

**Watauga County
Board of Education**

Financial Statements
For the Year Ended
June 30, 2024

WATAUGA COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page No.</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government – wide Financial Statements:	
1 Statement of Net Position.....	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 Funds	20
7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	21
8 Statement of Cash Flows – Proprietary Funds.....	22
9 Statement of Fiduciary Net Position – Fiduciary Fund	24
10 Statement of Changes in Fiduciary Net Position – Fiduciary Fund	25
Notes to the Financial Statements	26
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

WATAUGA COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS (CONTINUED)

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.....	62
C-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – School Food Service Fund	63
D-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Child Care Fund	64

Compliance Section:

Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	65
Report on compliance for each major federal program and report on internal control over compliance required by the Uniform Guidance and the State Single Audit Implementation Act.....	67
Report on compliance for each major State program and report on internal control over compliance required by the Uniform Guidance and the State Single Audit Implementation Act	70
Schedule of findings and questioned costs	73
Corrective action plan.....	77
Summary schedule of prior audit findings	78
Schedule of expenditures of federal and State awards	79



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Watauga County Board of Education
Boone, North Carolina

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watauga County Board of Education, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise of the Watauga County Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Watauga County Board of Education as of June 30, 2024, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the State Public School Fund, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Watauga County Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Watauga County 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Watauga County Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Watauga County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedule of the Proportionate Share of the Net Pension Liability, OPEB Liabilities and the Schedule of Board Contributions on pages 54 to 59, 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 Watauga County 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 is 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 September 17, 2024 on our consideration of Watauga County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Watauga County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watauga County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

September 17, 2024
Elon, North Carolina
(336) 380-4123

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

This section of the Watauga County Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2024. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The liabilities of the Board exceeded assets at the close of the fiscal year by \$51,828,728.
- The Board's total net position decreased by \$3,452,297 during the 2023-2024 year.
- At the close of the fiscal year, the Board's governmental funds reported a combined fund balance of \$3,055,018, a decrease of \$2,073,628 from the prior year.
- At the close of the fiscal year, the Board's General Fund reported a fund balance of \$1,707,109, a decrease of \$2,153,963 from the prior year.

District Highlights

Watauga County Schools is home to more than 4,600 students who attend classes at one of the system's 11 schools. The district comprises eight schools serving students in grades K-8, one consolidated high school and the Watauga Innovation Academy, a cooperative high school that allows students to earn high school and college credit simultaneously.

Starting in the 2021-22 school year, Watauga County Schools also added an online remote learning school called the Watauga Virtual Academy. The school is home to students who do the majority of their school work online and who also attend regular in-person events and special classes.

Watauga County Schools is consistently ranked among the best public school systems in the state of North Carolina. In recent years, each of Watauga County's Schools met or exceeded growth standards set by the state of North Carolina.

WCS also ranks as a top academic contender statewide, recently scoring in the top five for End-of-Grade testing and netting the top spot region-wide in a number of testing categories. The system routinely brings home some of the best ACT and SAT scores in the state.

Watauga County Schools is consistently named an "Accomplished District" by the National Board for Professional Teaching Standards. The designation was given to school districts in which 20 percent or more of teachers have achieved National Board certification. Watauga County is one of just 81 school districts across the nation that were awarded the Accomplished District designation.

The system is home to two North Carolina Green Schools of Excellence, Watauga High School and Cove Creek School. The designation recognizes schools with the highest commitment to a sustainable campus and environmental education curriculum.

Students in Watauga County Schools have access to strong arts, music, and outdoor education programs. Elementary and middle school students have physical education classes every day and a variety of exploratory options, from programming to robotics.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

Watauga County Schools charges no admission for out-of-county enrollees, and is open to homeschool students who wish to dual enroll at Watauga High School. Home school students can earn high school and college credit by attending classes at WHS, or virtually through the North Carolina Virtual Public School.

Overview of the Financial Statements

The audited financial statements of the Watauga County 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 budgetary statements for certain governmental funds and budgetary statements for the enterprise funds*

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

The second type of statement included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary funds, and fiduciary 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 funds and fiduciary fund are 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 unit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

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

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

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

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

Fund Financial Statements

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

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

Watauga County 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 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. Watauga County Board of Education has two proprietary funds – both enterprise funds - the School Food Service Fund and the Child Care Fund.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

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

Fiduciary fund: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Watauga County Board of Education has one fiduciary fund - the Private Purpose Trust Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

The fiduciary fund statements are shown as Exhibits 9 and 10 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$51,828,728 as of June 30, 2024. The largest component of net position is net investment in capital assets, net of related debt, of \$16,560,353.

