

***DURHAM PUBLIC SCHOOLS
BOARD OF EDUCATION
Durham, North Carolina***

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

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Durham Public Schools Board of Education
Durham, 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Local Current Expense, State Public School, Federal Grants, Grant and Community Schools Special Revenue and Local Special Expense 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 Durham Public Schools 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 4 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liabilities (Assets) and the Schedules of Board Contributions on pages 53 through 58, 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 Durham Public Schools Board of Education's basic financial statements. The accompanying combining and individual nonmajor fund statements and schedules, budgetary 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 combining and individual nonmajor fund statements and schedules, 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 February 9, 2026, on our consideration of the Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

February 9, 2026
Rockingham, North Carolina
(910) 997-1418

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Durham Public Schools 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 4 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 \$46.6 million and \$662 thousand, 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) increased by \$64.7 million. Governmental activities net position increased by \$62.8 million and business-type activities net position increased by \$1.9 million.
- Total government-wide net investment in capital assets increased by \$52.3 million, or 9.5%, over the prior year. Governmental activities net investment in capital assets increased by \$52.2 million while business-type activities net investment in capital assets increased by \$90 thousand over the prior year.
- As of the close of the current fiscal year, the Board's Local Current Expense Fund reported an ending fund balance of \$11.5 million. The total fund balance increased by \$3.0 million for the fiscal year ended June 30, 2025.

Overview of the Financial Statements

The audited financial statements of the Durham Public Schools Board of Education consist of five components. They are as follows:

- *Independent Auditor's 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.*
- *Supplementary section that presents combining and individual fund statements and 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 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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position is the difference between the Board's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. This is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

Durham Public Schools 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 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 Local Current Expense Fund, the State Public School Fund, the Grant and Community Schools Special Revenue Fund, the

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Outlay Fund, the Federal Grants Funds, the Local Special Expense Fund and the School Activity Funds. 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 Durham Public Schools 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

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$51.7 million as of June 30, 2025 as compared to \$34.2 million as of June 30, 2024. As previously discussed, this year-over-year change was significantly impacted by 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 \$47.2 million.

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

**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	\$ 67,028,568	\$ 66,702,441	\$ 191,903	\$ (248,655)	\$ 67,220,471	\$ 66,453,786
Capital assets	611,375,486	551,462,806	1,010,754	921,213	612,386,240	552,384,019
Total assets	678,404,054	618,165,247	1,202,657	672,558	679,606,711	618,837,805
Deferred outflows of resources	232,887,977	217,431,468	6,166,408	6,240,446	239,054,385	223,671,914
Long-term liabilities	732,482,323	625,100,150	18,543,447	17,618,876	751,025,770	642,719,026
Other liabilities	30,944,843	40,048,487	96,315	509,810	31,041,158	40,558,297
Total liabilities	763,427,166	665,148,637	18,639,762	18,128,686	782,066,928	683,277,323
Deferred inflows of resources	82,693,949	121,513,687	2,189,570	3,487,534	84,883,519	125,001,221
Net investment in capital assets	602,109,376	549,937,881	1,010,754	921,213	603,120,130	550,859,094
Restricted net position	46,228,442	40,572,441	13,885	-	46,242,327	40,572,441
Unrestricted net position (deficit)	(583,166,902)	(541,575,931)	(14,484,906)	(15,624,429)	(597,651,808)	(557,200,360)
Total net position (deficit)	\$ 65,170,916	\$ 48,934,391	\$ (13,460,267)	\$ (14,703,216)	\$ 51,710,649	\$ 34,231,175

Net position is an indicator of the fiscal health of the Board. Net of the \$46.6 million reduction in beginning of year net position for implementation of GASB 101, the net position of the Board's governmental activities increased \$62.8 million during the year to \$65.2 million at June 30, 2025, indicating an improvement in the financial condition of the Board. Restricted net position increased by \$5.7 million due primarily to an increase in capital outlay net position. Net investment in capital assets increased \$52.2 million during the year due to an excess of capital additions over depreciation expense. 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. In addition to liabilities being significantly impacted by actuarial changes in pension and OPEB plans, liabilities were also significantly impacted due to the recording of sick leave as part of the implementation of GASB 101.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
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Net of a reduction of \$662 thousand to beginning of year net position for implementation of GASB 101, net position of the Board's business-type activities increased \$1.9 million during the year. This increase is the amount of net profit reported by our school food service operations during the 2025 fiscal year.

The following table shows the revenues and expenses for the Board for the current and prior fiscal years:

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	\$ 7,163,195	\$ 8,448,093	\$ 1,467,606	\$ 1,441,516	\$ 8,630,801	\$ 9,889,609
Operating grants and contributions	303,917,846	339,620,433	14,947,311	15,391,024	318,865,157	355,011,457
Capital grants and contributions	871,819	1,629,805	-	-	871,819	1,629,805
General revenues:						
Local government	295,541,700	266,384,262			295,541,700	266,384,262
State appropriations	3,529,559	1,950,119			3,529,559	1,950,119
Other revenues	5,655,014	4,440,868	78,489	29,690	5,733,503	4,470,558
Total revenues	<u>616,679,133</u>	<u>622,473,580</u>	<u>16,493,406</u>	<u>16,862,230</u>	<u>633,172,539</u>	<u>639,335,810</u>
Expenses:						
Governmental activities:						
Instructional services	369,723,142	362,882,050	-	-	369,723,142	362,882,050
System-wide support services	107,947,240	114,103,981	-	-	107,947,240	114,103,981
Ancillary services	5,952,134	6,230,396	-	-	5,952,134	6,230,396
Payments to other governments	43,803,685	37,795,453	-	-	43,803,685	37,795,453
Unallocated depreciation	20,817,791	20,732,486	-	-	20,817,791	20,732,486
Business-type activities:						
School food service	-	-	20,207,237	22,569,361	20,207,237	22,569,361
Total expenses	<u>548,243,992</u>	<u>541,744,366</u>	<u>20,207,237</u>	<u>22,569,361</u>	<u>568,451,229</u>	<u>564,313,727</u>
Excess (deficiency) before transfers	68,435,141	80,729,214	(3,713,831)	(5,707,131)	64,721,310	75,022,083
Transfers in (out)	<u>(5,619,022)</u>	<u>(339,711)</u>	<u>5,619,022</u>	<u>339,711</u>	-	-
Increase (decrease) in net position	<u>62,816,119</u>	<u>80,389,503</u>	<u>1,905,191</u>	<u>(5,367,420)</u>	<u>64,721,310</u>	<u>75,022,083</u>
Beginning net position (deficit), as previously reported	48,934,391	(31,455,112)	(14,703,216)	(9,335,796)	34,231,175	(40,790,908)
Change in accounting principle (Note 4)	<u>(46,579,594)</u>	-	<u>(662,242)</u>	-	<u>(47,241,836)</u>	-
Beginning net position (deficit), restated	<u>2,354,797</u>	<u>(31,455,112)</u>	<u>(15,365,458)</u>	<u>(9,335,796)</u>	<u>(13,010,661)</u>	<u>(40,790,908)</u>
Ending net position (deficit)	<u>\$ 65,170,916</u>	<u>\$ 48,934,391</u>	<u>\$ (13,460,267)</u>	<u>\$ (14,703,216)</u>	<u>\$ 51,710,649</u>	<u>\$ 34,231,175</u>

Total governmental activities generated revenues of \$616.7 million while expenses in this category totaled \$548.2 million for the year ended June 30, 2025, resulting in an increase in net position of \$62.8 million (including transfers out to business-type activities of \$5.6 million). Comparatively, revenues were \$622.5 million, expenses totaled \$541.7 million and transfers out were \$340 thousand for the year ended June 30, 2024, resulting in an increase in net position of \$80.4 million. In comparing the two years, revenues decreased by \$5.8 million, or 0.9%, due largely to a decline in federal COVID-19 appropriations as a result of the expiration of that funding. Local government appropriations increased over the prior year

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

due to increased revenues from the County for school construction and renovations. Governmental activities expenses were comparable to the prior year, increasing by \$6.5 million, or 1.2%.

The Board's primary sources of revenues were funding from the State of North Carolina, Durham County, and the United States Government, which respectively comprised 40.1%, 48.5% and 6.5% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 67.4% of our total expenses during the most recent fiscal year. Of the remaining 32.6% of our total expenses, 19.7% was attributable to system-wide support services.

Our business-type activities generated revenues of \$16.5 million while expenses in this category totaled \$20.2 million for the year ended June 30, 2025. For the year, net position increased by \$1.9 million (including transfers in from governmental activities of \$5.6 million). Comparatively, revenues were \$16.9 million, expenses were \$22.6 million and transfers in were \$340 thousand for the year ended June 30, 2024, resulting in a decrease in net position of \$5.4 million. In comparing the two periods, revenues declined slightly by \$369 thousand, or 2.2%, while expenses decreased \$2.4 million, or 10.5%. The change in expenses was largely attributable to budgetary cuts made in salary and benefit costs. Salaries and benefits were also impacted by a year-over-year decrease of \$834 thousand in pension and OPEB expense due to changes in actuarial valuations and allocation percentages of those plans. Transfers from other funds increased over the prior year by \$5.3 million. These transfers were in the form of food purchases made from the Local Current Expense Fund and the Grant and Community Schools Special Revenue Fund to help cover food costs of the child nutrition program.

Financial Analysis of the Board's Funds

Governmental Funds

The focus of Durham Public Schools 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 \$35.6 million at June 30, 2025, an increase of \$9.0 million over the amount reported at June 30, 2024. The majority of this increase was attributable to the Local Current Expense and Capital Outlay funds which reported increases in fund balance for the year of \$3.0 million and \$6.2 million, respectively.

Local Current Expense Fund Revenues and Expenditures

Local Current Expense Fund revenues increased \$25.2 million over the prior year. County appropriations comprised the majority of the overall change in revenues. Local Current Expense Fund expenditures increased \$10.7 million, or 5.6%, in fiscal year 2024-2025 over the prior year to a total of \$202.8 million. Increased payments to charter schools was the primary contributor to the overall rise in Local Current Expense Fund expenditures.

Local Current Expense Fund Budgetary Highlights

Over the course of the year, the Board, as is normal, revised the budget several times to account for changes in revenue expectations and align categorical expenditures appropriately. Since various district revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are often necessary throughout the year to recognize these adjustments. Additional information related to budget activity is included in Note 1.D. of this report. An overall positive budget to actual variance of \$2.8 million in expenditures was reported for the year.

