Kannapolis City
Board of Education

Financial Statements
Year Ended June 30, 2025

TABLE OF CONTENTS

Exhibit		Page No.
Independent Auditors' Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
Government – wide Financial Statements:		
1	Statement of Net Position	12
2	Statement of Activities	13
Fund Financial Statements:		
3	Balance Sheet – Governmental Funds	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Annually Budgeted Major Special Revenue Funds	17
6	Statement of Net Position – Proprietary Fund	22
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	23
8	Statement of Cash Flows – Proprietary Fund	24
Notes to the Financial Statements		25
Required Supplementary Information:		
	Schedule of the Board's Proportionate Share of the Net Pension Liability – Teachers' and State Employees' Retirement System	54
	Schedule of Board Contributions – Teachers' and State Employees' Retirement System	55
	Schedule of the Board's Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund	56
	Schedule of Board Contributions – Retiree Health Benefit Fund	57
	Schedule of the Board's Proportionate Share of the Net OPEB Liability – Disability Income Plan of North Carolina	58
	Schedule of Board Contributions – Disability Income Plan of North Carolina	59
Individual Fund Budgetary Schedules:		
A-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	60
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Outlay Fund	61
C-1	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund	62
Compliance Report		63

A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Kannapolis City Board of Education
Kannapolis, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Kannapolis City Board of Education, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise of the Kannapolis City Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Kannapolis City Board of Education as of June 30, 2025, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, the Other Specific Revenue Fund, the Head Start Fund, and the Federal Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kannapolis City Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kannapolis City Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kannapolis City Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 54 through 59, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kannapolis City Board of Education's basic financial statements. The individual fund budgetary schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the State Single Audit Implementation Act, are presented for purposes of

additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual fund budgetary schedules and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025 on our consideration of Kannapolis City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kannapolis City Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kannapolis City Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

December 11, 2025
Huntersville, North Carolina

This section of the Kannapolis City Board of Education's *(the Board)* financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2025. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- As discussed in Note 5 to the financial statements, effective July 1, 2024, the Board implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement required the Board to begin recording liabilities for employee sick leave balances that are more likely than not to be used. As a result of implementation of this statement, the Board's governmental and business-type activities net position, as previously reported at June 30, 2024, was reduced by $7.9 million and $231 thousand, respectively.
- The Board's average daily membership was 5,300 for the year ended June 30, 2025. This was a 0.26% decrease from the previous fiscal year's average daily membership of 5,314.

Overview of the Financial Statements

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

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

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

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

about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Kannapolis City Board of Education has three types of funds:

Governmental Funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine

whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Head Start Fund, the Other Specific Revenue Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

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

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

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

Financial Analysis of the Board of Education as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $17,256,514 as of June 30, 2025. Other than unrestricted net position, the largest component of net position is net investment in capital assets of $92,548,995.

Following is a summary of the Statement of Net Position:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Current assets	$ 7,207,147	$ 6,403,215	$ 471,344	$ 649,094	$ 7,678,491	$ 7,052,309
Capital assets	94,832,998	83,121,552	398,880	470,552	95,231,878	83,592,104
Total assets	102,040,145	89,524,767	870,224	1,119,646	102,910,369	90,644,413
Deferred outflows of resources	32,810,080	30,839,469	1,295,571	1,242,870	34,105,651	32,082,339
Current liabilities	649,552	412,493	7,718	12,108	657,270	424,601
Long-term liabilities	103,214,342	89,308,414	3,851,489	3,424,962	107,065,831	92,733,376
Total liabilities	103,863,894	89,720,907	3,859,207	3,437,070	107,723,101	93,157,977
Deferred inflows of resources	11,579,178	15,699,870	457,227	632,724	12,036,405	16,332,594
Net investment in capital assets	92,150,115	80,217,347	398,880	470,552	92,548,995	80,687,899
Restricted net position	989,772	1,009,561	2,275	-	992,047	1,009,561
Unrestricted net position	(73,732,734)	(66,283,449)	(2,551,794)	(2,177,830)	(76,284,528)	(68,461,279)
Total net position	$ 19,407,153	$ 14,943,459	$ (2,150,639)	$ (1,707,278)	$ 17,256,514	$ 13,236,181

Excluding the $7.9 million decrease in beginning of year net position for implementation of GASB 101, net position of governmental activities increased by $12,380,183 million during the year, indicating improvement in the financial condition of the Board. Also note that the Board carries capital assets for which Cabarrus County carries the offsetting debt.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Revenues:						
Program revenues:						
Charges for services	$ 300,497	$ 210,931	$ 126,622	$ 172,237	$ 427,119	$ 383,168
Operating grants and contributions	46,269,392	48,927,287	4,152,794	4,362,603	50,422,186	53,289,890
General revenues:						
County	29,227,371	16,434,293	-	-	29,227,371	16,434,293
Other revenues	4,524,601	4,479,176	60	64	4,524,661	4,479,240
Total revenues	80,321,861	70,051,687	4,279,476	4,534,904	84,601,337	74,586,591
Expenses:						
Governmental activities:						
Instructional services	52,332,150	49,215,276	-	-	52,332,150	49,215,276
System-wide support services	14,199,875	16,938,598	-	-	14,199,875	16,938,598
Ancillary services	224,477	163,445	-	-	224,477	163,445
Non-programmed	902,146	873,315	-	-	902,146	873,315
Depreciation	143,148	138,423	-	-	143,148	138,423
Interest	89,586	104,785	-	-	89,586	104,785
Business-type activities:						
Food service	-	-	4,541,971	4,767,511	4,541,971	4,767,511
Total expenses	67,891,382	67,433,842	4,541,971	4,767,511	72,433,353	72,201,353
Revenues over (under) expenditures	12,430,479	2,617,845	(262,495)	(232,607)	12,167,984	2,385,238
Transfers in (out)	(50,296)	(50,393)	50,296	50,393	-	-
Increase (decrease) in net position	12,380,183	2,567,452	(212,199)	(182,214)	12,167,984	2,385,238
Beginning net position, as previously reported	14,943,459	12,376,007	(1,707,278)	(1,525,064)	13,236,181	10,850,943
Change in accounting principle (Note 5)	(7,916,489)	-	(231,162)	-	(8,147,651)	-
Beginning net position, as restated	7,026,970	12,376,007	(1,938,440)	(1,525,064)	5,088,530	10,850,943
Ending net position	$ 19,407,153	$ 14,943,459	$ (2,150,639)	$ (1,707,278)	$ 17,256,514	$ 13,236,181

Total governmental activities generated revenues of $80.3 million while expenses in this category totaled $67.9 million for the year ended June 30, 2025. Comparatively, revenues were $70.1 million and expenses totaled $67.4 million for the year ended June 30, 2024. The increase in governmental activities net position stands at $12,380,183 at June 30, 2025, compared to a $2,567,452 increase in 2024. Business-type