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2024 and 2023						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Current assets	\$ 3,487,746	\$ 5,294,056	\$ 2,290,612	\$ 2,399,310	\$ 5,778,358	\$ 7,693,366
Capital assets	16,342,146	17,397,869	218,207	171,966	16,560,353	17,569,835
Total assets	<u>19,829,892</u>	<u>22,691,925</u>	<u>2,508,819</u>	<u>2,571,276</u>	<u>22,338,711</u>	<u>25,263,201</u>
Deferred outflows of resources	<u>36,197,673</u>	<u>36,565,260</u>	<u>1,027,414</u>	<u>958,874</u>	<u>37,225,087</u>	<u>37,524,134</u>
Current liabilities	432,728	165,410	53,076	232,957	485,804	398,367
Long-term liabilities	<u>89,208,272</u>	<u>83,895,550</u>	<u>2,473,868</u>	<u>2,181,135</u>	<u>91,682,140</u>	<u>86,076,685</u>
Total liabilities	<u>89,641,000</u>	<u>84,060,960</u>	<u>2,526,944</u>	<u>2,414,092</u>	<u>92,167,944</u>	<u>86,475,052</u>
Deferred inflows of resources	<u>18,652,839</u>	<u>24,057,831</u>	<u>529,429</u>	<u>630,883</u>	<u>19,182,268</u>	<u>24,688,714</u>
Net investment in capital assets	16,342,146	17,374,439	218,207	171,966	16,560,353	17,546,405
Restricted net position	1,488,550	1,401,366	-	-	1,488,550	1,401,366
Unrestricted net position	<u>(70,096,970)</u>	<u>(67,637,411)</u>	<u>219,339</u>	<u>313,209</u>	<u>(69,877,631)</u>	<u>(67,324,202)</u>
Total net position	<u>\$ (52,266,274)</u>	<u>\$ (48,861,606)</u>	<u>\$ 437,546</u>	<u>\$ 485,175</u>	<u>\$ (51,828,728)</u>	<u>\$ (48,376,431)</u>

Note that net position of governmental activities decreased during the year, indicating deterioration in the financial condition of the Board. The decrease is primarily due to increased salary and benefit costs in the General Fund and depreciation expense exceeding capital asset additions during the year. Also note that the Board carries capital assets for which Watauga County carries the offsetting debt.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2024 and 2023						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Revenues:						
Program revenues:						
Charges for services	\$ 2,164,160	\$ 2,073,711	\$ 1,541,589	\$ 1,331,137	\$ 3,705,749	\$ 3,404,848
Operating grants and contributions	40,888,106	39,206,417	1,860,465	2,167,473	42,748,571	41,373,890
Capital grants and contributions	345,636	388,376	-	-	345,636	388,376
General revenues:						
Other revenues	18,420,964	20,766,295	828	1,143	18,421,792	20,767,438
Total revenues	<u>61,818,866</u>	<u>62,434,799</u>	<u>3,402,882</u>	<u>3,499,753</u>	<u>65,221,748</u>	<u>65,934,552</u>
Expenses:						
Governmental activities:						
Instructional services	52,230,213	45,653,705	-	-	52,230,213	45,653,705
System-wide support services	12,244,090	11,900,666	-	-	12,244,090	11,900,666
Ancillary services	2,535	77,722	-	-	2,535	77,722
Non-programmed charges	401,786	324,031	-	-	401,786	324,031
Depreciation	172,797	345,554	-	-	172,797	345,554
Business-type activities:						
School food service	-	-	2,957,249	2,570,908	2,957,249	2,570,908
Child care	-	-	665,375	523,110	665,375	523,110
Total expenses	<u>65,051,421</u>	<u>58,301,678</u>	<u>3,622,624</u>	<u>3,094,018</u>	<u>68,674,045</u>	<u>61,395,696</u>
Transfers in (out)	<u>(172,113)</u>	<u>(99,212)</u>	<u>172,113</u>	<u>99,212</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(3,404,668)	4,033,909	(47,629)	504,947	(3,452,297)	4,538,856
Beginning net position	<u>(48,861,606)</u>	<u>(52,895,515)</u>	<u>485,175</u>	<u>(19,772)</u>	<u>(48,376,431)</u>	<u>(52,915,287)</u>
Ending net position	<u>\$ (52,266,274)</u>	<u>\$ (48,861,606)</u>	<u>\$ 437,546</u>	<u>\$ 485,175</u>	<u>\$ (51,828,728)</u>	<u>\$ (48,376,431)</u>

Total governmental activities generated revenues of \$61.8 million, which is slightly less than \$62.4 million generated in the prior year. Expenses for the current year were \$65.1 million as compared to \$58.3 million in the prior year. The decrease in net position stands at \$3.4 million at June 30, 2024, compared to an increase of \$4.0 million in 2023. Business-type activities generated revenue of \$3.4 million and had expenses of \$3.6 million. The decrease in business-type net position, after transfers in, stands at \$47,629.

