575	448,411,860
Equipment and furniture	14,256,053	1,687,293	2,057,136	13,886,210
Vehicles	18,014,811	1,109,050	96,432	19,027,429
Total capital assets being depreciated	<u>494,140,641</u>	<u>8,978,712</u>	<u>3,216,143</u>	<u>499,903,210</u>
Less accumulated depreciation for:				
Land improvements	11,746,914	538,926	-	12,285,840
Buildings and improvements	206,772,618	10,440,219	288,134	216,924,703
Equipment and furniture	12,171,974	717,607	1,574,868	11,314,713
Vehicles	14,603,617	751,297	81,240	15,273,674
Total accumulated depreciation	<u>245,295,123</u>	<u>12,448,049</u>	<u>1,944,242</u>	<u>255,798,930</u>
Total capital assets being depreciated, net	<u>248,845,518</u>			<u>244,104,280</u>
Capital assets being amortized:				
Right to use assets:				
Leased equipment	1,623,030	-	-	1,623,030
IT subscriptions	145,102	260,294	-	405,396
Total right to use assets:	<u>1,768,132</u>	<u>260,294</u>	<u>-</u>	<u>2,028,426</u>
Less accumulated amortization for:				
Leased equipment	649,212	324,606	-	973,818
IT subscriptions	72,552	73,751	-	146,303
Total accumulated amortization for:	<u>721,764</u>	<u>398,357</u>	<u>-</u>	<u>1,120,121</u>
Right to use assets, net	<u>\$ 1,046,368</u>			<u>\$ 908,305</u>
Governmental activity capital assets, net	<u>\$ 279,871,089</u>			<u>\$ 278,286,696</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 5,303,944	\$ 197,578	\$ 208,546	\$ 5,292,976
Less accumulated depreciation for:				
Equipment and furniture	<u>4,582,715</u>	<u>34,199</u>	<u>207,559</u>	<u>4,409,355</u>
Business-type activities capital assets, net	<u>\$ 721,229</u>			<u>\$ 883,621</u>

Amortization of \$398,357 was charged to system-wide support services. Depreciation was charged to governmental functions as follows:

Instructional services	\$ 10,979,145
System-wide support services	751,297
Unallocated depreciation	<u>717,607</u>
Total	<u>\$ 12,448,049</u>

Construction Commitments

The Board has several active construction projects as of June 30, 2025, including middle school renovations, a gym floor and security upgrades. At year-end, the Board's commitments with contractors for school construction are as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Various construction projects	<u>\$ 9,233,062</u>	<u>\$ 5,800,000</u>

B. Liabilities

1. Pension Plan and Other Postemployment 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.

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Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable 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, 2025 was 16.79% 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 \$30,787,620 for the year ended June 30, 2025.

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 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.

At June 30, 2025, the Board reported a liability of \$165,063,720 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2024 and 2023, the Board's proportion was 1.11404% and 1.18293%, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of \$43,828,384. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,875,108	\$ 487,950
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	27,218,225	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,286,833	5,914,473
Board contributions subsequent to the measurement date	<u>30,787,620</u>	-
Total	<u>\$ 75,167,786</u>	<u>\$ 6,402,423</u>

\$30,787,620 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 10,813,635
2027	30,781,542
2028	(703,917)
2029	(2,913,517)
2030	-
Thereafter	-
Total	<u>\$ 37,977,743</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and

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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, 2024 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%	

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 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rates used to measure the total pension liability reported at June 30, 2025 and 2024 was 6.50% for both years. 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 liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability	\$ 302,781,093	\$ 165,063,720	\$ 51,487,319

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

**NEW HANOVER COUNTY BOARD OF EDUCATION
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b. Other Postemployment Benefits

1. 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.

**NEW HANOVER COUNTY BOARD OF EDUCATION
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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 year ended June 30, 2025, the Board contributed 6.99% of covered payroll, which amounted to \$12,817,478 for the entire fiscal year. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$10.3 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 \$99,531.

At June 30, 2025, the Board reported a liability of \$327,148,413 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 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, 2024 and 2023, the Board's proportion was .96185% and 1.01034%, respectively.

\$12,817,478 to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2026	\$ (1,782,087)
2027	8,437,013
2028	21,116,350
2029	12,347,363
2030	-
Thereafter	-
Total	<u>\$ 40,118,639</u>

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

**NEW HANOVER COUNTY BOARD OF EDUCATION
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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 rates:

Medical	5.00-6.50%
Prescription drug	5.00-10.00%
Administrative costs	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 rates used to measure the total OPEB liability for the RHBF at June 30, 2025 and 2024 were 3.93% and 3.65%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

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 (2.93 percent) or 1-percentage point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability	\$ 389,221,944	\$ 327,148,413	\$ 277,308,793

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:

	Healthcare Trend Rates		
	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-9.00%, Medicare Advantage - 4.00%, Administrative - 2.00%)	(Medical - 5.00-6.50%, Pharmacy - 5.00-10.00%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% increase (Medical -6.00- 7.50%, Pharmacy - 6.00- 11.00%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 270,037,526	\$ 327,148,413	\$ 401,095,886

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.