Federal and State Special Revenue Funds

Substantially all State and federal revenues are accounted for in the State Public School Fund (\$243.6 million) and the Federal Grants Fund (\$38.3 million). This State and federal funding is primarily provided to the local education agencies on a per pupil basis. State Public School Fund funding increased slightly over the prior year by approximately \$4.7 million, or 2.0%. Federal Grants Fund funding decreased from

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

the prior year by \$51.1 million, due primarily to the expiration of COVID-19 grant funding. Expenditures from these two funds provide the basic instructional programs for all school systems in North Carolina. Salaries and benefits accounted for the majority of all expenditures in these two funds for the year ended June 30, 2025.

Grant and Community Schools Special Revenue and Local Special Expense Funds

These two special revenue funds are used primarily to account for various direct local, State and federal grants and appropriations. Revenues from indirect costs, tuition and fees, reimbursements and other miscellaneous sources are also accounted for in these funds. These two funds reported a slight increase in fund balance for the year of \$55 thousand compared to an increase of \$1.9 million in the previous year. The year-over-year change was primarily due to a decrease in indirect cost revenues which is directly related to the decline in COVID-19 funding previously discussed.

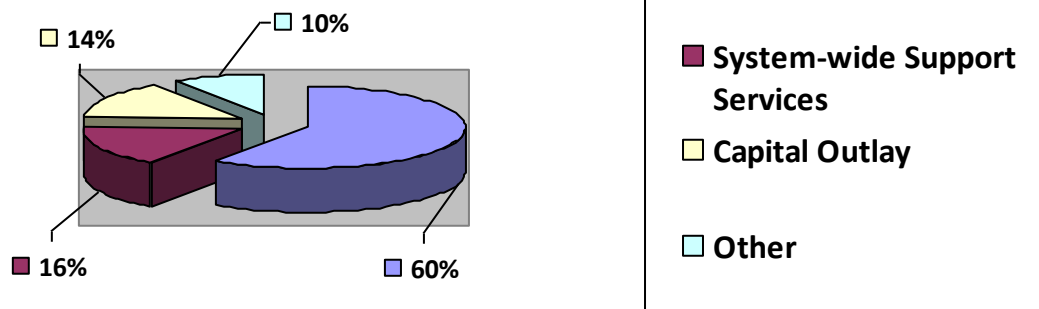
Capital Outlay Fund

During FY 2024-2025, the Board received \$80.5 million in revenue from general and limited obligation bonds issued by Durham County, and \$8.0 million from the County for general and one-time appropriations. Additionally, the State provided \$4.4 million for installment financing related to the purchase of yellow buses and for public school building capital needs. Miscellaneous other local sources provided \$1.4 million. During the 2024-2025 school year, Durham Public Schools continued facility upgrades at schools throughout the district. The work includes renovation projects affecting multiple schools' core infrastructure, various HVAC projects and construction on the Murray-Massenburg Elementary School and Northern High School replacement projects.

School Activity Funds

The School Activity Funds consist of the revenues and expenditures of the activity funds of the 56 individual schools operated by the Board. The individual school principals exercise significant authority over revenues and expenditures. The activities of the schools that generate revenue consist of picture sales, field trips, athletic events, club fundraising, and other school functions.

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 an increase in net position of \$1.9 million for the fiscal year ended June 30, 2025 compared to a decrease of \$5.4 million for the same 2024 period. See the discussion above under "*Financial Analysis of the Board as a Whole*" for further details regarding the year-over-year change in operating results for the School Food Service Fund.

Capital Assets

Total primary government capital assets were \$612.4 million at June 30, 2025 compared to \$552.4 million at June 30, 2024, an increase of \$60.0 million, or 10.9%. The increase is attributable to an excess of

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

capital additions over depreciation expense for the year. 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 Notes 2.A.4. and 2.A.5. of this report.

**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	\$ 25,755,795	\$ 25,755,795	\$ -	\$ -	\$ 25,755,795	\$ 25,755,795
Construction in progress	93,955,661	117,876,643	-	-	93,955,661	117,876,643
Buildings and improvements	475,234,887	393,537,102	-	-	475,234,887	393,537,102
Furniture and equipment	9,558,869	6,820,169	664,017	534,397	10,222,886	7,354,566
Vehicles	6,870,274	7,473,097	346,737	386,816	7,217,011	7,859,913
Total	<u>\$ 611,375,486</u>	<u>\$ 551,462,806</u>	<u>\$ 1,010,754</u>	<u>\$ 921,213</u>	<u>\$ 612,386,240</u>	<u>\$ 552,384,019</u>

Debt Outstanding

During the year, the Board's outstanding debt decreased \$872 thousand, with an ending balance of \$653 thousand. The debt for installment purchases relates entirely to the purchase of yellow school buses. Future debt service payments to retire the debt for the yellow school buses will be funded by State revenues allotted for repayment of installment purchase contracts as authorized under G.S. 115C-528(a), Session Law 2003-284, Section 7.25. 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. Additional information on the Board's long-term debt can be found in Note 2.B.7. of this report.

Economic Factors

County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the School Board. The following factors have affected the economic outlook of Durham County:

- The County enjoys a consistently low unemployment rate. The County's unemployment rate was 3.6% at both June 30, 2024 and June 30, 2025. The County's unemployment rate compares favorably to both the N.C. statewide and national rates which were 4.0% and 4.4%, respectively, at June 30, 2025.
- The County's economy is characterized by a high degree of health care, social assistance and educational services activity, as well as professional, scientific and technical services businesses. Manufacturing and agriculture make up a smaller portion of the County's economy.

Requests for Information

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

Jeremy Teetor, Chief Financial Officer
Durham Public Schools Board of Education
Post Office Box 30002
Durham, North Carolina 27702

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2025

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 47,001,030	\$ 6,362,303	\$ 53,363,333
Due from other governments	9,295,579	746,194	10,041,773
Receivables	2,679,363	75,405	2,754,768
Internal balances	7,611,894	(7,611,894)	-
Inventories	-	608,246	608,246
Prepaid items	768	-	768
Net OPEB asset	439,934	11,649	451,583
Capital assets:			
Land and construction in progress	119,711,456	-	119,711,456
Other capital assets, net of depreciation	491,664,030	1,010,754	492,674,784
Total capital assets	611,375,486	1,010,754	612,386,240
Total assets	678,404,054	1,202,657	679,606,711
Deferred Outflows of Resources			
Pension and OPEB plans	232,887,977	6,166,408	239,054,385
Liabilities			
Accounts payable and accrued expenses	17,124,965	-	17,124,965
Due to other governments	407,803	-	407,803
Unearned revenue	13,412,075	96,315	13,508,390
Long-term liabilities:			
Due within one year	29,841,422	475,651	30,317,073
Due in more than one year	702,640,901	18,067,796	720,708,697
Total liabilities	763,427,166	18,639,762	782,066,928
Deferred Inflows of Resources			
Pension and OPEB plans	82,693,949	2,189,570	84,883,519
Net position			
Net investment in capital assets	602,109,376	1,010,754	603,120,130
Restricted for:			
Stabilization by State statute	25,033,251	-	25,033,251
School capital outlay	15,502,662	-	15,502,662
Grants and programs	3,050,093	-	3,050,093
Individual schools activities	2,118,078	-	2,118,078
DIPNC OPEB plan	524,358	13,885	538,243
Unrestricted (deficit)	(583,166,902)	(14,484,906)	(597,651,808)
Total net position (deficit)	\$ 65,170,916	\$ (13,460,267)	\$ 51,710,649

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 181,212,466	\$ -	\$ 135,543,013	\$ -	\$ (45,669,453)	\$ -	\$ (45,669,453)
Special populations	82,894,557	-	66,914,713	-	(15,979,844)	-	(15,979,844)
Alternative programs	44,249,518	-	35,430,182	-	(8,819,336)	-	(8,819,336)
School leadership	31,159,230	-	14,828,241	-	(16,330,989)	-	(16,330,989)
Co-curricular	5,700,737	2,963,787	-	-	(2,736,950)	-	(2,736,950)
School-based support	24,506,634	-	14,841,537	-	(9,665,097)	-	(9,665,097)
System-wide support services:							
Support and development	3,997,802	-	882,638	-	(3,115,164)	-	(3,115,164)
Special population support and development	2,106,320	-	1,431,962	-	(674,358)	-	(674,358)
Alternative programs and services support and development	2,115,586	-	673,773	-	(1,441,813)	-	(1,441,813)
Technology support	6,035,792	-	117,493	-	(5,918,299)	-	(5,918,299)
Operational support	73,760,935	73,879	26,298,765	871,819	(46,516,472)	-	(46,516,472)
Financial and human resource services	10,395,148	98,912	2,949,459	-	(7,346,777)	-	(7,346,777)
Accountability	1,070,604	-	-	-	(1,070,604)	-	(1,070,604)
System-wide pupil support	1,858,773	-	382,011	-	(1,476,762)	-	(1,476,762)
Policy, leadership and public relations	6,606,280	-	1,808,447	-	(4,797,833)	-	(4,797,833)
Ancillary services	5,952,134	4,026,617	37,242	-	(1,888,275)	-	(1,888,275)
Payments to other governments	43,803,685	-	1,778,370	-	(42,025,315)	-	(42,025,315)
Unallocated depreciation expense**	20,817,791	-	-	-	(20,817,791)	-	(20,817,791)
Total governmental activities	<u>548,243,992</u>	<u>7,163,195</u>	<u>303,917,846</u>	<u>871,819</u>	<u>(236,291,132)</u>	<u>-</u>	<u>(236,291,132)</u>
Business-type activities:							
School food service	<u>20,207,237</u>	<u>1,467,606</u>	<u>14,947,311</u>	<u>-</u>	<u>-</u>	<u>(3,792,320)</u>	<u>(3,792,320)</u>
Total primary government	<u>\$ 568,451,229</u>	<u>\$ 8,630,801</u>	<u>\$ 318,865,157</u>	<u>\$ 871,819</u>	<u>(236,291,132)</u>	<u>(3,792,320)</u>	<u>(240,083,452)</u>
General revenues:							
Unrestricted local appropriations - operating					206,894,994	-	206,894,994
Unrestricted local appropriations and bond proceeds - capital					88,646,706	-	88,646,706
Unrestricted State appropriations - capital					3,529,559	-	3,529,559
Investment earnings, unrestricted					758,133	17,196	775,329
Miscellaneous, unrestricted					4,896,881	61,293	4,958,174
Total general revenues					<u>304,726,273</u>	<u>78,489</u>	<u>304,804,762</u>
Transfers					<u>(5,619,022)</u>	<u>5,619,022</u>	<u>-</u>
Total general revenues and transfers					<u>299,107,251</u>	<u>5,697,511</u>	<u>304,804,762</u>
Change in net position					<u>62,816,119</u>	<u>1,905,191</u>	<u>64,721,310</u>
Net position (deficit) - beginning, as previously reported					48,934,391	(14,703,216)	34,231,175
Change in accounting principle (Note 4)					<u>(46,579,594)</u>	<u>(662,242)</u>	<u>(47,241,836)</u>
Net position (deficit) - beginning, as restated					<u>2,354,797</u>	<u>(15,365,458)</u>	<u>(13,010,661)</u>
Net position (deficit) - ending					<u>\$ 65,170,916</u>	<u>\$ (13,460,267)</u>	<u>\$ 51,710,649</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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