Financial Analysis of the Board's Funds

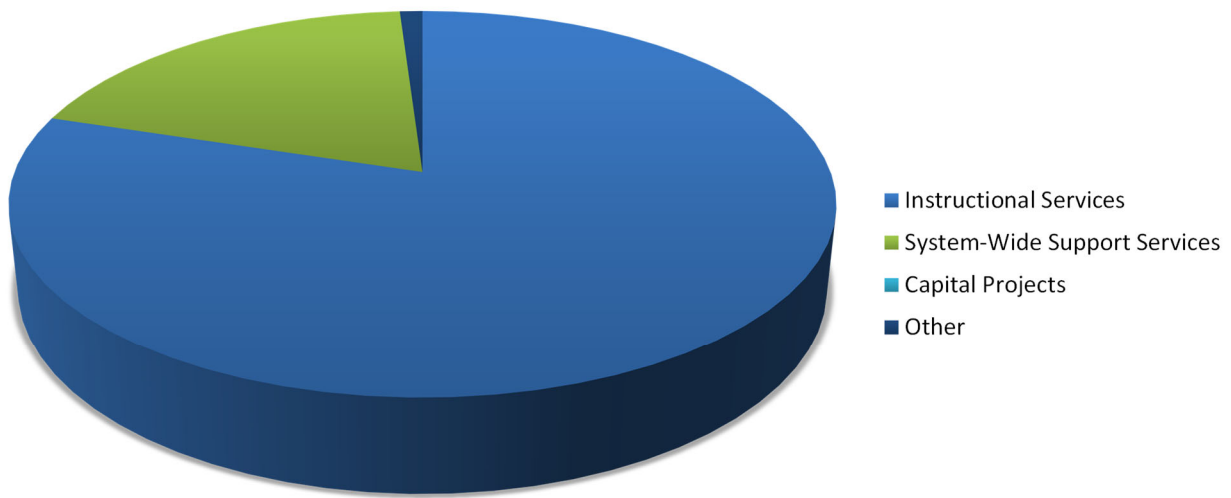
Governmental Funds: The focus of Watauga County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$3,055,018, a \$2,073,628 decrease from last year. The General Fund decreased by \$2,153,963.

Proprietary Funds: The Board's business-type funds had a decrease in net position in the past year of \$47,629. The School Food Service Fund reflected a decrease in net position of \$186,336 while the Child Care Fund's net position increased by \$138,707.

The following chart summarizes expenditures by category.

Categorization of Expenditures of Governmental Funds



Expenditures are presented on the modified accrual basis of accounting.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget to account for changes in expenditures. The State Public School Fund budget increased approximately \$4.3 million for additional revenue allocated from the State. The General Fund budget increased approximately \$3.6 million for additional expenditures.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

Capital Assets

Capital assets decreased by \$1,009,482 from the previous year. This was largely due to depreciation exceeding capital asset additions during the year. The following is a summary of the capital assets, net of depreciation at year-end.

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

Table 3						
Summary of Capital Assets						
As of June 30, 2024 and 2023						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Land	\$ 1,982,106	\$ 1,982,106	\$ -	\$ -	\$ 1,982,106	\$ 1,982,106
Buildings and improvements	11,426,179	12,294,687	-	-	11,426,179	12,294,687
Equipment and furniture	1,411,178	1,394,982	218,207	171,966	1,629,385	1,566,948
Vehicles	1,522,683	1,726,094	-	-	1,522,683	1,726,094
Total	<u>\$ 16,342,146</u>	<u>\$ 17,397,869</u>	<u>\$ 218,207</u>	<u>\$ 171,966</u>	<u>\$ 16,560,353</u>	<u>\$ 17,569,835</u>

Debt Outstanding

During the year the Board's outstanding debt relating to installment purchases decreased by approximately \$23,000 due to debt payments made for school buses. As of June 30, 2024, the Board had no outstanding debt relating to installment purchases. The Board is limited by North Carolina statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

A more detailed description of the long-term debt is available in Note 3 of the basic financial statements.