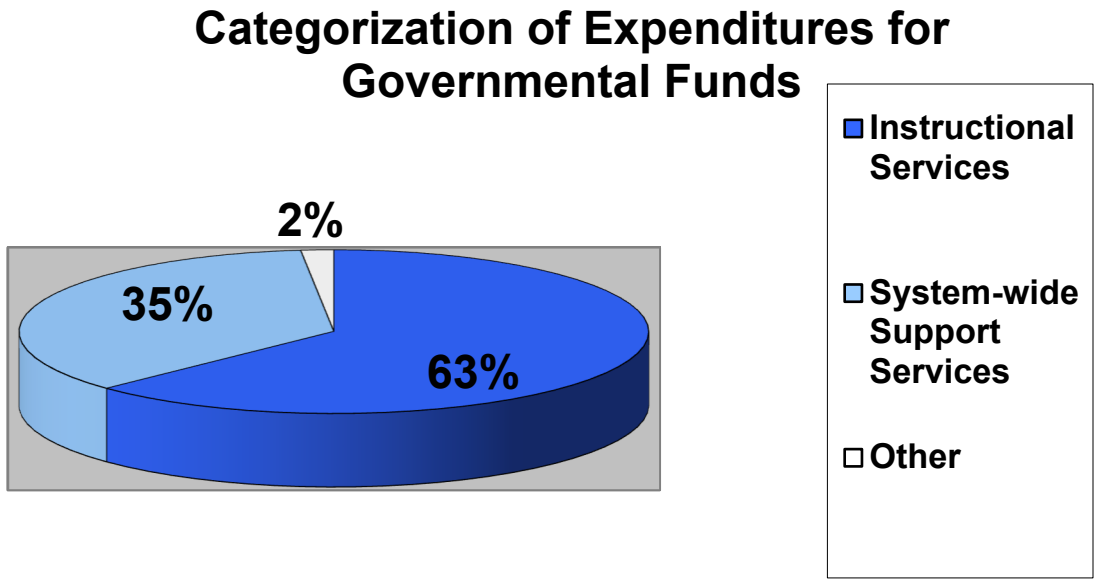
activities generated revenue of $4.3 million while expenses totaled $4.5 million. The decrease in business-type net position, after transfers in, stands at $212,199.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of $6,499,991, a $509,269 increase from the prior year. The General Fund reported a $499,413 decrease in fund balance, the Capital Outlay Fund balance increased by $66,902, the Individual Schools Fund reported a $97,823 increase in fund balance, the Head Start Fund reported a decrease in fund balance of $169,082, and the Other Specific Revenue Fund reported a $1,013,039 increase in fund balance for the year ended June 30, 2025.

Proprietary Funds: The Board's business-type fund had a decrease in net position of $212,199.



Expenditures presented on modified accrual basis of accounting

General Fund Budgetary Highlights

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

Capital Assets

Capital assets increased by $11.6 million from the previous year. This was due to an increase in construction in progress for an addition to a school. More detailed information about the Board's capital assets is available in the notes to the financial statements. The following is a summary of the capital assets, net of depreciation at year-end.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Land	$ 1,892,616	$ 1,892,616	$ -	$ -	$ 1,892,616	$ 1,892,616
Construction in progress	14,161,538	994,061	-	-	14,161,538	994,061
Buildings and improvements	75,218,015	77,168,646	-	-	75,218,015	77,168,646
Equipment and furniture	2,065,293	1,856,720	398,880	470,552	2,464,173	2,327,272
Vehicles	1,495,536	1,209,509	-	-	1,495,536	1,209,509
Total	$94,832,998	$83,121,552	$ 398,880	$ 470,552	$95,231,878	$83,592,104

Debt Outstanding

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

Economic Factors

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

Requests for Information

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

Ashley Forrest
Finance Officer
Kannapolis City Board of Education
100 Denver Street
Kannapolis, NC 28083

KANNAPOLIS CITY 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	$ 6,929,991	$ 447,555	$ 7,377,546
Receivables (net)	100,236	-	100,236
Due from other governments	62,985	25,163	88,148
Internal balances	56,331	(56,331)	-
OPEB asset	57,604	2,275	59,879
Inventories	-	52,682	52,682
Capital assets			
Land, improvements, and construction in progress	16,054,154	-	16,054,154
Other capital assets, net of depreciation	78,778,844	398,880	79,177,724
Total capital assets	94,832,998	398,880	95,231,878
Total assets	102,040,145	870,224	102,910,369
DEFERRED OUTFLOWS OF RESOURCES	32,810,080	1,295,571	34,105,651
LIABILITIES			
Accounts payable and accrued expenses	649,552	-	649,552
Unearned revenue	-	7,718	7,718
Long-term liabilities:			
Due within one year	4,879,813	150,074	5,029,887
Due in more than one year			
Net pension liability	29,508,293	1,165,194	30,673,487
Net OPEB liability	59,943,413	2,366,985	62,310,398
Other	8,882,823	169,236	9,052,059
Total liabilities	103,863,894	3,859,207	107,723,101
DEFERRED INFLOWS OF RESOURCES	11,579,178	457,227	12,036,405
NET POSITION			
Net investment in capital assets	92,150,115	398,880	92,548,995
Restricted for:			
Stabilization by State statute	392,175	-	392,175
Individual schools	526,190	-	526,190
DIPNC OPEB plan	57,604	2,275	59,879
Unrestricted	(73,718,931)	(2,551,794)	(76,270,725)
Total net position	$ 19,407,153	$ (2,150,639)	$ 17,256,514

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

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental Activities:							
Instructional programs:							
Regular instructional	$ 31,909,121	$ 18,785	$ 24,002,122	$ -	$ (7,888,214)	$ -	$ (7,888,214)
Special populations	8,262,530	-	7,919,509	-	(343,021)	-	(343,021)
Alternative programs	3,979,274	-	3,517,003	-	(462,271)	-	(462,271)
School Leadership	4,759,759	-	3,265,208	-	(1,494,551)	-	(1,494,551)
Co-curricular	354,406	-	-	-	(354,406)	-	(354,406)
School-based support	3,067,060	-	2,747,950	-	(319,110)	-	(319,110)
Support services:							
Support and development	584,413	-	370,072	-	(214,341)	-	(214,341)
Special populations	270,308	-	-	-	(270,308)	-	(270,308)
Alternative programs	316,079	-	-	-	(316,079)	-	(316,079)
Technology support	668,818	-	402,425	-	(266,393)	-	(266,393)
Operational support	8,791,265	281,712	2,701,250	-	(5,808,303)	-	(5,808,303)
Financial and human resource services	1,757,670	-	696,651	-	(1,061,019)	-	(1,061,019)
Accountability services	180,515	-	-	-	(180,515)	-	(180,515)
System-wide pupil support services	582,166	-	76,485	-	(505,681)	-	(505,681)
Policy, leadership and public relations	1,048,641	-	570,717	-	(477,924)	-	(477,924)
Ancillary services	224,477	-	-	-	(224,477)	-	(224,477)
Non-programmed charges	902,146	-	-	-	(902,146)	-	(902,146)
Interest	89,586	-	-	-	(89,586)	-	(89,586)
Unallocated depreciation expense**	143,148	-	-	-	(143,148)	-	(143,148)
Total governmental activities	67,891,382	300,497	46,269,392	-	(21,321,493)	-	(21,321,493)
Business-type activities:							
School food service	4,541,971	126,622	4,152,794	-	-	(262,555)	(262,555)
Total primary government	$ 72,433,353	$ 427,119	$ 50,422,186	$ -	(21,321,493)	(262,555)	(21,584,048)
	General revenues:						
	Unrestricted county appropriations - operating				14,657,525	-	14,657,525
	Unrestricted county appropriations - capital				14,569,846	-	14,569,846
	Investment earnings, unrestricted				-	60	60
	Miscellaneous, unrestricted				4,524,601	-	4,524,601
	Total general revenues				33,751,972	60	33,752,032
	Transfers				(50,296)	50,296	-
	Total general revenues and transfers				33,701,676	50,356	33,752,032
	Change in net position				12,380,183	(212,199)	12,167,984
	Net position-beginning				14,943,459	(1,707,278)	13,236,181
	Restatement				(7,916,489)	(231,162)	(8,147,651)
	Net position - beginning, as restated				7,026,970	(1,938,440)	5,088,530
	Net position-ending				$ 19,407,153	$ (2,150,639)	$ 17,256,514