Exhibit 3

	Major Funds						Non-major Fund	
	Local Current Expense	State Public School	Federal Grants	Grant and Community Schools Special Revenue	Local Special Expense	Capital Outlay	School Activity Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 6,815,249	\$ 4,494,811	\$ 463,019	\$ 12,081,178	\$ 5,498,983	\$ 15,529,712	\$ 2,118,078	\$ 47,001,030
Due from other governments	22,494	22,628	4,778	535,358	124,367	8,585,954	-	9,295,579
Accounts receivable	115,992	-	-	3,302	2,560,069	-	-	2,679,363
Due from other funds	14,253,426	560,064	71,848	156,010	1,372,791	-	572	16,414,711
Prepaid items	768	-	-	-	-	-	-	768
Total assets	<u>\$ 21,207,929</u>	<u>\$ 5,077,503</u>	<u>\$ 539,645</u>	<u>\$ 12,775,848</u>	<u>\$ 9,556,210</u>	<u>\$ 24,115,666</u>	<u>\$ 2,118,650</u>	<u>\$ 75,391,451</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 8,176,239	\$ -	\$ -	\$ 179,801	\$ 155,921	\$ 8,613,004	\$ -	\$ 17,124,965
Due to other funds	1,157,221	5,077,503	539,645	1,053,885	974,563	-	-	8,802,817
Due to other governments	407,803	-	-	-	-	-	-	407,803
Unearned revenue	-	-	-	7,642,432	5,769,643	-	-	13,412,075
Total liabilities	<u>9,741,263</u>	<u>5,077,503</u>	<u>539,645</u>	<u>8,876,118</u>	<u>6,900,127</u>	<u>8,613,004</u>	<u>-</u>	<u>39,747,660</u>
Fund balances:								
Nonspendable:								
Prepaid items	768	-	-	-	-	-	-	768
Restricted:								
Stabilization by State statute	19,357,314	582,692	76,626	849,637	4,166,410	-	572	25,033,251
School capital outlay	-	-	-	-	-	15,502,662	-	15,502,662
Grants and programs	-	-	-	3,050,093	-	-	-	3,050,093
Individual schools	-	-	-	-	-	-	2,118,078	2,118,078
Unassigned (deficit)	(7,891,416)	(582,692)	(76,626)	-	(1,510,327)	-	-	(10,061,061)
Total fund balances	<u>11,466,666</u>	<u>-</u>	<u>-</u>	<u>3,899,730</u>	<u>2,656,083</u>	<u>15,502,662</u>	<u>2,118,650</u>	<u>35,643,791</u>
Total liabilities and fund balances	<u>\$ 21,207,929</u>	<u>\$ 5,077,503</u>	<u>\$ 539,645</u>	<u>\$ 12,775,848</u>	<u>\$ 9,556,210</u>	<u>\$ 24,115,666</u>	<u>\$ 2,118,650</u>	<u>\$ 75,391,451</u>

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

DURHAM PUBLIC SCHOOLS 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:

Total fund balances of governmental funds	\$ 35,643,791
Net OPEB asset	439,934
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	611,375,486
Deferred outflows of resources related to pensions	100,452,007
Deferred outflows of resources related to OPEB	132,435,970
Some liabilities, including those for compensated absences, installment purchases and claims liability for retained risk, are not due and payable in the current period and therefore are not reported in the funds.	(70,369,583)
Net pension liability	(225,431,962)
Net OPEB liability	(436,680,778)
Deferred inflows of resources related to pensions	(6,010,818)
Deferred inflows of resources related to OPEB	<u>(76,683,131)</u>
Net position of governmental activities	<u>\$ 65,170,916</u>

DURHAM PUBLIC SCHOOLS 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 Funds	
	Local Current Expense	State Public School	Federal Grants	Grant and Community Schools Special Revenue	Local Special Expense	Capital Outlay	School Activity Funds	Total Governmental Funds
Revenues:								
State of North Carolina	\$ -	\$ 243,564,035	\$ -	\$ 16,392	\$ -	\$ 4,401,378	\$ -	\$ 247,981,805
Durham County:								
Local current expense	206,093,192	-	-	-	-	-	-	206,093,192
Other	1,652,966	-	-	2,533,124	716,624	88,536,706	-	93,439,420
City of Durham	17,689	-	-	-	67,489	110,000	-	195,178
U.S. Government	-	-	38,331,331	490,884	1,159,612	-	-	39,981,827
Other	750,729	-	-	15,764,618	9,746,018	1,293,600	2,963,787	30,518,752
Total revenues	208,514,576	243,564,035	38,331,331	18,805,018	11,689,743	94,341,684	2,963,787	618,210,174
Expenditures:								
Current:								
Instructional services:								
Regular instructional	48,566,042	117,947,770	4,167,442	3,416,590	4,558,824	-	-	178,656,668
Special populations	15,588,429	52,716,821	8,152,729	1,742,478	3,438,002	-	-	81,638,459
Alternative programs	8,518,515	17,767,080	15,129,978	1,837,686	126,983	-	-	43,380,242
School leadership	15,074,882	14,806,341	21,900	752,711	-	-	-	30,655,834
Co-curricular	2,339,819	-	-	81,750	(3,511)	-	3,251,449	5,669,507
School-based support	8,966,258	13,983,033	842,112	261,741	74,175	-	-	24,127,319
System-wide support services:								
Support and development	2,788,221	866,923	15,715	6,356	276,352	-	-	3,953,567
Special population support and development	602,218	452,028	979,934	-	39,376	-	-	2,073,556
Alternative programs and services support and development	929,989	-	673,773	491,142	-	-	-	2,094,904
Technology support	5,003,716	108,049	9,444	-	856,329	-	-	5,977,538
Operational support	35,845,862	19,712,553	6,481,994	2,261,510	1,764,894	-	-	66,066,813
Financial and human resource services	7,077,556	2,948,110	1,349	58,976	104,037	-	-	10,190,028
Accountability	1,054,666	-	-	-	-	-	-	1,054,666
System-wide pupil support	1,418,272	382,011	-	31,921	-	-	-	1,832,204
Policy, leadership and public relations	4,294,877	1,769,098	39,349	51,524	359,324	-	-	6,514,172
Ancillary services	883,887	-	37,242	5,193,385	-	-	-	6,114,514
Non-programmed charges	43,824,585	-	1,778,370	(2,455)	40,154	-	-	45,640,654
Debt service - principal retirement	-	-	-	-	-	871,819	-	871,819
Capital outlay	-	-	-	-	-	87,615,055	-	87,615,055
Total expenditures	202,777,794	243,459,817	38,331,331	16,185,315	11,634,939	88,486,874	3,251,449	604,127,519
Excess (deficiency) of revenues over expenditures	5,736,782	104,218	-	2,619,703	54,804	5,854,810	(287,662)	14,082,655
Other financing sources (uses):								
Transfers to other funds	(2,688,000)	(104,218)	-	(2,619,703)	-	-	-	(5,411,921)
Insurance proceeds	-	-	-	-	-	305,928	-	305,928
Proceeds from sale of capital assets	-	-	-	-	-	13,175	-	13,175
Total other financing sources (uses)	(2,688,000)	(104,218)	-	(2,619,703)	-	319,103	-	(5,092,818)
Net change in fund balance	3,048,782	-	-	-	54,804	6,173,913	(287,662)	8,989,837
Fund balances:								
Beginning of year	8,417,884	-	-	3,899,730	2,601,279	9,328,749	2,406,312	26,653,954
End of year	\$ 11,466,666	\$ -	\$ -	\$ 3,899,730	\$ 2,656,083	\$ 15,502,662	\$ 2,118,650	\$ 35,643,791

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

DURHAM PUBLIC SCHOOLS 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	\$ 8,989,837
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 capital outlays exceeded depreciation in the current period.	60,020,520
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	42,964,010
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	18,219,402
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(13,175)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	132,854
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	871,819
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	(57,362,658)
OPEB (expense) benefit	(9,996,335)
Compensated absences	(567,307)
Claims liability for retained risk	(348,183)
Loss on disposal of capital assets	(94,665)
Total change in net position of governmental activities	<u>\$ 62,816,119</u>

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION**Exhibit 6****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL CURRENT EXPENSE FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025**

	Local Current Expense Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Durham County	\$ 206,793,192	\$ 207,207,157	\$ 207,746,158	\$ 539,001
City of Durham	10,000	10,000	17,689	7,689
Other	853,352	1,017,214	750,729	(266,485)
Total revenues	<u>207,656,544</u>	<u>208,234,371</u>	<u>208,514,576</u>	<u>280,205</u>
Expenditures:				
Current:				
Instructional services	98,296,475	101,676,070	99,053,945	2,622,125
System-wide support services	63,430,413	59,048,680	59,015,377	33,303
Ancillary services	803,385	888,112	883,887	4,225
Nonprogrammed charges	<u>45,126,271</u>	<u>43,933,509</u>	<u>43,824,585</u>	<u>108,924</u>
Total expenditures	<u>207,656,544</u>	<u>205,546,371</u>	<u>202,777,794</u>	<u>2,768,577</u>
Excess of revenues over expenditures	-	2,688,000	5,736,782	3,048,782
Other financing uses:				
Transfers to other funds	<u>-</u>	<u>(2,688,000)</u>	<u>(2,688,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,048,782	<u>\$ 3,048,782</u>
Fund balance:				
Beginning of year			<u>8,417,884</u>	
End of year			<u>\$ 11,466,666</u>	

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION **Exhibit 6 (continued)**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL CURRENT EXPENSE FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 246,769,823	\$ 247,117,220	\$ 243,564,035	\$ (3,553,185)
Expenditures:				
Current:				
Instructional services	221,346,907	220,774,229	217,221,045	3,553,184
System-wide support services	25,278,340	26,238,773	26,238,772	1
Total expenditures	246,625,247	247,013,002	243,459,817	3,553,185
Excess of revenues over expenditures	144,576	104,218	104,218	-
Other financing uses:				
Transfers to other funds	(144,576)	(104,218)	(104,218)	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance:				
Beginning of year			-	
End of year			\$ -	

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION **Exhibit 6 (continued)**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL CURRENT EXPENSE FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
U.S. Government	\$ 43,132,931	\$ 43,418,909	\$ 38,331,331	\$ (5,087,578)
Expenditures:				
Current:				
Instructional services	31,897,674	32,941,374	28,314,161	4,627,213
System-wide support services	8,510,341	8,517,376	8,201,558	315,818
Ancillary services	38,500	37,242	37,242	-
Payments to other governments	2,686,416	1,922,917	1,778,370	144,547
Total expenditures	43,132,931	43,418,909	38,331,331	5,087,578
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance:				
Beginning of year			-	
End of year			\$ -	