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2. Disability Benefits

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

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

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, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$238,379 for the year ended June 30, 2025.

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, 2025, the Board reported an asset of \$318,770 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was .96814% and 1.03515%, respectively.

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\$238,379 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2026	\$ (136,169)
2027	(87,045)
2028	42,213
2029	20,675
2030	11,385
Thereafter	-
Total	<u>\$ (148,941)</u>

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

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

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset 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%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	\$ 284,236	\$ 318,770	\$ 355,065

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023 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, 2024. 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, 2024. 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, 2024 is 1.2%.

NEW HANOVER COUNTY BOARD OF EDUCATION
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Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2025:

	RHBF	DIPNC	Total
OPEB Expense (Benefit)	\$ 7,273,037	\$ 155,577	\$ 7,428,614
OPEB Liability (Asset)	327,148,413	(318,770)	326,829,643
Proportionate share of the net OPEB liability (asset)	0.96185%	0.96814%	
Deferred Outflows of Resources			
Differences between expected and actual experience	2,666,451	128,511	2,794,962
Changes of assumptions	78,790,697	4,754	78,795,451
Net difference between projected and actual earnings on plan investments	1,401,884	250,255	1,652,139
Changes in proportion and differences between Board contributions and proportionate share of contributions	13,746,770	9,231	13,756,001
Board contributions subsequent to the measurement date	12,817,478	238,379	13,055,857
Total Deferred Outflows of Resources	109,423,280	631,130	110,054,410
Deferred Inflows of Resources			
Differences between Expected and actual experience	-	366,654	366,654
Changes of assumptions	42,653,474	148,513	42,801,987
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	13,833,689	26,525	13,860,214
Total Deferred Inflows of Resources	56,487,163	541,692	57,028,855

2. Accounts Payable

Accounts payable as of June 30, 2025 are as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General Fund	\$ 6,665,390	\$ 2,024,452	\$ 8,689,842
Other governmental activities	2,179,753	-	2,179,753
Total governmental activities	\$ 8,845,143	\$ 2,024,452	\$ 10,869,595
Business-type activities:			
School Food Service Fund	\$ 205,645	\$ 43,868	\$ 249,513

**NEW HANOVER COUNTY BOARD OF EDUCATION
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3. Unearned Revenues

The balance in unearned revenues at year-end is composed of the following elements

Governmental activities:

Grants not yet earned (State Public School Fund)	\$ 961,629
Grants not yet earned (Federal Grants Fund)	36,169
Grants not yet earned (Capital Outlay Fund)	<u>134,018</u>

Total governmental activities	<u>\$ 1,131,816</u>
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Business-type activities:

Prepayments of meals (School Food Service Fund)	<u>\$ 163,935</u>
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4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Board contributions subsequent to the measurement date		
Differences between expected and actual experience	\$ 17,670,070	\$ 854,604
Changes of assumptions	78,795,451	42,801,987
Net difference between projected and actual earnings on pension plan investments	28,870,364	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	16,042,834	19,774,687
Board contributions subsequent to the measurement date	<u>43,843,477</u>	<u>-</u>
	<u>185,222,196</u>	<u>63,431,278</u>

5. 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. During fiscal year 2020-21 the Board purchased insurance through private insurers. The Board maintained Commercial General Liability coverage and Errors and Omissions coverage with a limit of \$1 million per occurrence. This policy had an annual aggregate limit for both General Liability and Errors and Omissions of \$3 million. This policy includes coverage for theft, disappearance, and destruction, as well as computer fraud coverage, forgery and alterations coverage, deception fraud coverage, funds transfer coverage, and public employee dishonesty coverage. Each of these theft and fraud related coverages have a per occurrence limit of \$250,000.00. The Board also maintains Commercial Auto coverage through a private insurer, with a \$3 million liability limit, as well as Uninsured Motorist Coverage, comprehensive and collision coverage. In addition, the Board maintains a Commercial Umbrella Liability policy with a coverage limit of \$1 million. The Board also maintained a Specialty Risk Protector policy which has Security and Privacy Liability Insurance with a coverage limit of \$1 million, Event Management insurance with a limit of \$1 million, and Cyber extortion insurance with a coverage limit of \$1 million. Statutory workers' compensation coverage is purchased through private insurers. Coverage is provided to the extent employees are paid from federal or local funds. Workers' Compensation coverage is also provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the

**NEW HANOVER COUNTY BOARD OF EDUCATION
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State Education Public School 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. Coverage is provided on an “all risk” perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

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 December 31, 2024 and Aetna thereafter. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays the majority of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board provides for a blanket crime policy to cover all treasurers, officers, employees and agents who have custody of public money with a single loss limit of \$250,000. The Chief Financial Officer is bonded for \$250,000.