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

KANNAPOLIS CITY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

Exhibit 3

	Major Funds							Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	Other Specific Revenue Fund	Head Start	
ASSETS								
Cash and cash equivalents	$ 2,259,299	$ -	$ 526,190	$ -	$ -	$ 4,078,579	$ 65,923	$ 6,929,991
Receivables (net)	-	-	-	-	-	100,236	-	100,236
Due from other governments	15,790	-	-	33,392	-	-	13,803	62,985
Due from other funds	20,798	-	-	-	-	255,351	-	276,149
Total assets	$ 2,295,887	$ -	$ 526,190	$ 33,392	$ -	$ 4,434,166	$ 79,726	$ 7,369,361
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and other accruals	$ 342,771	$ -	$ -	$ 144,987	$ -	$ 159,132	$ 2,662	$ 649,552
Due to other funds	-	-	-	5,467	-	-	214,351	219,818
Total liabilities	342,771	-	-	150,454	-	159,132	217,013	869,370
Fund balances:								
Restricted:								
Stabilization by State statute	36,588	-	-	-	-	355,587	-	392,175
Individual Schools	-	-	526,190	-	-	-	-	526,190
Assigned								
Designated for subsequent year's expenditures	1,916,528	-	-	-	-	-	-	1,916,528
Special revenues	-	-	-	-	-	3,919,447	-	3,919,447
Unassigned	-	-	-	(117,062)	-	-	(137,287)	(254,349)
Total fund balances	1,953,116	-	526,190	(117,062)	-	4,275,034	(137,287)	6,499,991
Total liabilities and fund balances	$ 2,295,887	$ -	$ 526,190	$ 33,392	$ -	$ 4,434,166	$ 79,726	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	94,832,998
Net OPEB asset	57,604
Deferred outflows of resources related to pensions	13,498,849
Deferred outflows of resources related to OPEB	19,311,231
Some liabilities, including compensated absences and installment purchase obligations, are not due and payable in the current period and therefore are not reported in the funds.	(13,762,636)
Net pension liability	(29,508,293)
Net OPEB liability	(59,943,413)
Deferred inflows of resources related to OPEB	(10,625,457)
Deferred inflows of resources related to pensions	(953,721)
Net position of governmental activities	$ 19,407,153

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

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Exhibit 4

	Major Funds							
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants	Other Specific Revenue Fund	Head Start	Total Governmental Funds
REVENUES								
State of North Carolina	$ -	$ 40,556,195	$ -	$ 32,980	$ -	$ -	$ -	$ 40,589,175
County appropriations	14,657,525	-	-	14,569,846	-	-	-	29,227,371
U.S. Government	-	-	-	-	4,342,100	96,096	1,714,283	6,152,479
Other	172,085	-	1,107,037	479,785	-	2,587,544	6,385	4,352,836
Total revenues	14,829,610	40,556,195	1,107,037	15,082,611	4,342,100	2,683,640	1,720,668	80,321,861
EXPENDITURES								
Current:								
Instructional services:								
Regular instructional	3,991,125	23,103,736	1,009,214	-	853,449	613,138	-	29,570,662
Special populations	168,735	6,654,856	-	-	1,197,054	167,893	4,571	8,193,109
Alternative programs	24,626	921,247	-	-	1,453,256	434,602	1,065,983	3,899,714
School Leadership	1,483,363	2,910,388	-	-	-	7,477	354,820	4,756,048
Co-curricular	354,130	-	-	-	-	-	-	354,130
School-based support	316,729	2,330,466	-	-	234,292	-	170,856	3,052,343
System-wide support services:								
Support and development	213,320	266,686	-	-	98,215	570	-	578,791
Special populations	512	269,586	-	-	-	-	-	270,098
Alternative programs	184,163	2,419	-	-	109,684	-	19,566	315,832
Technology support	238,347	402,425	-	9,959	-	17,565	-	668,296
Operational support	5,498,699	2,233,242	-	14,860,509	184,450	113,633	273,846	23,164,379
Financial and human resource services	1,053,633	696,543	-	-	-	6,015	108	1,756,299
Accountability services	113,412	67,103	-	-	-	-	-	180,515
System-wide pupil support services	117,323	76,485	-	112,261	-	-	-	306,069
Policy, leadership and public relations	403,600	570,717	-	-	-	73,506	-	1,047,823
Ancillary services	-	-	-	-	-	224,302	-	224,302
Non-programmed charges	889,378	-	-	-	211,700	11,900	-	1,112,978
Debt service								
Principal	188,342	-	-	32,980	-	-	-	221,322
Interest	89,586	-	-	-	-	-	-	89,586
Total expenditures	15,329,023	40,505,899	1,009,214	15,015,709	4,342,100	1,670,601	1,889,750	79,762,296
Revenues over (under) expenditures	(499,413)	50,296	97,823	66,902	-	1,013,039	(169,082)	559,565
OTHER FINANCING USES								
Transfers to other funds	-	(50,296)	-	-	-	-	-	(50,296)
Net change in fund balance	(499,413)	-	97,823	66,902	-	1,013,039	(169,082)	509,269
Fund balances-beginning	2,452,529	-	428,367	(183,964)	-	3,261,995	31,795	5,990,722
Fund balances-ending	$ 1,953,116	$ -	$ 526,190	$ (117,062)	$ -	$ 4,275,034	$ (137,287)	$ 6,499,991

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

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	$ 509,269
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 expense in the current period.	11,711,446
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	5,774,828
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.	2,493,597
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	18,237
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	221,322
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	(7,620,543)
Net OPEB (expense) benefit	(1,094,982)
Compensated absences	367,009
Total changes in net position of governmental activities	$ 12,380,183