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION**Exhibit 6 (continued)****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL****LOCAL CURRENT EXPENSE FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS****For the Fiscal Year Ended June 30, 2025**

	Grant and Community Schools Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina:				
North Carolina Schools GO Grant	\$ 29,195	\$ 29,195	\$ 16,392	\$ (12,803)
Durham County:				
Pre-Kindergarten Program Support	2,280,474	2,300,474	2,533,124	232,650
U.S. Government:				
Local Food for Schools Program	-	122,483	122,483	-
STOP School Violence Program	-	646,773	368,401	(278,372)
Total U.S. Government	-	769,256	490,884	(278,372)
Other:				
Community education	3,029,216	3,029,216	4,026,617	997,401
National Philanthropic Trust Grant	9,553,759	9,553,759	8,333,721	(1,220,038)
Interest earned on investment	556,991	556,991	44,876	(512,115)
Division of Child Development and Early Ed.	1,274,400	1,274,400	706,109	(568,291)
Miscellaneous	5,526,018	4,464,812	2,653,295	(1,811,517)
Total other	19,940,384	18,879,178	15,764,618	(3,114,560)
Total revenues	22,250,053	21,978,103	18,805,018	(3,173,085)
Expenditures:				
Current:				
Instructional services	8,530,064	8,980,007	8,092,956	887,051
System-wide support services	2,969,502	3,617,440	2,901,429	716,011
Ancillary services	8,339,250	5,842,030	5,193,385	648,645
Non-programmed charges	2,411,237	918,923	(2,455)	921,378
Total expenditures	22,250,053	19,358,400	16,185,315	3,173,085
Excess of revenues over expenditures	-	2,619,703	2,619,703	-
Other financing uses:				
Transfers to other funds	-	(2,619,703)	(2,619,703)	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance:				
Beginning of year			3,899,730	
End of year			\$ 3,899,730	

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION**Exhibit 6 (continued)****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL CURRENT EXPENSE FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025**

	Local Special Expense Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Durham County:				
One-time county appropriation	\$ 716,624	\$ 716,624	\$ 716,624	\$ -
City of Durham:				
Holton Center Project	-	-	67,489	67,489
U.S. Government:				
ROTC	60,000	190,000	181,601	(8,399)
Magnet Schools Assistance Program	2,603,619	2,603,619	978,011	(1,625,608)
Total U.S. Government	2,663,619	2,793,619	1,159,612	(1,634,007)
Other:				
Interest earned on investment	372,942	372,942	455,864	82,922
Indirect costs allocated	1,800,000	1,800,000	1,836,969	36,969
Private grants and programs	60,000	60,000	84,180	24,180
Rental of school property	50,387	50,387	73,879	23,492
Medicaid reimbursement program	5,930,788	6,065,974	6,045,163	(20,811)
Tuition and fees	-	-	98,912	98,912
Sales and use tax refund	58,000	58,000	55,528	(2,472)
Miscellaneous	1,437,449	1,752,991	1,095,523	(657,468)
Total other	9,709,566	10,160,294	9,746,018	(414,276)
Total revenues	13,089,809	13,670,537	11,689,743	(1,980,794)
Expenditures:				
Current:				
Instructional services	10,091,950	9,365,493	8,194,473	1,171,020
System-wide support services	2,814,944	4,184,089	3,400,312	783,777
Non-programmed charges	182,915	120,955	40,154	80,801
Total expenditures	13,089,809	13,670,537	11,634,939	2,035,598
Net change in fund balance	\$ -	\$ -	54,804	\$ 54,804
Fund balance:				
Beginning of year			2,601,279	
End of year			\$ 2,656,083	

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

DURHAM PUBLIC SCHOOLS 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	\$ 6,362,303
Due from other governments	746,194
Receivables	75,405
Due from other funds	389,771
Inventories	608,246
Total current assets	<u>8,181,919</u>
Noncurrent assets:	
Net OPEB asset	11,649
Capital assets:	
Furniture and equipment, net	664,017
Vehicles	346,737
Total capital assets	<u>1,010,754</u>
Total noncurrent assets	<u>1,022,403</u>
Total assets	<u>9,204,322</u>
Deferred Outflows of Resources	
Pension and OPEB plans	<u>6,166,408</u>
Liabilities	
Current liabilities:	
Due to other funds	8,001,665
Compensated absences	475,651
Unearned revenue	96,315
Total current liabilities	<u>8,573,631</u>
Noncurrent liabilities:	
Net pension liability	5,968,988
Net OPEB liability	11,562,434
Compensated absences	536,374
Total noncurrent liabilities	<u>18,067,796</u>
Total liabilities	<u>26,641,427</u>
Deferred Inflows of Resources	
Pension and OPEB plans	<u>2,189,570</u>
Net position	
Investment in capital assets	1,010,754
Restricted for DIPNC OPEB plan	13,885
Unrestricted (deficit)	<u>(14,484,906)</u>
Total net position (deficit)	<u>\$ (13,460,267)</u>

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

DURHAM PUBLIC SCHOOLS 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	\$ 1,467,606
Other	44,522
Total operating revenues	<u>1,512,128</u>
Operating expenses:	
Food cost:	
Purchase of food	7,611,899
Donated commodities	898,682
Salaries and benefits	10,271,001
Materials and supplies	1,046,025
Repairs and maintenance	90,371
Depreciation	134,309
Contracted services	66,981
Other	87,969
Total operating expenses	<u>20,207,237</u>
Operating loss	<u>(18,695,109)</u>
Nonoperating revenues:	
Federal reimbursements and grants	13,588,370
Federal commodities	898,682
State reimbursements	460,259
Interest earned	17,196
Gain on disposal of capital assets	16,771
Total nonoperating revenues	<u>14,981,278</u>
Loss before transfers and contributions	(3,713,831)
Transfers from other funds	5,411,921
Capital contributions	<u>207,101</u>
Change in net position	<u>1,905,191</u>
Net position (deficit), beginning of year	(14,703,216)
Change in accounting principle (Note 4)	<u>(662,242)</u>
Net position (deficit), beginning of year, as restated	<u>(15,365,458)</u>
Net position (deficit), end of year	<u><u>\$ (13,460,267)</u></u>

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2025

Exhibit 9

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 1,346,762
Cash paid for goods and services	(4,033,002)
Cash paid to employees for services	(11,140,029)
Other revenues	44,522
Net cash used by operating activities	<u>(13,781,747)</u>
Cash flows from noncapital financing activities:	
Due to other funds	4,775,226
Due from other funds	(389,771)
Federal and State reimbursements and grants	14,144,187
Net cash provided by noncapital financing activities	<u>18,529,642</u>
Cash flows from capital and related financing activities:	
Proceeds from disposal of capital assets	16,771
Purchase of capital assets	(16,749)
Net cash provided by capital and related financing activities	<u>22</u>
Cash flows from investing activities:	
Interest earned on investments	<u>17,196</u>
Net increase in cash and cash equivalents	4,765,113
Cash and cash equivalents, beginning of year	<u>1,597,190</u>
Cash and cash equivalents, end of year	<u>\$ 6,362,303</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (18,695,109)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	134,309
Donated commodities	898,682
Expenses paid by other funds	5,411,921
Changes in assets, liabilities, deferred outflows and deferred inflows of resources:	
Increase in accounts receivable	(75,405)
Increase in net OPEB asset	(11,649)
Increase in inventories	(69,404)
Decrease in accounts payable and accrued liabilities	(368,056)
Decrease in unearned revenue	(45,439)
Decrease in net pension liability	(1,391,240)
Increase in net OPEB liability	1,663,356
Decrease in deferred outflows	74,038
Decrease in deferred inflows	(1,297,964)
Decrease in compensated absences payable	(9,787)
Total adjustments	<u>4,913,362</u>
Net cash used by operating activities	<u>\$ (13,781,747)</u>

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2025

Exhibit 9 (continued)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$898,682 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 School Food Service Fund salaries and benefits of \$104,218 during the fiscal year. Food purchases for the School Food Service Fund totaling \$2,688,000 and \$2,619,703 were made by the Local Current Expense Fund and the Grant and Community Schools Special Revenue Fund, respectively. These purchases are reflected as a transfer from other funds and an operating expense on Exhibit 8.

School Food Service capital assets with values of \$37,242 and \$169,859 were purchased during the year by the Federal Grants Fund and Grant and Community Schools Special Revenue Fund, respectively. The value of these assets, totaling \$116,538, is reflected as a capital contribution on Exhibit 8.

The School Food Service Fund reported a gain on disposal of capital assets of \$16,771 on Exhibit 8.

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

DURHAM PUBLIC SCHOOLS 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 Durham Public Schools 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 Durham Public Schools 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 Durham 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.

The Board is governed by a seven-member governing body elected by the citizens of Durham County. The County provides approximately 40% of the total funding for the Board and has the authority to control how this funding is spent. However, beyond this, the County does not have legal authority over the Board's budget. Accordingly, the Board is not considered to be a component unit of Durham County.

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:

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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.

Grant and Community Schools Special Revenue Fund. The Grant and Community Schools Special Revenue Fund includes grants received by the Board as well as fiscal agency monies.

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 Durham County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain other State assistance.

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

The Board reports the following nonmajor governmental fund:

School Activity Funds. The School Activity Funds 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. Acquisitions under leases qualifying as other than short-term are reported as other financing sources.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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 school activity funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level within funds for all annually budgeted funds. The Superintendent is authorized by the governing Board in the budget resolution to transfer appropriations within a fund between sub-functions and objects of expenditures within a function. He may transfer amounts between functions of the same fund with a report of such transfers being made at the next meeting of the Board of Education. Transfers between funds require governing Board approval. Amendments which alter the County appropriations or transfer monies between the Local Current Expense Fund and the Capital Outlay Fund require the approval of the Durham County Board of Commissioners. During the year, significant amendments to the original budget were necessary and were appropriately approved by the Board of Education.

A budget calendar is included in G.S. 115C, Article 31, and prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date each is required to be completed.

May 1	The Superintendent must submit the budget request along with a copy of the budget message to the Board of Education no later than May 1.
May 15	The Board of Education should make changes, if necessary, to the budget request as submitted by the Superintendent and forward an approved budget request to the Board of County Commissioners not later than May 15, unless the County Commissioners have established a later date.
July 1	The Board of County Commissioners must complete its actions on the school budget not later than July 1, unless a later date is agreed upon between the Board of Education and County Commissioners.
Month of July	The Board of Education must adopt its balanced budget resolution after the Board of County Commissioners has decided upon the amount of appropriations to be provided by the County or after the appeal procedures as set forth in State law [G.S. 115C-431].