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.

6. Contingent liabilities

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

7. Long-Term Obligations

a. Installment Purchases

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 special third party financing arrangements. The buses are pledged as collateral for the debt while the debt is outstanding. During the fiscal year ended June 30, 2023 and 2024, the Board entered into direct placement financing contract for the purchase of school buses. The original amount of the Board’s school bus direct placement installment purchase contract outstanding at June 30, 2025 totaled \$911,636. The contract requires four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates.

The future minimum payments of the direct placement installment purchases as of June 30, 2025 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2026	\$ 227,909
2027	-
2028	-
Total	<u>\$ 227,909</u>

**NEW HANOVER COUNTY BOARD OF EDUCATION
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b. Leases

The Board has entered into an agreement to lease certain equipment. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed effective July 1, 2022, with a term of 60 months, and requires quarterly payments of \$91,648. There are no variable payment components of the lease. The lease liability was measured using a discount rate of 4.75%. As a result of the lease, the Board has recorded right to use assets with a net book value of \$649,000 on June 30, 2025. The right to use assets is discussed in more detail in Note 1.

c. Subscriptions

For the year ended June 30, 2025 the Board implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

During the fiscal year ended June 30, 2023 and 2025 the Board entered into a several subscriptions for web-based softwares. The term of the agreements range from 36-60 months. The Subscriptions do not have stated interest rates. Accordingly, the Board estimated the incremental borrowing rate based on the prime rate of 4.75% to discount the subscription payments. The initial liability for the subscriptions totaled \$405,396. The liability balance remaining at June 30, 2025 was \$273,101.

The future minimum subscription and lease obligations and the net present value of these minimum payments as of June 30, 2025, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 443,856	\$ 40,020	\$ 483,876
2027	422,661	18,648	441,309
2028	70,794	4,849	75,643
2029	31,296	1,486	32,782
	\$ 968,607	\$ 65,003	\$ 1,033,610

d. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2025:

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	July 1, 2024 (As restated)	Increases	Decreases	June 30, 2025	Current Portion
Governmental activities:					
Direct placement					
installment purchases	\$ 535,478	\$ -	\$ 307,569	\$ 227,909	\$ 227,909
Lease liabilities	1,019,389	-	323,883	695,506	339,544
IT subscription liabilities	78,983	260,294	66,176	273,101	104,312
Net pension liability	193,956,694	-	32,858,795	161,097,899	-
Net OPEB liability	265,047,841	54,240,504	-	319,288,345	-
Compensated absences	50,316,331	338,615	-	50,654,946	10,130,989
Total	\$ 510,954,716	\$ 54,839,413	\$ 33,556,423	\$ 532,237,706	\$ 10,802,754
Business-type activities:					
Net pension liability	\$ 3,261,195	\$ 704,626	\$ -	\$ 3,965,821	\$ -
Net OPEB liability	4,456,524	3,403,544	-	7,860,068	-
Compensated absences	1,182,290	-	214,514	967,776	193,555
Total	\$ 8,900,009	\$ 4,108,170	\$ 214,514	\$ 12,793,665	\$ 193,555

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds. Installment purchases are typically liquidated by the Capital Outlay Fund. Lease liabilities and IT subscription liabilities are typically liquidated by the General Fund

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds at June 30, 2025 consist of the following:

From the State Public School Fund to the School Food Service Fund for personnel costs \$ 129,089

D. Net Position/Fund Balance

1. Net Investment in Capital Assets – Governmental Activities

Net investment in capital assets presented in Exhibit 1 is calculated as follows:

Total governmental activities capital assets	\$ 278,286,696
Less:	
Lease liabilities	(695,506)
IT subscription liabilities	(273,101)
Installment purchase obligations for school buses	(227,909)
Capital Outlay accounts payable	<u>(1,759,658)</u>
Net investment in capital assets, governmental activities	<u>\$ 275,330,522</u>

**NEW HANOVER COUNTY BOARD OF EDUCATION
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2. Fund Balance

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

Total fund balance - General Fund	\$ 3,892,716
Less:	
Prepays	(875,872)
Inventories	(1,018,923)
Stabilization by State statute	(122,927)
Disaster recovery	<u>(500,000)</u>
Remaining fund balance	<u>\$ 1,374,994</u>

NOTE 3 – OTHER RESTRICTED FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2025 in the Other Restricted Fund consists of the following:

Medicaid reimbursements	\$ 3,833,802
Tuition and fees	100,591
Private grants and programs	5,415,355
Indirect costs allocated	1,132,940
Contributions and donations	117,991
Rental of school property	316,442
Insurance proceeds	466,736
Sales tax reimbursement	218,224
Interest earned on investments	828,466
Other	<u>92,904</u>
Total other revenues	<u>\$ 12,523,451</u>

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.