Economic Factors

County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the school district. The following factors summarize the economic outlook of Watauga County.

- The property tax rate of 31.8 cents per \$100 is the 2nd lowest of all 100 counties in North Carolina for 2023-24.
- Watauga County's annual unemployment rate remains one of the lowest in North Carolina. For December 2023, Watauga County had the 3rd lowest unemployment rate for the state at 2.6 percent.
- State and local tax revenues from travel to Watauga County amounted to \$35.6 million. This represents a \$649.11 tax savings to each county resident.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

Requests for Information

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

Ly Marze, Finance Officer
Watauga County Board of Education
175 Pioneer Trail
Boone, NC 28607

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2024

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 3,337,218	\$ 2,150,743	\$ 5,487,961
Due from other governments	16,116	21,713	37,829
Inventories	134,412	118,156	252,568
Capital assets:			
Land, improvements, and construction in progress	1,982,106	-	1,982,106
Other capital assets, net of depreciation	14,360,040	218,207	14,578,247
Total capital assets	16,342,146	218,207	16,560,353
Total assets	19,829,892	2,508,819	22,338,711
DEFERRED OUTFLOWS OF RESOURCES	36,197,673	1,027,414	37,225,087
LIABILITIES			
Accounts payable and accrued expenses	432,728	-	432,728
Unearned revenues	-	53,076	53,076
Long-term liabilities:			
Due within one year			
Compensated absences	1,675,463	42,314	1,717,777
Due in more than one year			
Net pension liability	35,854,097	1,017,661	36,871,758
Net OPEB liability	49,753,218	1,412,165	51,165,383
Compensated absences	1,925,494	44,042	1,969,536
Total liabilities	89,641,000	2,569,258	92,210,258
DEFERRED INFLOWS OF RESOURCES	18,652,839	529,429	19,182,268
NET POSITION			
Net investment in capital assets	16,342,146	218,207	16,560,353
Restricted for:			
Individual schools	1,170,697	-	1,170,697
Stabilization by State statute	16,116	-	16,116
Instructional services	124,525	-	124,525
School capital outlay	177,212	-	177,212
Unrestricted	(70,096,970)	219,339	(69,877,631)
Total net position	\$ (52,266,274)	\$ 437,546	\$ (51,828,728)

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

Page 12

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

					Exhibit 2		
					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 33,015,855	\$ 58,420	\$ 22,560,385	\$ 20,679	\$ (10,376,371)	\$ -	\$ (10,376,371)
Special populations	9,187,383	-	7,179,459	-	(2,007,924)	-	(2,007,924)
Alternative programs	2,886,922	-	2,568,950	-	(317,972)	-	(317,972)
School leadership	2,909,423	-	1,779,051	-	(1,130,372)	-	(1,130,372)
Co-curricular	494,011	2,105,330	-	-	1,611,319	-	1,611,319
School-based support	3,736,619	-	2,543,800	-	(1,192,819)	-	(1,192,819)
System-wide support services:							
Support and development	588,307	-	353,659	-	(234,648)	-	(234,648)
Special populations	254,113	-	252,327	-	(1,786)	-	(1,786)
Alternative programs	721	-	721	-	-	-	-
Technology support	1,078,618	-	387,419	-	(691,199)	-	(691,199)
Operational support	6,319,922	410	2,695,957	324,957	(3,298,598)	-	(3,298,598)
Financial and human resource services	2,803,976	-	162,597	-	(2,641,379)	-	(2,641,379)
Accountability	13,716	-	4,500	-	(9,216)	-	(9,216)
System-wide pupil support services	319,578	-	-	-	(319,578)	-	(319,578)
Policy, leadership and public relations	865,139	-	399,281	-	(465,858)	-	(465,858)
Ancillary services	2,535	-	-	-	(2,535)	-	(2,535)
Non-programmed charges	401,786	-	-	-	(401,786)	-	(401,786)
Unallocated depreciation expense*	172,797	-	-	-	(172,797)	-	(172,797)
Total governmental activities	65,051,421	2,164,160	40,888,106	345,636	(21,653,519)	-	(21,653,519)
Business-type activities:							
School food service	2,957,249	920,770	1,677,202	-	-	(359,277)	(359,277)
Child care	665,375	620,819	183,263	-	-	138,707	138,707
Total business-type activities	3,622,624	1,541,589	1,860,465	-	-	(220,570)	(220,570)
Total primary government	\$ 68,674,045	\$ 3,705,749	\$ 42,748,571	\$ 345,636	(21,653,519)	(220,570)	(21,874,089)
General revenues:							
Unrestricted county appropriations - operating					15,280,022	-	15,280,022
Unrestricted county appropriations - capital					869,115	-	869,115
Unrestricted State appropriations - operating					380,062	-	380,062
Unrestricted State appropriations - capital					324,957	-	324,957
Investment earnings, unrestricted					98,535	-	98,535
Miscellaneous, unrestricted					1,468,273	828	1,469,101
Transfers					(172,113)	172,113	-
Total general revenues and transfers					18,248,851	172,941	18,421,792
Change in net position					(3,404,668)	(47,629)	(3,452,297)
Net position-beginning					(48,861,606)	485,175	(48,376,431)
Net position-ending					\$ (52,266,274)	\$ 437,546	\$ (51,828,728)