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

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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 determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. The NCCMT is reported at fair value. 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.

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. 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, 1990 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.

For capital assets utilized in governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks, library books and materials are capitalized. The library collections consist of large numbers of books with modest values; the composite depreciation method has been used as discussed in GASB 35, para 163-166. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Durham 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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 50
Building improvements	20
Furniture and equipment	5 - 20
Vehicles	8

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

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals. 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 two items that meet this criterion – pension and other post-employment benefit-related deferrals.

6. 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.

7. 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 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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

8. 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 items - portion of fund balance that is not an available resource because it represents the year-end balance of assets held for prepaid items, 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 - North Carolina G.S. 115C-425(a) prohibits boards of education from budgeting or spending a portion of their fund balance. Restricted by State statute (RSS) is calculated at the end of each fiscal year. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS.

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

Restricted for grants and programs – revenue sources restricted for distributions as described per their original intent from the source for which they were received.

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.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The Local Current Expense Fund should be the only fund that reports a positive unassigned fund balance amount. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

The Board does not have a formal revenue spending policy. However, it is the Board's practice to use resources in the following hierarchy: debt proceeds, State funds, federal funds, local non-Board funds and Board 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.

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9. 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 \$29,527,125 consists of the following:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 1,050,893,948
Less accumulated depreciation	<u>(439,518,462)</u>
Net capital assets	611,375,486
Net OPEB asset	439,934
Deferred outflows of resources related to pensions	100,452,007
Deferred outflows of resources related to OPEB	132,435,970
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 purchases	(653,106)
Compensated absences	(66,431,468)
Claims liability for retained risks	(3,285,009)
Net pension liability	(225,431,962)
Net OPEB liability	(436,680,778)
Deferred inflows of resources related to pensions	(6,010,818)
Deferred inflows of resources related to OPEB	<u>(76,683,131)</u>
Total adjustment	<u><u>\$ 29,527,125</u></u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes 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 \$53,826,282 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 82,054,740
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	(22,034,220)
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	871,819
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	42,964,010
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	18,219,402
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(13,175)
Revenues reported in the Statement of Activities that do not provide current financial resources are not recorded as revenues in the fund statements	
OPEB nonemployer contributions	132,854
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(57,362,658)
OPEB (expense) benefit	(9,996,335)
Loss on disposal of capital assets	(94,665)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(567,307)
Claims liabilities for retained risks are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(348,183)
Total adjustment	<u>\$ 53,826,282</u>

10. Defined Benefit Pension 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

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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 \$32,084,687 and a net bank balance with the State Treasurer of \$4,957,830. The bank balances with the financial institutions and the State Treasurer were \$37,192,116 and \$13,790,339, respectively. Of these balances, \$2,534,079 was covered by federal depository insurance and \$48,448,376 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board also had cash on hand of \$10,243 at June 30, 2025.

2. Investments

At June 30, 2025, the Board had \$3,627,285 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and is classified in Level 1 of the fair value hierarchy. Additionally, at June 30 2025 the Board had \$12,683,288 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 of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Board has no policy for managing interest rate risk or credit risk. The Board places no limit on the amount the Board may invest in any one issuer. 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.

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

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3. Accounts Receivable

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

	Due from (to) other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
Local Current Expense Fund	\$ 13,096,205	\$ 22,494	\$ 115,992	\$ 13,234,691
Other governmental activities	<u>(5,484,311)</u>	<u>9,273,085</u>	<u>2,563,371</u>	<u>6,352,145</u>
Total governmental activities	<u>\$ 7,611,894</u>	<u>\$ 9,295,579</u>	<u>\$ 2,679,363</u>	<u>\$ 19,586,836</u>
Business-type activities:				
School Food Service Fund	<u>\$ (7,611,894)</u>	<u>\$ 746,194</u>	<u>\$ 75,405</u>	<u>\$ (6,790,295)</u>

Due from other governments consists of the following:

Governmental activities:		
Local Current Expense Fund	\$ 22,494	Amounts due from County
State Public School Fund	22,628	Operating funds from DPI
Federal Grants Fund	4,778	Federal grant funds from DPI
Grant & Comm. Schools Special Rev. Fund	535,358	Federal grant funds
Local Special Expense Fund	124,367	Federal funds, amounts due from City of Durham and Orange Co. Schools
Capital Outlay Fund	<u>8,585,954</u>	Amounts due from County
Total	<u>\$ 9,295,579</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 746,194</u>	Federal funds

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4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,755,795	\$ -	\$ -	\$ 25,755,795
Construction in progress	117,876,643	81,285,302	105,206,284	93,955,661
Total capital assets not being depreciated	<u>143,632,438</u>	<u>81,285,302</u>	<u>105,206,284</u>	<u>119,711,456</u>
Capital assets being depreciated:				
Buildings	515,951,510	84,640,945	109,500	600,482,955
Building improvements	257,107,420	16,912,349	-	274,019,769
Furniture and equipment	23,958,994	3,722,882	5,404	27,676,472
Vehicles	36,358,354	699,546	8,054,604	29,003,296
Total capital assets being depreciated	<u>833,376,278</u>	<u>105,975,722</u>	<u>8,169,508</u>	<u>931,182,492</u>
Less accumulated depreciation for:				
Buildings	274,159,359	9,126,558	87,600	283,198,317
Building improvements	105,362,469	10,707,051	-	116,069,520
Furniture and equipment	17,138,825	984,182	5,404	18,117,603
Vehicles	28,885,257	1,216,429	7,968,664	22,133,022
Total accumulated depreciation	<u>425,545,910</u>	<u>22,034,220</u>	<u>8,061,668</u>	<u>439,518,462</u>
Total capital assets being depreciated, net	<u>407,830,368</u>			<u>491,664,030</u>
Governmental activity capital assets, net	<u>\$ 551,462,806</u>			<u>\$ 611,375,486</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 20,817,791
Operational support	<u>1,216,429</u>
Total	<u>\$ 22,034,220</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and equipment	\$ 4,033,445	\$ 223,850	\$ -	\$ 4,257,295
Vehicles	625,958	-	132,930	493,028
Total capital assets being depreciated	4,659,403	223,850	132,930	4,750,323
Less accumulated depreciation for:				
Furniture and equipment	3,499,048	94,230	-	3,593,278
Vehicles	239,142	40,079	132,930	146,291
Total accumulated depreciation	3,738,190	134,309	132,930	3,739,569
School Food Service capital assets, net	\$ 921,213			\$ 1,010,754

5. Construction and Other Significant Commitments

As of June 30, 2025, the Board had numerous construction projects in progress throughout the district with contract amounts totaling approximately \$303.6 million. At year-end, the Board's commitments with contractors for the remaining portion of the contracts to complete these projects totaled approximately \$211.0 million. All of these projects are commitments of the Capital Outlay Fund which will be funded primarily from proceeds of County-issued general and limited obligation bonds, as well as other general County and State revenues.

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.

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

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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 \$44,101,611 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 \$231,400,950 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 at June 30, 2023, the Board's proportion was 1.5618% and 1.5823%, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of \$58,622,351. 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	\$ 20,853,244	\$ 684,051
Net difference between projected and actual earnings on pension plan investments	38,156,920	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	5,485,921
Board contributions subsequent to the measurement date	44,101,611	-
Total	<u>\$ 103,111,775</u>	<u>\$ 6,169,972</u>

\$44,101,611 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 14,620,462
2027	43,290,967
2028	(986,814)
2029	<u>(4,084,423)</u>
Total	<u>\$ 52,840,192</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 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

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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	\$ 424,479,386	\$ 231,400,950	\$ 72,179,487

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

b. Other 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

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in Chapter 135, Article 1 of the General Statutes. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

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

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

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

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

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund

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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 \$18,360,349 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 \$136,372.

At June 30, 2025, the Board reported a liability of \$448,243,212 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 1.3179% and 1.3301%, respectively.

\$18,360,349 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2026	\$ (6,754,852)
2027	2,985,438
2028	22,289,213
2029	<u>20,262,255</u>
Total	<u>\$ 38,782,054</u>

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

Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%

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

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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	\$ 533,293,415	\$ 448,243,212	\$ 379,955,332

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	\$ 369,992,588	\$ 448,243,212	\$ 549,562,526

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

2. Disability Benefits

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

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

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

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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 \$341,466 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 \$451,583 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 1.3715% and 1.3990%, respectively.

\$341,466 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:

Year ended June 30:

2026	\$ (200,109)
2027	(145,254)
2028	43,077
2029	27,030
2030	<u>20,450</u>
Total	<u>\$ (254,806)</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

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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	\$ 402,662	\$ 451,583	\$ 503,001

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%.

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:

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	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (benefit)	\$ 9,179,629	\$ 217,092	\$ 9,396,721
OPEB liability (asset)	448,243,212	(451,583)	447,791,629
Proportionate share of the net OPEB liability / asset	1.3179%	1.3715%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 3,653,444	\$ 182,054	\$ 3,835,498
Changes of assumptions	107,955,269	6,734	107,962,003
Net difference between projected and actual earnings on plan investments	1,920,795	354,522	2,275,317
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,163,300	4,677	3,167,977
Board contributions subsequent to the measurement date	18,360,349	341,466	18,701,815
Totals	<u>\$ 135,053,157</u>	<u>\$ 889,453</u>	<u>\$ 135,942,610</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 519,418	\$ 519,418
Changes of assumptions	58,441,763	210,390	58,652,153
Changes in proportion and differences between Board contributions and proportionate share of contributions	19,468,991	72,985	19,541,976
Totals	<u>\$ 77,910,754</u>	<u>\$ 802,793</u>	<u>\$ 78,713,547</u>

2. Accounts Payable

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

	<u>Vendors and Other</u>
Governmental activities:	
Local Current Expense Fund	\$ 8,176,239
Other governmental activities	8,948,726
Total governmental activities	<u>\$ 17,124,965</u>

3. Unearned Revenues

The balance in unearned revenues at June 30, 2025 is composed of the following items:

Governmental activities:	
Grants, donations and scholarships (Grant and Community Schools Special Revenue Fund)	\$ 7,642,432
Grants, donations and scholarships (Local Special Expense Fund)	<u>5,769,643</u>
Total governmental activities	<u>\$ 13,412,075</u>
Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 96,315</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
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4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,688,742	\$ 1,203,469
Changes of assumptions	107,962,003	58,652,153
Net difference between projected and actual earnings on pension and OPEB plan investments	40,432,237	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,167,977	25,027,897
Board contributions subsequent to the measurement date	62,803,426	-
Total	<u>\$ 239,054,385</u>	<u>\$ 84,883,519</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. The Board protects itself from potential loss through a combination of the purchase of commercial insurance from primary and/or excess liability coverage and self-funded risk retention. The Board is self-insured for general liability claims up to \$75,000 per claim and maintains excess commercial insurance coverage of \$1,000,000 per occurrence with a \$2,000,000 annual aggregate. The Board also carries commercial errors and omissions coverage with a \$50,000 deductible amount per wrongful act and a \$3,000,000 annual aggregate.