**NEW HANOVER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025**

NOTE 5 – ACCOUNTING CHANGES

Change in Accounting Principle

Effective July 1, 2024, the Board implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement requires that governments recognize liabilities for sick leave that is attributable to services the employee has rendered, that accumulates and is more likely than not to be used. See the table below for the effects on Board’s net position as a result of the adoption of this statement.

Adjustments to and Restatements of Beginning Balances

During the fiscal year ended June 30, 2025, implementation of GASB Statement 101 resulted in restatements of beginning net position and fund net position, as follows:

	Reporting Units Affected by Restatements of Beginning Balances		
	Proprietary Fund	Government-Wide	
	School Food Service	Governmental Activities	Business-Type Activities
June 30, 2024 net position (deficit), as previously reported	\$ 3,741,647	\$ (72,608,556)	\$ 3,741,647
Change in accounting principle	(789,174)	(33,512,541)	(789,174)
June 30, 2024 net position (deficit), as restated	\$ 2,952,473	\$ (106,121,097)	\$ 2,952,473

NOTE 6 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through **October 28**, 2025 (the issuance date of the financial statements) and has determined that there were no subsequent events to recognize or disclose in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System

Schedule of Board Contributions
Teachers' and State Employees' Retirement System

Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund

Schedule of Board Contributions
Retiree Health Benefit Fund

Schedule of the Board's Proportionate Share of the Net OPEB Liability (Asset)
Disability Income Plan of North Carolina

Schedule of Board Contributions
Disability Income Plan of North Carolina

**NEW HANOVER COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS***

	2025	2024	2023	2022	2021
Board's proportion of the net pension liability (asset)	1.11404%	1.18293%	1.11141%	1.09164%	1.08116%
Board's proportionate share of the net pension liability	\$ 165,063,720	\$ 197,217,889	\$ 164,958,117	\$ 51,117,146	\$ 130,625,719
Board's covered payroll	\$ 192,906,051	\$ 192,340,727	\$ 183,941,389	\$ 164,070,908	\$ 161,614,215
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	85.57%	102.54%	89.68%	31.16%	80.83%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%
	2020	2019	2018	2017	2016
Board's proportion of the net pension liability (asset)	1.09421%	1.10864%	1.09772%	1.07055%	1.04746%
Board's proportionate share of the net pension liability	\$ 113,436,280	\$ 110,377,185	\$ 87,097,946	\$ 98,394,604	\$ 38,600,986
Board's covered payroll	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463	\$ 142,551,650
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.73%	70.97%	57.84%	69.64%	27.08%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

**NEW HANOVER COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 30,787,620	\$ 34,009,407	\$ 33,428,818	\$ 30,129,600	\$ 24,249,680
Contributions in relation to the contractually required contribution	<u>30,787,620</u>	<u>34,009,407</u>	<u>33,428,818</u>	<u>30,129,600</u>	<u>24,249,680</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 183,369,383	\$ 192,906,051	\$ 192,340,727	\$ 183,941,389	\$ 164,070,908
Contributions as a percentage of covered payroll	16.79%	17.63%	17.38%	16.38%	14.78%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 20,961,364	\$ 19,709,535	\$ 16,791,180	\$ 15,063,570	\$ 12,965,164
Contributions in relation to the contractually required contribution	<u>20,961,364</u>	<u>19,709,535</u>	<u>16,791,180</u>	<u>15,063,570</u>	<u>12,965,164</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 161,614,215	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,563
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

**NEW HANOVER COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST NINE FISCAL YEARS***

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability/asset	0.96185%	1.01034%	0.93955%	0.94199%	0.93756%
Board's proportionate share of the net OPEB liability (asset)	\$ 327,148,413	\$ 269,229,057	\$ 223,112,670	\$ 291,221,255	\$ 260,085,848
Board's covered payroll	\$ 192,906,051	\$ 192,340,727	\$ 183,941,389	\$ 164,070,908	\$ 161,614,215
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	169.59%	139.98%	121.30%	177.50%	160.93%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	9.79%	10.73%	10.58%	7.72%	6.92%
	2020	2019	2018	2017	
Board's proportion of the net OPEB liability/asset	0.95580%	0.98210%	0.98580%	0.92600%	
Board's proportionate share of the net OPEB liability (asset)	\$ 302,393,398	\$ 279,785,407	\$ 323,208,169	\$ 402,845,548	
Board's covered payroll	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463	
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	188.56%	179.90%	214.62%	285.11%	
Plan fiduciary net position as a percentage of the total OPEB liability/asset	4.40%	4.40%	3.52%	2.41%	