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2025

Exhibit 5

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	14,516,822	14,516,822	14,657,525	140,703
U.S. Government	-	-	-	-
Other	170,000	170,000	172,085	2,085
Total revenues	14,686,822	14,686,822	14,829,610	142,788
Expenditures:				
Current:				
Instructional services	7,053,061	7,053,061	6,338,708	714,353
System-wide support services	8,701,419	8,701,419	7,823,009	878,410
Non-programmed charges	889,378	889,378	889,378	-
Debt service	277,928	277,928	277,928	-
Total expenditures	16,921,786	16,921,786	15,329,023	1,592,763
Revenues over (under) expenditures	(2,234,964)	(2,234,964)	(499,413)	1,735,551
Appropriated fund balance	2,234,964	2,234,964	-	(2,234,964)
Revenues and appropriated fund balance over (under) expenditures	$ -	$ -	(499,413)	$ (499,413)
Fund balances, beginning of year			2,452,529	
Fund balances, end of year			$ 1,953,116	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2025

Exhibit 5

	State Public School Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ 40,124,598	$ 42,159,796	$ 40,556,195	$ (1,603,601)
County appropriations	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	40,124,598	42,159,796	40,556,195	(1,603,601)
Expenditures:				
Current:				
Instructional services	35,410,235	37,400,290	35,920,693	1,479,597
System-wide support services	4,649,987	4,695,130	4,585,206	109,924
Total expenditures	40,060,222	42,095,420	40,505,899	1,589,521
Revenues over (under) expenditures	64,376	64,376	50,296	(14,080)
Other financing uses:				
Transfers to other funds	(64,376)	(64,376)	(50,296)	14,080
Revenues over (under) expenditures and other uses	$ -	$ -	-	$ -
Fund balances, beginning of year			-	
Fund balances, end of year			$ -	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2025

Exhibit 5

	Federal Grants Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	-	-	-	-
U.S. Government	983,837	4,951,205	4,342,100	(609,105)
Other	-	-	-	-
Total revenues	983,837	4,951,205	4,342,100	(609,105)
Expenditures:				
Current:				
Instructional services	870,022	4,296,600	3,738,051	558,549
System-wide support services	11,054	392,349	392,349	-
Non-programmed charges	102,761	262,256	211,700	50,556
Total expenditures	983,837	4,951,205	4,342,100	609,105
Revenues over (under) expenditures	$ -	$ -	-	$ -
Fund balances, beginning of year			-	
Fund balances, end of year			$ -	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2025

Exhibit 5

	Other Specific Revenue Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	-	-	-	-
U.S. Government	79,253	79,253	96,096	16,843
Other	1,493,607	1,974,237	2,587,544	613,307
Total revenues	1,572,860	2,053,490	2,683,640	630,150
Expenditures:				
Current:				
Instructional services	3,645,152	3,932,123	1,223,110	2,709,013
System-wide support services	415,772	601,529	211,289	390,240
Ancillary services	317,823	325,725	224,302	101,423
Non-programmed charges	111,198	111,198	11,900	99,298
Total expenditures	4,489,945	4,970,575	1,670,601	3,299,974
Revenues over (under) expenditures	(2,917,085)	(2,917,085)	1,013,039	3,930,124
Appropriated fund balance	2,917,085	2,917,085	-	(2,917,085)
Revenues and appropriated fund balance over (under) expenditures	$ -	$ -	1,013,039	$ 1,013,039
Fund balances, beginning of year			3,261,995	
Fund balances, end of year			$ 4,275,034	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2025

Exhibit 5

	Head Start Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
County appropriations	-	-	-	-
U.S. Government	1,777,588	1,777,588	1,714,283	(63,305)
Other	2,294	2,294	6,385	4,091
Total revenues	1,779,882	1,779,882	1,720,668	(59,214)
Expenditures:				
Current:				
Instructional services	1,636,256	1,636,256	1,596,230	40,026
System-wide support services	170,857	170,857	293,520	(122,663)
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	1,807,113	1,807,113	1,889,750	(82,637)
Revenues over (under) expenditures	(27,231)	(27,231)	(169,082)	(141,851)
Appropriated fund balance	27,231	27,231	-	(27,231)
Revenues and appropriated fund balance over (under) expenditures	$ -	$ -	(169,082)	$ (169,082)
Fund balances, beginning of year			31,795	
Fund balances, end of year			$ (137,287)	

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2025

Exhibit 6

	Major Fund	
	School Food Service	
ASSETS		
Current assets:		
Cash and cash equivalents	$	447,555
Due from other governments		25,163
OPEB asset		2,275
Inventories		52,682
Total current assets		527,675
Noncurrent assets:		
Investment in capital assets		398,880
Total assets		926,555
DEFERRED OUTFLOWS OF RESOURCES		1,295,571
LIABILITIES		
Current liabilities:		
Due to other fund		56,331
Compensated absences		150,074
Unearned revenues		7,718
Total current liabilities		214,123
Noncurrent liabilities:		
Net pension liability		1,165,194
Net OPEB liability		2,366,985
Compensated absences		169,236
Total liabilities		3,915,538
DEFERRED INFLOWS OF RESOURCES		457,227
NET POSITION		
Investment in capital assets		398,880
Restricted - DIPNC OPEB plan		2,275
Unrestricted		(2,551,794)
Total net position	$	(2,150,639)

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2025

Exhibit 7

	Major Fund School Food Service
OPERATING REVENUES	
Food sales	$ 126,622
OPERATING EXPENSES	
Purchase of food	1,960,283
Salaries and benefits	2,219,681
Indirect costs	181,856
Materials and supplies	8,926
Repairs and maintenance	8,276
Contracted services	72,991
Depreciation	71,672
Other	18,286
Total operating expenses	4,541,971
Operating loss	(4,415,349)
NONOPERATING REVENUES	
Federal reimbursements	3,668,642
Federal commodities	302,296
Interest earned	60
Indirect costs not paid	181,856
Total nonoperating revenues	4,152,854
Income (loss) before transfers	(262,495)
Transfer from other fund	50,296
Change in net position	(212,199)
Total net position - beginning	(1,707,278)
Restatement	(231,162)
Total net position - beginning, as restated	(1,938,440)
Total net position - ending	$ (2,150,639)

KANNAPOLIS CITY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2025

Exhibit 8

	Major Fund School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 123,928
Cash paid for goods and services	(1,790,945)
Cash paid to employees for services	(2,204,493)
Net cash used by operating activities	(3,871,510)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase (decrease) in due to other funds	(60,000)
Federal and State reimbursements	3,674,543
Net cash provided by noncapital financing activities	3,614,543
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	60
Net increase (decrease) in cash and cash equivalents	(256,907)
Balance-beginning of the year	704,462
Balance-end of the year	$ 447,555
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	$ (4,415,349)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	71,672
Expenses paid by the State Public School Fund	50,296
Donated commodities consumed	302,296
Indirect costs not paid	181,856
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in net OPEB asset	(2,275)
(Increase) decrease in inventories	(22,783)
Increase (decrease) in accounts payable and accrued liabilities	(1,696)
(Increase) decrease in deferred outflows	(52,701)
Increase (decrease) in net pension liability	(227,114)
Increase (decrease) in net OPEB liability	419,368
Increase (decrease) in deferred inflows	(175,497)
Increase (decrease) in unearned revenues	(2,694)
Increase (decrease) in compensated absences	3,111
Total adjustments	543,839
Net cash used by operating activities	$ (3,871,510)

Noncash Investing, Capital, and Financing Activities

Indirect costs of $181,856 that would be due to the Other Specific Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7 and C-1.