The Board is self-insured for workers' compensation claims for employees paid from local and federal funds and carries excess workers' compensation coverage for claims over \$500,000. The State of North Carolina provides workers' compensation coverage for employees to the extent they are paid from State funds. The risk management (claims) liability of \$3,285,009 at June 30, 2025, is based on the requirements of Governmental accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability is actuarially determined and includes an estimate for claims incurred but not reported. This entire amount is accrued and reported in the government-wide statements in the governmental activities. Changes in the fund's claims liability amount during the fiscal year ended June 30, 2025 are as follows:

Fiscal Year	Balance Beginning of Fiscal Year	Net Claims and Changes in Estimates	Claims Payments	Balance End of Fiscal Year
2024 - 2025	\$ 2,936,826	\$ 2,464,461	\$ (2,116,278)	\$ 3,285,009
2023 - 2024	2,761,606	1,188,248	(1,013,028)	2,936,826

Tangible property assets of the Board are insured through commercially purchased insurance coverage on an agreed value basis. Deductibles range from \$500 to \$100,000 per occurrence. Umbrella coverage in the amount of \$5,000,000 applies as excess over the General Liability, Employee Benefits Liability,

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For the Fiscal Year Ended June 30, 2025

School Leaders Errors & Omissions Liability, Law Enforcement Liability, Automobile Liability, Garage Liability, Abuse or Molestation Liability, and Employers Liability.

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The Chief Financial Officer is bonded for \$250,000.

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

6. Contingent Liabilities

As of the date of our report, the Board was a defendant to several pending and threatened legal claims. The Board's management and the Board's attorneys have been unable to determine the amount of loss, if any, the Board might incur as a result of these legal matters.

7. Long-Term Obligations

a. Direct Placement 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 direct placement financing arrangements. During the fiscal years ended June 30, 2023 and 2024, the Board entered into such contracts for the purchase of school buses. The gross amount of buses capitalized under the outstanding installment purchase contracts totaled \$2,612,418 at June 30, 2025. The contracts each require 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 installment purchases as of June 30, 2025 are as follows:

	Governmental Activities
<u>Year Ending June 30:</u>	<u>Principal</u>
2026	<u>\$ 653,106</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

b. 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:

	July 1, 2024 (As restated)	Increases	Decreases	June 30, 2025	Current Portion
Governmental activities:					
Direct placement					
installment purchases	\$ 1,524,925	\$ -	\$ 871,819	\$ 653,106	\$ 653,106
Net pension liability	256,447,228	-	31,015,266	225,431,962	-
Net OPEB liability	344,906,604	91,774,174	-	436,680,778	-
Compensated absences	65,864,161	567,307	-	66,431,468	27,901,217
Claims liability for retained risk	2,936,826	2,464,461	2,116,278	3,285,009	1,287,099
Total	<u>\$ 671,679,744</u>	<u>\$ 94,805,942</u>	<u>\$ 34,003,363</u>	<u>\$ 732,482,323</u>	<u>\$ 29,841,422</u>
Business-type activities:					
Net pension liability	\$ 7,360,228	\$ -	\$ 1,391,240	\$ 5,968,988	\$ -
Net OPEB liability	9,899,078	1,663,356	-	11,562,434	-
Compensated absences	1,021,812	-	9,787	1,012,025	475,651
Total	<u>\$ 18,281,118</u>	<u>\$ 1,663,356</u>	<u>\$ 1,401,027</u>	<u>\$ 18,543,447</u>	<u>\$ 475,651</u>

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the Local Current Expense Fund, State Public School Fund, Grants and Community Schools Special Revenue Fund, Federal Grants Fund and the Local Special Expense Fund. Installment purchases are typically liquidated by the Capital Outlay Fund.

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2025 consisted of the following:

\$104,218 transferred from the State Public School Fund to the School Food Service Fund for salary and benefit costs.

\$2,688,000 transferred from the Local Current Expense Fund to the School Food Service Fund for food purchases.

\$2,619,703 transferred from the Grant and Community Schools Special Revenue Fund to the School Food Service Fund for food purchases.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

2. Interfund Balances

The composition of interfund balances as of June 30, 2025 is as follows:

Description	Fund Due From	Fund Due To	Amount
BUD transactions	Federal Grants	State Public School	\$ 98,484
BUD and TDR transactions	Local Current Expense	State Public School	425,169
Transfer of expenditures between funds	State Public School	Local Current Expense	5,017,409
Transfer of expenditures between funds	State Public School	Federal Grants	55,554
	Grant and Community Schools		
Transfer of expenditures between funds	Special Revenue	Local Special Expense	26,095
Transfer of expenditures between funds	Local Current Expense	State Public School	36,411
Transfer of expenditures between funds	State Public School	Local Special Expense	4,540
Transfer of expenditures between funds	Federal Grants	Local Special Expense	431,285
	Grant and Community Schools		
Transfer of expenditures between funds	Special Revenue	Local Current Expense	229,195
		Grant and Community Schools	
Transfer of expenditures between funds	Local Current Expense	Special Revenue	10,000
Transfer of expenditures between funds	Local Special Expense	Local Current Expense	974,563
Transfer of expenditures between funds	Local Current Expense	Local Special Expense	133,566
Transfer of expenditures between funds	Local Current Expense	School Food Service	373,000
Transfer of expenditures between funds	School Food Service	Local Current Expense	1,665
Transfer of expenditures between funds	Local Current Expense	Federal Grants	16,294
Transfer of expenditures between funds	Federal Grants	Local Current Expense	9,876
	Grant and Community Schools		
Correct deposit made into wrong fund	Special Revenue	Local Special Expense	777,305
	Grant and Community Schools		
Correct deposit made into wrong fund	Special Revenue	School Activity Funds	572
Correct deposit made into wrong fund	Local Current Expense	School Food Service	16,771
	Grant and Community Schools		
Correct deposit made into wrong fund	Special Revenue	Local Current Expense	20,718
		Grant and Community Schools	
Correct deposit made into wrong fund	Local Current Expense	Special Revenue	146,010
Funds loaned to pay operating costs	School Food Service	Local Current Expense	8,000,000

D. Fund Balance

The following schedule provides management and citizens with information on the portion of Local Current Expense Fund balance that is available for appropriation at June 30, 2025.

Total fund balance - Local Current Expense Fund	\$ 11,466,666
Less:	
Prepaid items	(768)
Stabilization by State statute	(19,357,314)
Unassigned fund balance (deficit)	<u>\$ (7,891,416)</u>

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances outstanding at June 30, 2025 are as follows:

	<u>Encumbrances</u>
General Fund	\$ 4,965,402
State Public School Fund	8,331
Grant and Community Schools Special Revenue Fund	154,967
Local Special Expense Fund	109,183
Capital Outlay Fund	226,579,270
School Food Service Fund	348,373

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 4 – 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:

	<u>Reporting Units Affected by Restatements of Beginning Balances</u>		
	<u>Proprietary Fund</u>	<u>Government-Wide</u>	
	School Food Service	Governmental Activities	Business-Type Activities
June 30, 2024 net position (deficit), as previously reported	\$ (14,703,216)	\$ 48,934,391	\$ (14,703,216)
Change in accounting principle	<u>(662,242)</u>	<u>(46,579,594)</u>	<u>(662,242)</u>
June 30, 2024 net position (deficit), as restated	<u>\$ (15,365,458)</u>	<u>\$ 2,354,797</u>	<u>\$ (15,365,458)</u>

NOTE 5 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through February 9, 2026 (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

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
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	1.562%	1.582%	1.615%	1.565%	1.613%
Board's proportionate share of the net pension liability	\$ 231,400,950	\$ 263,807,456	\$ 239,751,123	\$ 73,269,126	\$ 194,841,533
Board's covered payroll	\$ 267,937,601	\$ 254,949,770	\$ 243,607,540	\$ 235,252,037	\$ 236,989,753
Board's proportionate share of the net pension liability as a percentage of its covered payroll	86.36%	103.47%	98.42%	31.14%	82.22%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%

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	2020	2019	2018	2017	2016
Board's proportion of the net pension liability	1.579%	1.530%	1.550%	1.580%	1.540%
Board's proportionate share of the net pension liability	\$ 163,655,893	\$ 151,865,204	\$ 123,106,819	\$ 145,085,971	\$ 56,785,953
Board's covered payroll	\$ 230,313,653	\$ 213,532,839	\$ 209,108,467	\$ 205,715,596	\$ 205,007,563
Board's proportionate share of the net pension liability as a percentage of its covered payroll	71.06%	71.12%	58.87%	70.53%	27.70%
Plan fiduciary net position as a percentage of the total	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.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
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	\$ 44,101,611	\$ 47,237,399	\$ 44,310,270	\$ 39,902,915	\$ 34,770,251
Contributions in relation to the contractually required contribution	<u>44,101,611</u>	<u>47,237,399</u>	<u>44,310,270</u>	<u>39,902,915</u>	<u>34,770,251</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 262,665,938	\$ 267,937,601	\$ 254,949,770	\$ 243,607,540	\$ 235,252,037
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	\$ 30,737,571	\$ 28,305,548	\$ 23,018,840	\$ 20,869,025	\$ 18,822,977
Contributions in relation to the contractually required contribution	<u>30,737,571</u>	<u>28,305,548</u>	<u>23,018,840</u>	<u>20,869,025</u>	<u>18,822,977</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 236,989,753	\$ 230,313,653	\$ 213,532,839	\$ 209,108,467	\$ 205,715,596
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability	1.318%	1.330%	1.391%	1.382%	1.413%
Board's proportionate share of the net OPEB liability	\$ 448,243,212	\$ 354,433,593	\$ 330,223,113	\$ 427,142,103	\$ 391,869,944
Board's covered payroll	\$ 267,937,601	\$ 254,949,770	\$ 243,607,540	\$ 235,252,037	\$ 236,989,753
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	167.29%	139.02%	135.56%	181.57%	165.35%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%