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

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

**NEW HANOVER COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST TEN FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 12,817,478	\$ 13,773,521	\$ 13,252,276	\$ 11,569,913	\$ 10,959,937
Contributions in relation to the contractually required contribution	<u>12,817,478</u>	<u>13,773,521</u>	<u>13,252,276</u>	<u>11,569,913</u>	<u>10,959,937</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 183,369,383	\$ 192,906,051	\$ 192,340,727	\$ 183,941,389	\$ 164,070,908
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 10,456,440	\$ 10,055,231	\$ 9,409,245	\$ 8,749,520	\$ 7,912,546
Contributions in relation to the contractually required contribution	<u>10,456,440</u>	<u>10,055,231</u>	<u>9,409,245</u>	<u>8,749,520</u>	<u>7,912,546</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 161,614,215	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,563
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.60%

**NEW HANOVER COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST NINE FISCAL YEARS***

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Board's proportion of the net OPEB liability/asset	0.96814%	1.03515%	0.97499%	0.96192%	0.94487%
Board's proportionate share of the net OPEB liability (asset)	\$ (318,770)	\$ 275,308	\$ 290,040	\$ (157,120)	\$ (464,819)
Board's covered payroll	\$ 192,906,051	\$ 192,340,727	\$ 183,941,389	\$ 164,070,908	\$ 161,614,215
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	-0.17%	0.14%	0.16%	0.10%	0.29%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	114.99%	90.61%	90.34%	105.18%	115.57%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Board's proportion of the net OPEB liability/asset	0.96630%	0.98330%	0.97400%	0.95700%	
Board's proportionate share of the net OPEB liability (asset)	\$ (416,941)	\$ (298,690)	\$ (595,290)	\$ (594,272)	
Board's covered payroll	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,463	
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.26%	0.19%	-0.40%	-0.42%	
Plan fiduciary net position as a percentage of the total OPEB liability/asset	113.00%	108.47%	116.23%	116.06%	

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

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

**NEW HANOVER COUNTY SCHOOLS
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST TEN FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 238,379	\$ 212,197	\$ 192,341	\$ 165,547	\$ 147,664
Contributions in relation to the contractually required contribution	<u>238,379</u>	<u>212,197</u>	<u>192,341</u>	<u>165,547</u>	<u>147,664</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 183,369,383	\$ 192,906,051	\$ 192,340,727	\$ 183,941,389	\$ 164,070,908
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 161,164	\$ 224,519	\$ 217,735	\$ 572,250	\$ 579,311
Contributions in relation to the contractually required contribution	<u>161,164</u>	<u>224,519</u>	<u>217,735</u>	<u>572,250</u>	<u>579,311</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 161,614,215	\$ 160,370,503	\$ 155,524,703	\$ 150,594,149	\$ 141,295,563
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%

INDIVIDUAL FUND SCHEDULES

Draft

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
Revenues:			
New Hanover County			
County appropriation	\$ 99,560,894	\$ 99,560,894	\$ -
Other:			
Fines and forfeitures	2,148,955	2,082,742	(66,213)
Total revenues	<u>101,709,849</u>	<u>101,643,636</u>	<u>(66,213)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	25,092,212	25,075,647	16,565
Special populations	6,048,815	6,046,267	2,548
Alternative programs	2,020,865	2,020,865	-
School leadership	8,701,012	8,701,012	-
Co-curricular	2,330,245	2,330,245	-
School-based support	5,599,751	5,599,614	137
Total instructional services	<u>49,792,900</u>	<u>49,773,650</u>	<u>19,250</u>
System-wide support services:			
Support and development	2,428,085	2,424,286	3,799
Special population support and development	291,189	291,189	-
Alternative programs and services			
support and development	793,328	793,328	-
Technology support	4,638,586	4,534,701	103,885
Operational support	25,548,957	25,294,935	254,022
Financial and human resource services	7,714,802	7,614,621	100,181
Accountability	325,979	325,979	-
System-wide pupil support	594,563	519,643	74,920
Policy, leadership and public relations	2,144,901	1,837,250	307,651
Total system-wide support services	<u>44,480,390</u>	<u>43,635,932</u>	<u>844,458</u>
Ancillary services:			
Community	140,000	70,868	69,132
Nutrition	700	656	44
Total ancillary services	<u>140,700</u>	<u>71,524</u>	<u>69,176</u>