The School Food Service Fund received donated commodities with a value of $302,296 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

The State Public School Fund contributed $50,296 to the School Food Service Fund during the fiscal year to provide assistance with the payment of operating expenses. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Board reports the following major governmental funds:

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

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

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs. The Board has chosen to report the Individual Schools Fund as a major fund to more clearly reflect the operations of each individual fund.

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

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

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

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

The Board reports the following major enterprise fund:

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

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to $10,000) from one function to another within a fund. Such transfers do not require approval from the governing board. However, the transfer must be reported to the governing board at its next regular meeting. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $10,000. Amendments which alter the county appropriations or transfer moneys to or from the Capital Project Fund require the approval of the Cabarrus and Rowan County Board of Commissioners. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2025.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S & P Global Ratings and AAAmf by Moody’s Investors Service. The NCCMT Government Portfolio is reported at fair value.

The Short-Term Investment Fund (STIF) is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board’s investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT’s share price. Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Inventories

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

Capital Assets

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

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

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

	Years
Buildings	50
Equipment and furniture	10
Vehicles	6
Computer equipment	3

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

Deferred outflows and inflows of resources

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

Long-Term Obligations

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

Compensated Absences

The Board 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.

Net Position/Fund Balances

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

> Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].
>
> Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in next year's budget that is not already classified in restricted. The Board of Education approves the appropriation.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes. The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, and lastly board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

Reconciliation of Government-wide and Fund Financial Statements

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

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

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 142,195,292
Less Accumulated Depreciation	47,362,294
Net capital assets	94,832,998
Net OPEB asset	57,604
Pension related deferred outflows of resources	13,498,849
OPEB related deferred outflows of resources	19,311,231
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(13,762,636)
Net pension liability	(29,508,293)
Net OPEB liability	(59,943,413)
Deferred inflows of resources related to pensions	(953,721)
Deferred inflows of resources related to OPEB	(10,625,457)
Total adjustment	$ 12,907,162

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

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

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	$ 14,400,901
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(2,689,455)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.	5,774,828
Contributions to the OPEB plan in the current fiscal year are not included in the statement of activities.	2,493,597
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	18,237
Principal payments on debt owed are recorded as a use of funds on the fund statements but affects only the statement of net position in the government-wide statements.	221,322
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	(7,620,543)
Loss on disposal of assets	
Net OPEB (expense) benefit	(1,094,982)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	367,009
Total adjustment	$ 11,870,914

Defined Benefit Pension Plan and OPEB Plans

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

legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficits in Fund Balance or Net Position of Individual Funds

The Capital Outlay Fund has a deficit in fund balance of $117,062 and the Head Start Fund has a deficit in fund balance of $137,287. The Board will budget funds in subsequent years to eliminate this deficit in fund balance.

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2025, the Board reported expenditures that violated State law [G.S. 115C-441] due to actual expenditures exceeding the budget within the Head Start Fund which is in violation of North Carolina General Statutes. Expenditures in excess of budgeted amounts can be seen in the accompanying budget-to-actual financial statements.

NOTE 3 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity’s name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2025, the Board had deposits with banks and savings and loans with a carrying amount of $7,261,096 and with the State Treasurer of $-0-. The bank balances with the financial institutions and the State Treasurer were $7,335,580 and $1,659,774 respectively. Of these balances, $794,680 was covered by federal depository insurance and $8,200,674 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2025, the Board of Education had $116,450 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2025. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

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

	Due from other governments	Other
Governmental activities:		
General Fund	$ 15,790	$ -
Capital Outlay Fund	33,392	-
Other Specific Revenue Fund	-	100,236
Head Start Fund	13,803	-
Total	$ 62,985	$ 100,236
Business-type activities:		
School Food Service	$ 25,163	$ -

Due from other governments consists of the following:

Governmental activities:		
General Fund	$ 15,790	County fines and forfeitures
Capital Outlay Fund	33,392	County sales tax
Head Start Fund	13,803	Federal grant revenues
Total	$ 62,985	
Business-type activities:		
School Food Service	$ 25,163	USDA reimbursement

Capital Assets

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

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,892,616	$ -	$ -	$ 1,892,616
Construction in progress	994,061	13,167,477	-	14,161,538
Total capital assets not being depreciated	2,886,677	13,167,477	-	16,054,154
Capital assets being depreciated:				
Buildings and improvements	118,520,459	319,818	-	118,840,277
Equipment and furniture	3,209,322	484,431	-	3,693,753
Vehicles	3,177,933	429,175	-	3,607,108
Total capital assets being depreciated	124,907,714	1,233,424	-	126,141,138
Less accumulated depreciation for:				
Buildings and improvements	41,351,813	2,270,449	-	43,622,262
Equipment and furniture	1,352,602	275,858	-	1,628,460
Vehicles	1,968,424	143,148	-	2,111,572
Total accumulated depreciation	44,672,839	2,689,455	-	47,362,294
Total capital assets being depreciated, net	80,234,875			78,778,844
Governmental activity capital assets, net	$ 83,121,552			$ 94,832,998

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	$ 1,976,025	$ -	$ -	$ 1,976,025
Less accumulated depreciation for:				
Furniture and office equipment	1,505,473	71,672	-	1,577,145
School Food Service capital assets, net:	$ 470,552			$ 398,880

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	$ 143,148
Instructional services	2,270,449
System-wide support services	275,858
Total	$ 2,689,455

Construction Commitments

Kannapolis City Board of Education has on-going construction projects as of June 30, 2025. At year-end, the Board's commitments with contractors for school construction are as follows:

Project	Spent to Date	Left to be Spent	Total Project
FLW Addition	$ 13,160,320	$ 2,640,790	$ 15,801,110
FP HVAC	368,340	6,834,660	7,203,000
Parking SBE	114,379	102,379	216,758
GWC Chiller	380,000	343,000	723,000
SBE Playground	138,499	58,949	197,448
	$ 14,161,538	$ 9,979,778	$ 24,141,316

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1

of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 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 $6,002,861 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 with at least five years of service include 4% interest. State law requires a 60 day waiting period after service

termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

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

At June 30, 2025, the Board reported a liability of $30,673,487 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 0.207% and 0.216%, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of $7,909,149. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,764,214	$ 90,675
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,057,913	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	206,890	900,706
Board contributions subsequent to the measurement date	6,002,861	-
Total	$ 14,031,878	$ 991,381

$6,002,861 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 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		$ 1,941,351
2027		5,768,506
2028		(130,808)
2029		(541,413)
2030		-
Thereafter		-
	Total	$ 7,037,636

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

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

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

The actuarial assumptions used in the December 31, 2023 actuarial valuation were based on the actuarial experience study for the prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability at June 30, 2025 and 2024 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	$ 56,267,111	$ 30,673,487	$ 9,567,794

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

b. Other Post-employment Benefits

Healthcare Benefits

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

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

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

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.99% of covered payroll which amounted to $2,545,585. 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 $18,957.