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	2020	2019	2018	2017
Board's proportion of the net OPEB liability	1.374%	1.361%	1.430%	1.390%
Board's proportionate share of the net OPEB liability	\$ 434,743,527	\$ 387,673,078	\$ 468,027,345	\$ 603,001,942
Board's covered payroll	\$ 230,313,653	\$ 213,532,839	\$ 209,108,467	\$ 205,715,596
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	188.76%	181.55%	223.82%	293.12%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST NINE FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 18,360,349	\$ 19,130,745	\$ 17,566,039	\$ 15,322,914	\$ 15,714,836
Contributions in relation to the contractually required contribution	<u>18,360,349</u>	<u>19,130,745</u>	<u>17,566,039</u>	<u>15,322,914</u>	<u>15,714,836</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 262,665,938	\$ 267,937,601	\$ 254,949,770	\$ 243,607,540	\$ 235,252,037
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>	
Contractually required contribution	\$ 15,333,237	\$ 14,440,666	\$ 12,918,737	\$ 12,147,277	
Contributions in relation to the contractually required contribution	<u>15,333,237</u>	<u>14,440,666</u>	<u>12,918,737</u>	<u>12,147,277</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Board's covered payroll	\$ 236,989,753	\$ 230,313,653	\$ 213,532,839	\$ 209,108,467	
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	

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.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
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***

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability/asset	1.372%	1.399%	1.433%	1.400%	1.431%
Board's proportionate share of the net OPEB liability (asset)	\$ (451,583)	\$ 372,089	\$ 426,209	\$ (228,683)	\$ (704,178)
Board's covered payroll	\$ 267,937,601	\$ 254,949,770	\$ 243,607,540	\$ 235,252,037	\$ 236,989,753
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.17%	0.15%	0.17%	0.10%	0.30%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	114.99%	90.61%	90.34%	105.18%	115.57%
	2020	2019	2018	2017	
Board's proportion of the net OPEB liability/asset	1.411%	1.369%	1.390%	1.430%	
Board's proportionate share of the net OPEB liability (asset)	\$ (608,626)	\$ (415,969)	\$ (848,596)	\$ (887,235)	
Board's covered payroll	\$ 230,313,653	\$ 213,532,839	\$ 209,108,467	\$ 205,715,596	
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.26%	0.19%	0.41%	0.43%	
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.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
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>
Contractually required contribution	\$ 341,466	\$ 294,731	\$ 254,950	\$ 219,247	\$ 211,727
Contributions in relation to the contractually required contribution	<u>341,466</u>	<u>294,731</u>	<u>254,950</u>	<u>219,247</u>	<u>211,727</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 262,665,938	\$ 267,937,601	\$ 254,949,770	\$ 243,607,540	\$ 235,252,037
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>
Contractually required contribution	\$ 236,990	\$ 322,439	\$ 298,946	\$ 794,163
Contributions in relation to the contractually required contribution	<u>236,990</u>	<u>322,439</u>	<u>298,946</u>	<u>794,163</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 236,989,753	\$ 230,313,653	\$ 213,532,839	\$ 209,108,467
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%

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.

INDIVIDUAL FUND SCHEDULES

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LOCAL CURRENT EXPENSE FUND
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Durham County:			
Appropriations from general revenues	\$ 206,093,192	\$ 206,093,192	\$ -
Late property filing	1,113,965	1,652,966	539,001
Total Durham County	207,207,157	207,746,158	539,001
City of Durham:			
Property late fees	10,000	17,689	7,689
Other:			
Fines and forfeitures	800,000	489,451	(310,549)
Interest earned on investment	215,000	257,393	42,393
Miscellaneous	2,214	3,885	1,671
Total other	1,017,214	750,729	(266,485)
Total revenues	208,234,371	208,514,576	280,205
Expenditures:			
Current:			
Instructional services:			
Regular instructional		48,566,042	
Special populations		15,588,429	
Alternative programs		8,518,515	
School leadership		15,074,882	
Co-curricular		2,339,819	
School-based support		8,966,258	
Total instructional services	101,676,070	99,053,945	2,622,125
System-wide support services:			
Support and development		2,788,221	
Special population support and development		602,218	
Alternative programs and services			
support and development		929,989	
Technology support		5,003,716	
Operational support		35,845,862	
Financial and human resource services		7,077,556	
Accountability		1,054,666	
System-wide pupil support		1,418,272	
Policy, leadership and public relations		4,294,877	
Total system-wide support services	59,048,680	59,015,377	33,303
Ancillary services:			
Community		443,245	
Nutrition		440,642	
Total ancillary services	888,112	883,887	4,225

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
LOCAL CURRENT EXPENSE FUND
For the Fiscal Year Ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (continued):			
Non-programmed charges:			
Payments to other governments	<u>43,933,509</u>	<u>43,824,585</u>	<u>108,924</u>
Total expenditures	<u>205,546,371</u>	<u>202,777,794</u>	<u>2,768,577</u>
Excess of revenues over expenditures	2,688,000	5,736,782	3,048,782
Other financing uses:			
Transfers to other funds	<u>(2,688,000)</u>	<u>(2,688,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	3,048,782	<u>\$ 3,048,782</u>
Fund balance:			
Beginning of year		<u>8,417,884</u>	
End of year		<u>\$ 11,466,666</u>	

DURHAM PUBLIC SCHOOLS 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:			
Lottery Capital Funds	\$ 6,991,577	\$ 3,529,559	\$ (3,462,018)
K-12 Athletic Facilities Grant	4,500	-	(4,500)
State Buses Appropriation	3,599,618	871,819	(2,727,799)
Total State of North Carolina	<u>10,595,695</u>	<u>4,401,378</u>	<u>(6,194,317)</u>
Durham County:			
Bond revenues	329,118,246	80,536,706	(248,581,540)
General county appropriations	2,000,000	2,000,000	-
One-time county appropriation	6,000,000	6,000,000	-
Total Durham County	<u>337,118,246</u>	<u>88,536,706</u>	<u>(248,581,540)</u>
City of Durham:			
City appropriations	<u>108,831</u>	<u>110,000</u>	<u>1,169</u>
Other:			
Miscellaneous	<u>591,722</u>	<u>1,293,600</u>	<u>701,878</u>
Total revenues	<u>348,414,494</u>	<u>94,341,684</u>	<u>(254,072,810)</u>
Expenditures:			
Current:			
System-wide support services:			
Operational support	<u>2,727,801</u>	<u>-</u>	<u>2,727,801</u>
Debt service:			
Principal retirement	<u>871,817</u>	<u>871,819</u>	<u>(2)</u>
Capital outlay	<u>345,528,009</u>	<u>87,615,055</u>	<u>257,912,954</u>
Total expenditures	<u>349,127,627</u>	<u>88,486,874</u>	<u>260,640,753</u>
Excess (deficiency) of revenues over expenditures	<u>(713,133)</u>	<u>5,854,810</u>	<u>6,567,943</u>
Other financing sources:			
Insurance proceeds	15,504	305,928	290,424
Proceeds from disposal of capital assets	-	13,175	13,175
Total other financing sources	<u>15,504</u>	<u>319,103</u>	<u>303,599</u>
Fund balance appropriated	<u>697,629</u>	<u>-</u>	<u>(697,629)</u>
Net change in fund balance	<u>\$ -</u>	<u>6,173,913</u>	<u>\$ 6,173,913</u>
Fund balance:			
Beginning of year		<u>9,328,749</u>	
End of year		<u>\$ 15,502,662</u>	

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SCHOOL ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2025

	<u>School Activity Funds</u>
Revenues:	
General	\$ 148,787
Athletic funds	987,398
Instructional services	1,084,429
Student activities	175,150
Contributions	<u>568,023</u>
Total revenues	2,963,787
Expenditures:	
Instructional services:	
Co-curricular	<u>3,251,449</u>
Net change in fund balance	(287,662)
Fund balance:	
Beginning of year	<u>2,406,312</u>
End of year	<u><u>\$ 2,118,650</u></u>

DURHAM PUBLIC SCHOOLS 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	\$ 2,187,178	\$ 1,467,606	\$ (719,572)
Other	15,000	44,522	29,522
Total operating revenues	2,202,178	1,512,128	(690,050)
Operating expenditures:			
Business support services:			
Purchase of food		2,373,600	
Donated commodities		898,682	
Salaries and benefits		11,140,029	
Materials and supplies		1,046,025	
Repairs and maintenance		90,371	
Contracted services		66,981	
Other		87,969	
Capital outlay		16,749	
Total operating expenditures	16,872,762	15,720,406	1,152,356
Operating loss	(14,670,584)	(14,208,278)	462,306
Nonoperating revenues:			
Federal reimbursements and grants	14,427,296	13,588,370	(838,926)
Federal commodities	243,288	898,682	655,394
State reimbursements	-	460,259	460,259
Proceeds from disposal of capital assets	-	16,771	16,771
Interest earned	-	17,196	17,196
Total nonoperating revenues	14,670,584	14,981,278	310,694
Net change in fund balance	\$ -	773,000	\$ 773,000
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(134,309)	
Capital contributions		207,101	
Net OPEB asset		11,649	
Net pension liability		1,391,240	
Net OPEB liability		(1,663,356)	
Deferred outflows - pension and OPEB		(74,038)	
Deferred inflows - pension and OPEB		1,297,964	
Food purchases made by other funds		(5,307,703)	
Salaries and benefits paid by other funds		(104,218)	
Noncash transfers for expenses paid by other funds		5,411,921	
Equipment purchases		16,749	
Proceeds from disposal of capital assets		(16,771)	
Gain on disposal of capital assets		16,771	
Decrease in compensated absences payable		9,787	
Increase in inventories		69,404	
Change in net position (full accrual)		\$ 1,905,191	

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Durham Public Schools Board of Education
Durham, 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 Durham Public Schools 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 Durham Public Schools Board of Education, North Carolina's basic financial statements and have issued our report thereon dated February 9, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Durham Public Schools Board of Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies as items 25-01 and 25-02 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Durham Public Schools 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs in item 25-02.

Durham Public Schools Board of Education's Response to Findings

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

February 9, 2026
Rockingham, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S 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 Durham Public Schools Board of Education
Durham, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 25-03. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal

control over compliance described in the accompanying schedule of findings and questioned costs as item 25-03 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

February 9, 2026
Rockingham, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S 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 Durham Public Schools Board of Education
Durham, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Durham Public Schools Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2025. The Durham Public Schools 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 Durham Public Schools 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) 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 Durham Public Schools Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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 Durham Public Schools 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 25-04. Our opinion on each major State program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over

compliance described in the accompanying schedule of findings and questioned costs as item 25-04 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

February 9, 2026
Rockingham, North Carolina

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified? *None Identified for Reporting*

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified? *None Identified for Reporting*

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

AL Number	Name of Federal Program or Cluster
84.010	Title I, Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grant
84.425	COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 1,634,066

Auditee qualified as low-risk auditee?

No

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? *None Identified for Reporting*

Type of auditor's report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

Yes

Identification of major State programs:

Program Name

State Public School Fund
Career and Technical Education – State Months of Employment
Career and Technical Education – Program Support Funds

Dollar threshold used to distinguish between Major State Programs

\$ 500,000

Auditee qualified as low-risk auditee?