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures: (Continued)			
Current:			
Nonprogrammed charges:			
Payments to other governments	<u>8,017,510</u>	<u>8,011,612</u>	<u>5,898</u>
Debt service:			
Principal retirement	390,059	390,059	-
Interest and fees	<u>58,825</u>	<u>58,825</u>	-
Total debt service	<u>448,884</u>	<u>448,884</u>	-
Total expenditures	<u>102,880,384</u>	<u>101,941,602</u>	<u>938,782</u>
Excess (deficiency) of revenues over expenditures	(1,170,535)	(297,966)	872,569
Other financing sources:			
IT subscription agreement	<u>260,294</u>	<u>260,294</u>	-
Fund balance appropriated	<u>910,241</u>	-	<u>(910,241)</u>
Net change in fund balance	<u>\$ -</u>	<u>(37,672)</u>	<u>\$ (37,672)</u>
Fund balance:			
Beginning of year		3,922,530	
Change in reserve for inventories		<u>7,858</u>	
End of year		<u>\$ 3,892,716</u>	

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 3,855,170	\$ 2,791,863	\$ (1,063,307)
Public School Capital Fund - Repair and Renovation	633,647	441,630	(192,017)
OSBM SCIF Grant - Sea Tech	1,044,934	910,916	(134,018)
State appropriations - buses	<u>3,133,186</u>	<u>307,569</u>	<u>(2,825,617)</u>
Total State of North Carolina	<u>8,666,937</u>	<u>4,451,978</u>	<u>(4,214,959)</u>
New Hanover County:			
County bond proceeds	159,113	79,016	(80,097)
Restricted portion of sales tax	305,741	20,876	(284,865)
County appropriations	<u>16,019,121</u>	<u>9,469,865</u>	<u>(6,549,256)</u>
Total New Hanover County	<u>16,483,975</u>	<u>9,569,757</u>	<u>(6,914,218)</u>
Total revenues	<u>25,150,912</u>	<u>14,021,735</u>	<u>(11,129,177)</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	<u>49,950</u>	<u>49,932</u>	<u>18</u>
System-wide support services:			
Technology support	206,301	107,111	99,190
Operational support	<u>307,182</u>	<u>289,298</u>	<u>17,884</u>
Total system-wide support services	<u>513,483</u>	<u>396,409</u>	<u>117,074</u>
Debt service:			
Principal retirement	<u>307,569</u>	<u>307,569</u>	<u>-</u>
Capital outlay			
Real property and buildings	21,058,553	12,869,981	8,188,572
Furnishings and equipment	648,632	528,137	120,495
Vehicles	<u>2,825,616</u>	<u>-</u>	<u>2,825,616</u>
Total capital outlay	<u>24,532,801</u>	<u>13,398,118</u>	<u>11,134,683</u>
Total expenditures	<u>25,403,803</u>	<u>14,152,028</u>	<u>117,092</u>
Excess (deficiency) of revenues over expenditures	(252,891)	(130,293)	122,598
Fund balance appropriated	<u>252,891</u>	<u>-</u>	<u>(252,891)</u>
Net change in fund balance	<u>\$ -</u>	<u>(130,293)</u>	<u>\$ (130,293)</u>
Fund balance:			
Beginning of year		<u>252,891</u>	
End of year		<u>\$ 122,598</u>	

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2025

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2024	Fund balances June 30, 2025
Alderman Elementary	\$ 15,295	\$ 11,270	\$ 4,025	\$ 13,212	\$ 17,237
Anderson Elementary	40,433	36,280	4,153	40,619	44,772
Ashley High School	469,218	401,516	67,702	312,089	379,791
Bellamy Elementary	6,734	5,274	1,460	28,759	30,219
Blair Elementary	6,686	10,329	(3,643)	15,581	11,938
Bradley Creek Elementary	45,110	45,801	(691)	28,076	27,385
Career Readiness at Mosley	9,843	8,793	1,050	8,726	9,776
Carolina Beach Elementary	60,366	57,954	2,412	12,164	14,576
Castle Hayne Elementary	19,038	20,762	(1,724)	16,633	14,909
Codington Elementary	40,089	37,483	2,606	13,185	15,791
College Park Elementary	17,006	21,059	(4,053)	16,288	12,235
College Road Early Childhood	6,285	6,475	(190)	7,105	6,915
Eaton Elementary	23,331	25,630	(2,299)	30,445	28,146
Forest Hills Elementary	25,275	21,130	4,145	8,055	12,200
Freeman Elementary	6,702	5,545	1,157	9,062	10,219
Hoggard High School	654,997	667,306	(12,309)	435,360	423,051
Holly Shelter Middle	49,628	48,329	1,299	29,073	30,372
Holly Tree Elementary	19,510	17,698	1,812	34,978	36,790
Howe Pre-K Center	7,657	5,208	2,449	19,818	22,267
International School at Gregory	20,160	14,072	6,088	16,196	22,284
Isaac Bear Early College	21,837	14,087	7,750	64,816	72,566
J. C. Roe Center	5,587	6,137	(550)	4,124	3,574
Johnson Pre-K Center	4,715	6,140	(1,425)	2,817	1,392
Lake Forest Academy	1,090	1,134	(44)	2,579	2,535
Laney High School	551,287	483,254	68,033	306,913	374,946
Masonboro Elementary	12,353	12,508	(155)	30,220	30,065
MC Williams Elementary	8,837	9,114	(277)	3,547	3,270
MCS Noble Middle	64,705	75,078	(10,373)	59,066	48,693
Murray Middle	108,108	116,643	(8,535)	106,787	98,252
Murrayville Elementary	29,709	58,730	(29,021)	33,424	4,403
Myrtle Grove Middle	91,833	96,495	(4,662)	34,141	29,479
New Hanover High School	348,206	375,399	(27,193)	238,339	211,146
Ogden Elementary	100,097	103,996	(3,899)	32,775	28,876
Pine Valley Elementary	28,698	24,971	3,727	19,242	22,969
Porters Neck Elementary	13,911	21,795	(7,884)	13,260	5,376
Roland-Grise Middle	58,649	57,889	760	55,665	56,425
Snipes Academy	25,593	23,087	2,506	4,046	6,552
Southeast Area Technical High	12,735	11,790	945	11,358	12,303
Sunset Park Elementary	18,877	13,865	5,012	14,567	19,579
Trask Middle	96,085	91,042	5,043	23,537	28,580
Williston Middle	36,465	24,713	11,752	44,290	56,042
Wilmington Early College	26,022	25,100	922	21,586	22,508
Winter Park Elementary	11,680	18,372	(6,692)	25,735	19,043
Wrightsboro Elementary	20,674	20,635	39	24,733	24,772
Wrightsville Beach Elementary	44,235	50,830	(6,595)	47,365	40,770
Totals	\$ 3,285,351	\$ 3,210,718	\$ 74,633	\$ 2,320,356	\$ 2,394,989