At June 30, 2025, Board reported a liability of $62,310,398 for its proportionate share of the net 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 at June 30, 2023, the Boards proportion was 0.183% and 0.189%, respectively.

$2,545,585 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		$ (1,010,560)
2027		1,060,967
2028		3,837,449
2029		2,575,063
2030		-
Thereafter		-
	Total	$ 6,462,919

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

Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%
Healthcare cost trend rate – medical	5.00% - 6.00%
Healthcare cost trend rate – prescription drug	5.00% - 10.00%
Healthcare cost trend rate – administrative	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

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

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93%)	**Discount Rate (3.93%)**	**1% Increase (4.93%)**
Net OPEB liability	$ 74,134,040	$ 62,310,398	$ 52,818,248

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

	1% Decrease in Trend Rates	Trend Rates (5.00-6.50% Medical, 5.00-10.00% Rx, 5.00% Medicare, 3.00% Administrative Expenses)	1% Increase in Trend Rates
Net OPEB liability	$ 51,433,309	$ 62,310,398	$ 76,395,637

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

Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically

disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 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 $46,478 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, Board reported an OPEB asset of $59,879 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. The total OPEB asset 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 at June 30, 2023, the Boards proportion was 0.182% and 0.190%, respectively.

$46,478 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 asset 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	$	(25,499)
2027		(16,439)
2028		8,287
2029		4,636
2030		2,782
Thereafter		-
Total	$	(26,233)

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

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

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

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	$ 53,392	$ 59,879	$ 66,697

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%.

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

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

	RHBF	DIPNC	Total
OPEB expense (revenue)	$ (1,065,831)	$ (29,545)	$ (1,095,376)
OPEB liability (asset)	62,310,398	(59,879)	62,250,519
Proportionate share of the net OPEB liability	0.183%	0.182%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	$ 507,866	$ 24,140	$ 532,006
Changes of assumptions	15,006,888	893	15,007,781
Net difference between projected and actual earnings on plan investments	267,010	47,009	314,019
Changes in proportion and defferences between Board contributions and proportionate share of contributions	1,625,375	2,529	1,627,904
Board contributions subsequent to the measurement date	2,545,585	46,478	2,592,063
Total Deferred Outflows of Resources	$ 19,952,724	$ 121,049	$ 20,073,773
Deferred of Inflows of Resources			
Differences between expected and actual experience	$ -	$ 68,874	$ 68,874
Changes of assumptions	8,124,004	27,897	8,151,901
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,820,216	4,033	2,824,249
Total Deferred Inflows of Resources	$ 10,944,220	$ 100,804	$ 11,045,024

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2025 are as follows:

	Vendors
Governmental Activities	
General	$ 342,771
Other Governmental	306,781
Total-governmental activities	$ 649,552

Unavailable Revenues

The balance in unavailable revenues at year-end in the School Food Service Fund is composed of $7,718 of prepaid student meals.

Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Board contributions and proportionate share of contributions	$ 1,834,794	$ 3,724,955
Changes in assumptions	15,007,781	8,151,901
Difference between projected and actual earnings on plan investments	5,371,932	-
Board contributions subsequent to the measurement date	8,594,924	-
Difference between expected and actual experience	3,296,220	159,549
Total	$ 34,105,651	$ 12,036,405

Risk Management

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

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

care benefits. The Board pays most of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through an employee dishonesty blanket bond for $25,000. The finance officer is bonded for $250,000.

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

Long-Term Obligations

Direct Placement Installment Purchases

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

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through a special third party financing arrangement by Banc of America Public Capital Corp at total payments less than the purchase price. The Board entered into direct placement installment purchase contracts to finance the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. These financing contracts require an annual payment of $32,982 over the next year.

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

Year Ending June 30,	Principal	Interest
2026	$ 226,317	$ 71,715
2027	198,462	66,283
2028	203,727	60,707
2029	209,133	54,984
2030	214,686	49,108
Thereafter	1,630,558	167,147
	$ 2,682,883	$ 469,944

Long-Term Obligation Activity

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

	Beginning Balance (As Restated)	Increases	Decreases	Ending Balance	Current Maturities
Governmental activities:					
Direct Placement:					
Installment purchases	$ 2,904,205	$ -	$ 221,322	$ 2,682,883	$ 226,317
Net pension liability	34,547,486	-	5,039,193	29,508,293	-
Net OPEB liability	48,326,450	11,616,963	-	59,943,413	-
Compensated absences	11,446,762	-	367,009	11,079,753	4,653,496
Total	$ 97,224,903	$ 11,616,963	$ 5,627,524	$103,214,342	$ 4,879,813
Business-type activities:					
Net pension liability	$ 1,392,308	$ -	$ 227,114	$ 1,165,194	$ -
Net OPEB liability	1,947,617	419,368	-	2,366,985	-
Compensated absences	316,199	3,111	-	319,310	150,074
Total	$ 3,656,124	$ 422,479	$ 227,114	$ 3,851,489	$ 150,074

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

Fund Balance

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

Total fund balance - General Fund	$ 1,953,116
Less:	
Stabilization by State statute	(36,588)
Appropriated Fund Balance in 2026 budget	(1,916,528)
Remaining fund balance	$ -

Interfund Balances and Transfers to/from other funds

The amount due to the General Fund from the School Food Service Fund is $15,331 from the unpaid portion of indirect costs. The amount due to the Other Specific Revenue Fund from the School Food Service Fund is $41,000 from the unpaid portion of indirect costs. $5,467 is due to the General Fund from the Capital Outlay Fund for the reimbursement of operating expenditures, and $214,351 is due to

the Other Specific Revenue Fund from the Head Start Fund for the reimbursement of operating expenditures.

During the year ended June 30, 2025, the State Public School Fund paid administrative salaries of $50,296 for the School Food Service Fund.

NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – ACCOUNTING CHANGES

Change in Accounting Principle

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

Adjustments to and Restatements of Beginning Balances

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

	Reporting Units Affected by Restatements of Beginning Balances		
	Proprietary Fund	Government-Wide	
	School Food Service	Governmental Activities	Business-Type Activities
June 30, 2024 net position (deficit), as previously reported	$ (1,707,278)	$ 14,943,459	$ (1,707,278)
Change in accounting principle	(231,162)	(7,916,489)	(231,162)
June 30, 2024 net position (deficit), as restated	$ (1,938,440)	$ 7,026,970	$ (1,938,440)

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated its subsequent events (events occurring after June 30, 2025) through December 11, 2025, which represents the date the financial statements were available to be issued. Management has determined there are no subsequent events that require reporting as of the date of issuance of the financial statements.