No

Section II - Financial Statement Findings

Finding 25-01

MATERIAL WEAKNESS

General Ledger Account Reconciliations

Criteria:	Controls should ensure that all general ledger balance sheet accounts are properly reconciled in a timely manner each month to ensure timely and accurate financial reporting.
Condition:	Management did not properly reconcile bank accounts and other various general ledger accounts in a timely manner during the fiscal year.
Effect:	Since bank and other key general ledger account reconciliations were not performed in a timely manner, management decisions could have been made by the Board during the year while relying upon inaccurate financial reporting.
Cause:	The June 30, 2024 audit could not be completed until August, 2025 due to account reconciliations having to be finalized. Therefore, the account reconciliation process for the 2024-2025 fiscal year was already approximately a full year behind at the conclusion of the June 30, 2024 audit. Management implemented controls and procedures during the 2024-2025 year to address this issue and has worked diligently to catch-up these reconciliations during the 2024-2025 year.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025

Finding 25-01 (Continued)

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, Finding 24-01.

Recommendation: Management has indicated that with the controls and procedures put in place during the 2024-2025 year, the district is now current with its monthly reconciliation processes. We recommend that management continue to monitor and review these monthly reconciliations to ensure that all general ledger accounts are being reconciled in a timely manner.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding. Management will take the necessary actions as described in the Corrective Action Plan.

Finding 25-02

MATERIAL WEAKNESS

Violations of The School Budget and Fiscal Control Act – Purchasing Violations

Criteria: The School Budget and Fiscal Control Act states that if an obligation is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been pre-audited by the finance officer to assure compliance with The School Budget and Fiscal Control Act.

Condition: Numerous instances were noted in our audit of expenditures made during the year for which a purchase order was not completed until after the expenditure was made. The majority of these instances were for purchases made during the first half of the fiscal year.

Effect: The district was in violation of The School Budget and Fiscal Control Act. Goods and services were received by the district for which the finance officer did not first properly perform the preaudit function.

Cause: Controls were not in place to ensure that staff with purchasing responsibility submitted purchase orders to the finance department for approval prior to initiating a purchase.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, Finding 24-02.

Recommendation: Management has indicated that controls and procedures were put in place during the second half of the 2024-2025 year to address this issue. We recommend that management continue to monitor and review these procedures to ensure that purchases are being made in accordance with the School Budget and Fiscal Control Act.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding. Management will take the necessary actions as described in the Corrective Action Plan.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

Section III - Federal Award Findings and Questioned Costs

Finding 25-03

U.S. Department of Education

Passed Through the N.C. Department of Public Instruction

Program Names: Title I, Grants to Local Educational Agencies (AL #: 84.010)

Supporting Effective Instruction State Grant (AL #: 84.367)

COVID-19 – Education Stabilization Fund (AL #: 84.425)

MATERIAL WEAKNESS

Compliance – Cash Management

Criteria: Controls should ensure that bank reconciliations are prepared in a timely manner each month to enable the Board to make timely decisions based upon accurate data.

Condition: State bank account reconciliations were not prepared in a timely manner during the year.

Effect: Since bank account reconciliations were not performed in a timely manner, management decisions could have been made by the Board while relying upon inaccurate financial reporting.

Cause: The June 30, 2024 audit could not be completed until August, 2025 due to account reconciliations having to be finalized. Therefore, the account reconciliation process for the 2024-2025 fiscal year was already approximately a full year behind at the conclusion of the June 30, 2024 audit. Management implemented controls and procedures during the 2024-2025 year to address this issue and has worked diligently to catch-up these reconciliations during the 2024-2025 year.

Questioned costs: None.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, Finding 24-06.

Recommendation: Management has indicated that with the controls and procedures put in place during the 2024-2025 year, the district is now current with its monthly reconciliation processes. We recommend that management continue to monitor and review these monthly reconciliations to ensure that all general ledger accounts are being reconciled in a timely manner.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding. Management will take the necessary actions as described in the Corrective Action Plan.

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

Section IV - State Award Findings and Questioned Costs

Finding 25-04

N.C. Department of Public Instruction
Program Name: State Public School Fund

MATERIAL WEAKNESS

Compliance – Activities Allowed or Unallowed

Criteria:	Controls should ensure that bank reconciliations are prepared in a timely manner each month to enable the Board to make timely decisions based upon accurate data.
Condition:	State bank account reconciliations were not prepared in a timely manner during the year.
Effect:	Since bank account reconciliations were not performed in a timely manner, management decisions could have been made by the Board while relying upon inaccurate financial reporting.
Cause:	The June 30, 2024 audit could not be completed until August, 2025 due to account reconciliations having to be finalized. Therefore, the account reconciliation process for the 2024-2025 fiscal year was already approximately a full year behind at the conclusion of the June 30, 2024 audit. Management implemented controls and procedures during the 2024-2025 year to address this issue and has worked diligently to catch-up these reconciliations during the 2024-2025 year.
Questioned costs:	None.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, Finding 24-07.
Recommendation:	Management has indicated that with the controls and procedures put in place during the 2024-2025 year, the district is now current with its monthly reconciliation processes. We recommend that management continue to monitor and review these monthly reconciliations to ensure that all general ledger accounts are being reconciled in a timely manner.

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding. Management will take the necessary actions as described in the Corrective Action Plan.



CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2025

Finding 25-01

Name of Contact Person: Jeremy Teetor, Chief Financial Officer

Corrective Action Plan: The finding resulted primarily from significant turnover within the Finance Department. Management has established procedures to ensure that all bank account and other required reconciliations are prepared on a timely basis going forward. The Finance department will also strive to keep key positions filled at all times and ensure that staff receives appropriate training regarding reconciliations.

Proposed Completion Date: Immediately

Finding 25-02

Name of Contact Person: Jeremy Teetor, Chief Financial Officer

Corrective Action Plan: The finding resulted primarily from significant turnover within the Finance Department. Management has established procedures to ensure that all purchases are made in accordance with the School Budget and Fiscal Control Act. The Finance department will also strive to keep key positions filled at all times and ensure that all staff with purchasing responsibility receives appropriate training regarding proper purchasing procedures.

Proposed Completion Date: Immediately

Finding 25-03

Name of Contact Person: Jeremy Teetor, Chief Financial Officer

Corrective Action Plan: The finding resulted primarily from significant turnover within the Finance Department. Management has established procedures to ensure that all bank account and other required reconciliations are prepared on a timely basis going forward. The Finance department will also strive to keep key positions filled at all times and ensure that staff receives appropriate training regarding reconciliations.

Proposed Completion Date: Immediately

Finding 25-04

Name of Contact Person: Jeremy Teetor, Chief Financial Officer

Corrective Action Plan: The finding resulted primarily from significant turnover within the Finance Department. Management has established procedures to ensure that all bank account and other required reconciliations are prepared on a timely basis going forward. The Finance department will also strive to keep key positions filled at all times and ensure that staff receives appropriate training regarding reconciliations.

Proposed Completion Date: Immediately

**DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2025**

Finding: 24-01

Status: Not corrected. See Finding 25-01.

Finding: 24-02

Status: Not corrected. See Finding 25-02.

Finding: 24-03

Status: Corrected.

Finding: 24-04

Status: Corrected.

Finding: 24-05

Status: Corrected.

Finding: 24-06

Status: Not corrected. See Finding 25-03.

Finding: 24-07

Status: Not corrected. See Finding 25-04.

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Page 1 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
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	\$ 898,682
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	3,629,232
National School Lunch Program	10.555	PRC 035	9,349,472
After School Snack Program	10.555	PRC 035	341,970
Seamless Summer Program	10.555	PRC 035	4,142
Summer Food Service Program for Children	10.559	PRC 035	263,554
Child Nutrition Discretionary Funds	10.579	PRC 053	37,242
Cash Assistance Subtotal			13,625,612
Total Child Nutrition Cluster			14,524,294
Local Food for Schools Cooperative Agreement Program	10.185		122,483
Total U.S. Department of Agriculture			14,646,777
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	12.000		181,601
<u>U.S. Department of Justice</u>			
Direct Program:			
STOP School Violence Program	16.839		368,401
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education:			
Direct Program:			
Magnet Schools Assistance Program	84.165		978,011
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 105, 115	13,404,016
Supporting Effective Instruction State Grant	84.367	PRC 103	2,088,579
Student Support and Academic Enrichment Program	84.424	PRC 108	1,419,282
Language Acquisition Grant	84.365	PRC 104	664,288
Education for Homeless Children and Youth	84.196	PRC 026	164,058

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Page 2 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	8,524,330
Special Needs Targeted Assistance	84.027	PRC 118	90,728
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	107,093
Preschool Targeted Assistance	84.173	PRC 119	7,303
Total Special Education Cluster			<u>8,729,454</u>
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>663,449</u>
COVID-19 - Education Stabilization Fund:			
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	10,325,540
COVID-19 - ESSER III - Homeless II	84.425W	PRC 184	64,608
COVID-19 - ESSER III - Summer Career Accel. Programs	84.425U	PRC 188	703,637
COVID-19 - ESSER III - Math Enrichment Programs	84.425U	PRC 189	31,994
COVID-19 - ESSER III - Grants for Identification and Location of Missing Students	84.425U	PRC 191	948
COVID-19 - ESSER III - Career & Tech. Ed. - Hospitality	84.425U	PRC 194	6,985
COVID-19 - ESSER III - Dist. & School Turnaround Grants	84.425U	PRC 195	26,301
COVID-19 - ESSER III - NBPTS Cert. Fee Reimb. Program	84.425U	PRC 198	950
Total COVID-19 - Education Stabilization Fund	84.425		<u>11,160,963</u>
Total U.S. Department of Education			<u>39,272,100</u>
Total Federal Assistance			<u>54,468,879</u>
State Grants:			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund		Various	230,018,134
Career and Technical Education:			
State Months of Employment		PRC 013	10,274,091
Program Support Funds		PRC 014	1,559,446
Driver Training		PRC 012	939,365
School Technology Fund		PRC 015	772,999
CEP Meal Program Incentive - Breakfast			124,364
CEP Meal Program Incentive - Lunch			335,895

DURHAM PUBLIC SCHOOLS BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Page 3 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Passed-through Durham County:			
Lottery Capital Funds:			
Public School Building Capital Fund			<u>3,529,559</u>
Cash assistance subtotal			<u>247,553,853</u>
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	<u>871,819</u>
Total N.C. Department of Public Instruction			<u>248,425,672</u>
<u>N.C. Department of Environmental Quality</u>			
North Carolina Wildlife Resources Commission:			
North Carolina Schools Go Outside (GO) Grant			<u>16,392</u>
Total State Assistance			<u>248,442,064</u>
Total Federal and State Assistance			<u>\$ 302,910,943</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 Durham Public Schools 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 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Durham Public Schools Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Durham Public Schools 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.

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