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
Operating revenues - food sales	\$ 2,193,629	\$ 2,322,799	\$ 129,170
Operating expenditures:			
Business support services:			
Purchase of food	-	5,443,494	-
Donated commodities	-	991,339	-
Salaries and benefits	-	6,643,093	-
Indirect costs	-	96,924	-
Materials and supplies	-	88,795	-
Non-capitalized equipment	-	159,609	-
Contracted services	-	462,301	-
Other	-	50,024	-
Capital outlay	-	197,578	-
Total operating expenditures	<u>16,642,475</u>	<u>14,133,157</u>	<u>2,509,318</u>
Operating loss	<u>(14,448,846)</u>	<u>(11,810,358)</u>	<u>2,638,488</u>
Nonoperating revenues:			
Federal reimbursements and grants	11,425,000	10,335,489	(1,089,511)
Federal commodities	645,450	991,339	345,889
State reimbursements	12,884	12,473	(411)
Proceeds from disposal of capital assets	-	18,764	18,764
Interest earned	10,000	293,353	283,353
Other	-	2,791	2,791
Total nonoperating revenues	<u>12,093,334</u>	<u>11,654,209</u>	<u>(439,125)</u>
Excess (deficiency) of revenues over expenditures before other financing sources	(2,355,512)	(156,149)	2,199,363
Other financing sources:			
Transfers from other funds	-	129,089	129,089
Fund balance appropriated	<u>2,355,512</u>	<u>-</u>	<u>(2,355,512)</u>
Net change in fund balance	<u>\$ -</u>	<u>(27,060)</u>	<u>\$ (27,060)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(34,199)	
Net OPEB asset		7,659	
Net pension liability		(704,626)	
Net OPEB liability		(3,403,544)	
Deferred outflows		1,426,759	
Deferred inflows		(219,261)	
Equipment purchases		197,578	
Proceeds from disposal of capital assets		(18,764)	
Gain on disposal of capital assets		17,777	
Decrease in compensated absences payable		214,514	
Increase in inventories		31,549	
Change in net position (full accrual)		<u>\$ (2,511,618)</u>	

COMPLIANCE SECTION

Draft



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

INDEPENDENT AUDITORS' REPORT

To the New Hanover County Board of Education
Wilmington, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Hanover County Board of Education, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprises the New Hanover County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated **October 28, 2025**.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Hanover County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Anderson Smith & Wike PLLC

October 28, 2025
West End, North Carolina

Draft



INDEPENDENT AUDITORS' REPORT

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

To the New Hanover County Board of Education
Wilmington, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Hanover County Board of Education, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2025. The New Hanover County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the New Hanover County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of New Hanover County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the New Hanover County 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 New Hanover County Board of Education's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Hanover County 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 New Hanover County 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 New Hanover County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of New Hanover County 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 New Hanover County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

October 28, 2025

West End, North Carolina

Draft



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the New Hanover County Board of Education
Wilmington, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited New Hanover County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2025. The New Hanover County Board of Education's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the New Hanover County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of New Hanover County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the New Hanover County 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 New Hanover County Board of Education's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Hanover County 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 New Hanover County 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 New Hanover County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of New Hanover County 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 New Hanover County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