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

	2025	2024	2023	2022	2021
Board's proportion of the net pension liability (asset)	0.207%	0.216%	0.206%	0.206%	0.212%
Board's proportionate share of the net pension liability (asset)	$ 30,673,487	$ 35,939,794	$ 30,546,810	$ 9,655,523	$ 25,557,048
Covered payroll	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	86.33%	102.97%	90.64%	30.45%	82.94%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%

	2020	2019	2018	2017	2016
Board's proportion of the net pension liability (asset)	0.216%	0.214%	0.218%	0.221%	0.221%
Board's proportionate share of the net pension liability (asset)	$ 22,385,370	$ 21,337,890	$ 17,285,180	$ 20,297,477	$ 8,142,443
Covered payroll	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541	$ 27,960,316
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	71.50%	72.32%	60.57%	71.30%	29.12%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

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

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

	2025	2024	2023	2022	2021
Contractually required contribution	$ 6,002,861	$ 6,263,802	$ 6,065,924	$ 5,520,400	$ 4,687,000
Contributions in relation to the contractually required contribution	6,002,861	6,263,802	6,065,924	5,520,400	4,687,000
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 35,752,596	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776
Contributions as a percentage of covered payroll	16.79%	17.63%	17.38%	16.38%	14.78%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 3,996,767	$ 3,847,631	$ 3,180,826	$ 2,847,899	$ 2,604,549
Contributions in relation to the contractually required contribution	3,996,767	3,847,631	3,180,826	2,847,899	2,604,549
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 30,815,472	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability (asset)	0.183%	0.189%	0.181%	0.179%	0.186%
Board's proportionate share of the net OPEB liability (asset)	$ 62,310,398	$ 50,223,412	$ 43,013,886	$ 55,266,230	$ 51,678,811
Covered payroll	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	175.38%	143.90%	127.63%	174.28%	167.70%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%

	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.191%	0.191%	0.199%	0.195%
Board's proportionate share of the net OPEB liability (asset)	$ 60,537,539	$ 54,488,462	$ 65,390,133	$ 84,658,305
Covered payroll	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	193.37%	184.66%	229.15%	297.39%
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 schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

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

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

	2025	2024	2023	2022	2021
Contractually required contribution	$ 2,545,585	$ 2,536,786	$ 2,404,730	$ 2,119,861	$ 2,118,347
Contributions in relation to the contractually required contribution	2,545,585	2,536,786	2,404,730	2,119,861	2,118,347
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 35,752,596	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776
Contributions as a percentage of covered-employee payroll	6.99%	7.14%	6.89%	6.29%	6.68%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,993,761	$ 1,962,949	$ 1,785,158	$ 1,657,945	$ 1,594,182
Contributions in relation to the contractually required contribution	1,993,761	1,962,949	1,785,158	1,657,945	1,594,182
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 30,815,472	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541
Contributions as a percentage of covered-employee payroll	6.47%	6.27%	6.05%	5.81%	5.60%

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

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB asset (liability)	0.182%	0.190%	0.182%	0.183%	0.187%
Board's proportionate share of the net OPEB asset (liability)	$ 59,879	$ (50,655)	$ (54,064)	$ 29,823	$ 91,919
Covered payroll	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776	$ 30,815,472
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered-employee payroll	0.17%	-0.15%	-0.16%	0.09%	0.30%
Plan fiduciary net position as a percentage of the total OPEB asset (liability)	114.99%	90.61%	90.34%	105.18%	115.57%

	2020	2019	2018	2017
Board's proportion of the net OPEB asset (liability)	0.192%	0.192%	0.194%	0.199%
Board's proportionate share of the net OPEB asset (liability)	$ 82,908	$ 58,331	$ 118,420	$ 123,331
Covered payroll	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541
Board's proportionate share of the net OPEB asset (liability) as a percentage of its covered-employee payroll	0.26%	0.20%	0.41%	0.43%
Plan fiduciary net position as a percentage of the total OPEB asset (liability)	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 schedule is intended to show information for ten years, however such information for ten years is not available. As information comes available it will be displayed in this schedule.

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

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

	2025	2024	2023	2022	2021
Contractually required contribution	$ 46,478	$ 39,082	$ 34,902	$ 30,332	$ 28,541
Contributions in relation to the contractually required contribution	46,478	39,082	34,902	30,332	28,541
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 35,752,596	$ 35,529,221	$ 34,901,747	$ 33,702,075	$ 31,711,776
Contributions as a percentage of covered-employee payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 30,815	$ 43,830	$ 41,309	$ 108,437	$ 116,717
Contributions in relation to the contractually required contribution	30,815	43,830	41,309	108,437	116,717
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 30,815,472	$ 31,307,010	$ 29,506,737	$ 28,536,060	$ 28,467,541
Contributions as a percentage of covered-employee payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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

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

Exhibit A-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
County appropriations:			
Cabarrus	$ 11,212,010	$ 11,349,062	$ 137,052
Rowan	3,304,812	3,308,463	3,651
Total	14,516,822	14,657,525	140,703
Other:			
Cabarrus fines and forfeitures		128,671	
Rowan fines and forfeitures		43,414	
Total	170,000	172,085	2,085
Total revenues	14,686,822	14,829,610	142,788
Expenditures:			
Instructional services:			
Regular instructional		3,991,125	
Special populations		168,735	
Alternative programs		24,626	
School leadership		1,483,363	
Co-curricular		354,130	
School-based support		316,729	
Total instructional services	7,053,061	6,338,708	714,353
System-wide support services:			
Support and development		213,320	
Special population support		512	
Alternative programs and support services		184,163	
Technology support		238,347	
Operational support		5,498,699	
Financial and human resource services		1,053,633	
Accountability		113,412	
System-wide pupil support services		117,323	
Policy, leadership and public relations		403,600	
Total system-wide support services	8,701,419	7,823,009	878,410
Non-programmed charges:	889,378	889,378	-
Debt service:			
Principal		188,342	
Interest		89,586	
	277,928	277,928	-
Total expenditures	16,921,786	15,329,023	1,592,763
Revenues over (under) expenditures	(2,234,964)	(499,413)	1,735,551
Appropriated fund balance	2,234,964	-	(2,234,964)
Revenues and appropriated fund balance over (under) expenditures	$ -	(499,413)	$ (499,413)
Fund balances:			
Beginning of year, July 1		2,452,529	
End of year, June 30		$ 1,953,116	

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

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
County appropriations	$ 22,063,506	$ 14,569,846	$ (7,493,660)
State appropriation - buses	-	32,980	32,980
Other	-	479,785	479,785
Total revenues	22,063,506	15,082,611	(6,980,895)
Expenditures:			
System-wide support services	22,030,526	14,982,729	7,047,797
Debt service	32,980	32,980	-
Total expenditures	22,063,506	15,015,709	7,047,797
Revenues over (under) expenditures	$ -	66,902	$ 66,902
Fund balances:			
Beginning of year, July 1		(183,964)	
End of year, June 30		$ (117,062)	