October 28, 2025

West End, North Carolina

Draft

**NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Identified for Reporting*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Identified for Reporting*

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)? *No*

Identification of major federal programs:

AL Numbers	Names of Federal Programs or Clusters
	Special Education Cluster:
84.027	Grants to States – IDEA, part B (611)
84.027	Special Needs Targeted Assistance
84.027	Coordinated Early Intervening Services
84.027	Risk Pool
84.173	Preschool Program – IDEA, Part B (619)
84.425	COVID-19 - Education Stabilization Funds
84.367	Supporting Effective Instruction

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 819,000*

Auditee qualified as low-risk auditee? *Yes*

**NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses None Identified for Reporting

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

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

Identification of major State program:

Program Name

State Public School Fund

Dollar threshold used to distinguish between Major State Programs \$ 500,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No findings were noted that are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of federal awards aggregating \$25,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$25,000 or more were noted.

**NEW HANOVER COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2025**

There were no audit findings reported in the prior year.

Draft

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 991,339
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	2,522,163
National School Lunch Program	10.555	PRC 035	7,399,964
After School Snack Program	10.555	PRC 035	29,737
Summer Food Service Program for Children	10.559	PRC 035	142,060
Fresh Fruit and Vegetable Grant	10.582	PRC 035	241,565
Cash Assistance Subtotal			<u>10,335,489</u>
Total Child Nutrition Cluster			<u>11,326,828</u>
Total U.S. Department of Agriculture			<u>11,326,828</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Head Start	93.600		<u>101,048</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	12.000		<u>258,754</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education:			
Passed-through the N.C. Department of Public Instruction:			
		PRC 050, 105	
Title I, Grants to Local Educational Agencies	84.010	& 115	6,628,939
Supporting Effective Instruction	84.367	PRC 103	840,951
Language Acquisition Grant	84.365	PRC 104	145,849
Language Acquisition Grant - Significant Increase	84.365	PRC 111	13,105
Student Support and Academic Enrichment	84.424	PRC 108	560,621
Education of Homeless Children and Youth	84.196	PRC 026	138,202

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Education Stabilization Fund:			
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	1,119,273
COVID-19 - ESSER III - Homeless II	84.425W	PRC 184	35,840
COVID-19 - ESSER III - Summer Career Accel. Programs	84.425U	PRC 188	220,723
COVID-19 - ESSER III - Math Enrichment Programs	84.425U	PRC 189	117,022
COVID-19 - ESSER III - National Board for Professional Teaching Standards (NBPTS) Certification Fee Reimbursement	84.425U	PRC 198	3,159
Total COVID-19 - Education Stabilization Fund	84.425		<u>1,496,017</u>
Office of Special Education and Rehabilitative Services:			
Passed-through the N.C. Department of Public Instruction:			
Individuals with Disabilities Education Act			
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	4,514,958
Coordinated Early Intervening Services	84.027	PRC 070	431,812
Special Needs Targeted Assistance	84.027	PRC 118	9,788
Risk Pool	84.027	PRC 114	234,170
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	140,755
Total Special Education Cluster			<u>5,331,483</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	6,318
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	476,900
Total U.S. Department of Education			<u>15,638,385</u>
Total Federal Assistance			<u>27,325,015</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Cash Assistance:			
State Public School Fund		Various	177,624,661
Career and Technical Education:			
State Months of Employment		PRC 013	8,945,044
Program Support Funds		PRC 014	948,467
Driver Training		PRC 012	429,159
School Technology Fund		PRC 015	294,719
Passed-through New Hanover County:			
Public School Capital Fund - Repairs and Renovations		PRC 074	441,630
Public School Capital Fund - Lottery		PRC 076	2,791,863
Cash assistance subtotal			191,475,543
Non-Cash Assistance:			
State Buses Appropriations		PRC 120	307,569
Total NC Department of Public Instruction			<u>191,783,112</u>

NEW HANOVER COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
<u>N.C. Office of State Budget and Management</u> School Capital Infrastructure Facilities Grant		PRC 462	<u>910,916</u>
<u>N.C. Department of Health and Human Services</u> Division of Child Development: Smart Start		PRC 401	28,926
NC Pre-Kindergarten Program		PRC 413	<u>3,357,438</u>
Total NC Department of Health and Human Services			<u>3,386,364</u>
<u>N.C. Department of Agriculture</u> State Reduced Breakfast Program			2,970
State Reduced Lunch Program			<u>9,503</u>
<u>N.C. Department of Natural and Cultural Resources</u> Passed-through the N.C. Arts Council: Arts in Education			<u>15,000</u>
Total State Assistance			<u>196,107,865</u>
Total Federal and State Assistance			<u>\$ 223,432,880</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of New Hanover County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. 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 New Hanover County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of New Hanover County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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