KANNAPOLIS CITY BOARD OF EDUCATION
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP)
For the Fiscal Year Ended June 30, 2025

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	$ 403,000	$ 126,622	$ (276,378)
Operating expenditures:			
Business support services	4,723,000	4,345,755	377,245
Operating loss	(4,320,000)	(4,219,133)	100,867
Nonoperating revenues:			
Federal and State reimbursements	4,040,000	3,668,642	(371,358)
Federal commodities	280,000	302,296	22,296
Interest earned	-	60	60
	4,320,000	3,970,998	(349,002)
Revenues over (under) expenditures	-	(248,135)	(248,135)
Other financing sources:			
Transfer from other fund	-	50,296	50,296
Revenues and other sources over (under) expenditures	$ -	(197,839)	$ (197,839)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(71,672)	
(Increase) decrease in net pension liability		227,114	
(Increase) decrease in net OPEB liability		(419,368)	
Increase (decrease) deferred outflows		52,701	
(Increase) decrease in deferred inflows		175,497	
(Increase) decrease in accounts payable and accrued liabilities		1,696	
(Increase) decrease in compensated absences		(3,111)	
Increase (decrease) in inventory		22,783	
Change in net position - full accrual		$ (212,199)	

Compliance Report

A S W ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the Kannapolis City Board of Education
Kannapolis, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, and each major fund of the Kannapolis City 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 Kannapolis City Board of Education's basic financial statements and have issued our report thereon dated December 11, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 in internal control that we consider to be a significant deficiency. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

Kannapolis City Board of Education's Response to Findings

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

Huntersville, North Carolina
December 11, 2025

A S W ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

To the Kannapolis City Board of Education
Kannapolis, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Kannapolis City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kannapolis City Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kannapolis City Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Kannapolis City Board of Education federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kannapolis City Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kannapolis City Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kannapolis City Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circum- stances.
- Obtain an understanding of Kannapolis City Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Kannapolis City Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

Huntersville, North Carolina
December 11, 2025

INDEPENDENT AUDITORS' REPORT

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

To the Kannapolis City Board of Education
Kannapolis, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

In our opinion, Kannapolis City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kannapolis City Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Kannapolis City Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Kannapolis City Board of Education's State programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kannapolis City Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kannapolis City Board of Education's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kannapolis City Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circum- stances.
- Obtain an understanding of Kannapolis City Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Kannapolis City Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

Huntersville, North Carolina
December 11, 2025

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___yes _X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: _X_yes ___none reported

Noncompliance material to financial statements noted ___yes _X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes _X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes _X_none reported

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

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

Identification of major federal programs:

AL Numbers	Names of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snack Program
10.559	Summer Food Service Program for Children
84.425	COVID-19 - Education Stabilization Fund

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

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

State Awards

Internal control over major State program:	
• Material weakness(es) identified?	___yes _X_ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses:	___yes _X_ none reported
Type of auditors' report issued on compliance for major State program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	___yes _X_ no

Identification of major State programs:

Program Name
State Public School Fund

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

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Section II. Financial Statement Findings

Finding 2025-001

Budgeting - Significant Deficiency

Criteria:	State law requires that expenditures do not exceed amounts appropriated.
Condition:	The District does not have internal controls in place that appropriately monitor expenditures as compared to the Board approved budget.
Effect:	The District had actual expenditures exceeding the budget within the Head Start Fund.
Cause:	Budgeted amounts within the Head Start Fund were not properly amended to reflect actual expenditures.
Identification of a repeat finding:	This is not a repeat finding from the previous audit.
Recommendation:	We recommend that management closely monitor expenditures as compared to the budget and take any budget amendments needed to the governing Board for approval.
Management Response:	The Board agrees with this finding and recommendation.

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None



CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025

Section II. Financial Statement Findings

Finding 2025-001

Name of Contact Person: Ashley Forrest, Chief Financial Officer

Corrective Action Plan: Management will implement controls and procedures to ensure that there are no expenditures in excess of the budget.

Proposed Completion Date: As soon as possible.

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

KANNAPOLIS CITY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

Finding 2024-001: Corrected

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
U. S. Department of Agriculture			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	$ 302,296
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	960,919
National School Lunch Program	10.555	PRC 035	2,679,556
After School Snack Program	10.555	PRC 035	3,004
Summer Food Service Program for Children	10.559	PRC 035	25,163
Cash Assistance Subtotal			3,668,642
Total Child Nutrition Cluster:			3,970,938
Local Food for Schools Cooperative Agreement Progr	10.185	PRC 035	2,474
Total U.S. Department of Agriculture			3,973,412
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010A	PRC 050 & 115	1,594,704
Education for Homeless Children and Youth	84.196	PRC 026	38,935
Student Support and Academic Enrichment Program	84.424	PRC 108	104,682
Supporting Effective Instruction State Grant	84.367	PRC 103	230,632
English Language Acquisition Grants	84.365	PRC 104 and 111	126,415
COVID-19 - Education Stabilization Fund			
Govenor's Emergency Relief Fund (GEER)			
Govenor's Tech Teams	84.425C		26,527
ARP:			
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	686,541
ESSER III - Homeless I	84.425W	PRC 183	130
ESSER III - Homeless II	84.425W	PRC 184	18,899
ESSER III - Summer Career Accelerator Program	84.425U	PRC 188	29,237
ESSER III - Math Enrichment Programs	84.425U	PRC 189	6,083
ESSER III - Cyberbullying & Suicide Prevention	84.425U	PRC 192	17,750
ESSER III - After School Robotics Grant	84.425U	PRC 201	3,265
Total Education Stabilization Fund			788,432

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
- Education of the Handicapped	84.027	PRC 060	1,319,007
- Targeted Assistance	84.027	PRC 118	23,920
- Preschool Handicapped	84.173	PRC 049	38,657
Total Special Education Cluster:			1,381,584
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990			
Basic Grants to States			
- Program Development	84.048	PRC 017	103,243
Total U.S. Department of Education			4,368,627
U.S. Department of Health and Human Services			
Direct Program:			
Headstart Program	93.600	PRC 390	1,714,283
U.S. Department of Defense			
Direct Program:			
JROTC	12.000		67,095
Total federal assistance			10,123,417
State Grants:			
N.C. Department of Public Instruction:			
State Public School Fund			38,030,862
Driver Training - SPSF		PRC 012	120,115
School Technology Fund - SPSF		PRC 015	48,496
Vocational Education			
- State Months of Employment		PRC 013	1,774,566
- Program Support Funds		PRC 014	582,156
N.C. Department of Public Instruction cash awards			40,556,195

KANNAPOLIS CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
N.C. Department of Public Instruction:			
School buses - Noncash			32,980
Total State assistance			40,589,175
Total federal and State assistance			$ 50,712,592

Notes to the Schedule of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Kannapolis City Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Kannapolis City Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Kannapolis City Board of Education.

2. Summary of Significant Accounting Policies

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

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