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

FUND FINANCIAL STATEMENTS

WATAUGA COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

Exhibit 3

	Major Funds					Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	
ASSETS						
Cash and cash equivalents	\$ 1,989,309	\$ -	\$ 1,170,697	\$ 177,212	\$ -	\$ 3,337,218
Due from other governments	16,116	-	-	-	-	16,116
Inventories	134,412	-	-	-	-	134,412
Total assets	<u>\$ 2,139,837</u>	<u>\$ -</u>	<u>\$ 1,170,697</u>	<u>\$ 177,212</u>	<u>\$ -</u>	<u>\$ 3,487,746</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 432,728	\$ -	\$ -	\$ -	\$ -	\$ 432,728
Fund balances:						
Nonspendable:						
Inventories	134,412	-	-	-	-	134,412
Restricted:						
Stabilization by State statute	16,116	-	-	-	-	16,116
School capital outlay	-	-	-	177,212	-	177,212
Instructional services	124,525	-	-	-	-	124,525
Individual schools	-	-	1,170,697	-	-	1,170,697
Unassigned	1,432,056	-	-	-	-	1,432,056
Total fund balances	<u>1,707,109</u>	<u>-</u>	<u>1,170,697</u>	<u>177,212</u>	<u>-</u>	<u>3,055,018</u>
Total liabilities and fund balances	<u>\$ 2,139,837</u>	<u>\$ -</u>	<u>\$ 1,170,697</u>	<u>\$ 177,212</u>	<u>\$ -</u>	

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.	16,342,146
Deferred outflows of resources related to OPEB	14,705,580
Deferred outflows of resources related to pensions	21,492,093
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,600,957)
Net pension liability	(35,854,097)
Net OPEB liability	(49,753,218)
Deferred inflows of resources related to pensions	(1,551,986)
Deferred inflows of resources related to OPEB	(17,100,853)
Net position of governmental activities	<u>\$ (52,266,274)</u>

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

	Major Funds					Exhibit 4
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Total Governmental Funds
REVENUES						
State of North Carolina	\$ 380,062	\$ 37,508,259	\$ -	\$ 324,957	\$ -	\$ 38,213,278
Watauga County	15,280,022	-	-	869,115	-	16,149,137
U.S. Government	138,745	-	-	20,679	3,442,388	3,601,812
Other	1,773,518	-	2,105,330	-	-	3,878,848
Total revenues	17,572,347	37,508,259	2,105,330	1,214,751	3,442,388	61,843,075
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	6,522,369	21,648,507	1,887,395	918,942	961,790	31,939,003
Special populations	1,959,485	5,977,341	-	-	1,146,796	9,083,622
Alternative programs	424,169	1,631,843	-	-	769,888	2,825,900
School leadership	1,114,104	1,779,051	-	-	-	2,893,155
Co-curricular	470,626	-	-	21,740	-	492,366
School-based support	1,175,076	2,229,099	-	-	300,218	3,704,393
System-wide support services:						
Support and development	240,403	348,741	-	-	4,692	593,836
Special populations	-	157,810	-	-	90,167	247,977
Alternative programs	-	-	-	-	688	688
Technology support	688,426	377,574	-	-	9,392	1,075,392
Operational support	3,565,155	2,695,957	-	352,013	-	6,613,125
Financial and human resource services	2,626,707	162,752	-	-	-	2,789,459
Accountability	9,216	4,500	-	-	-	13,716
Policy, leadership and public relations	426,648	398,774	-	36,226	336	861,984
Ancillary services	77,931	-	-	-	-	77,931
Non-programmed charges	401,786	-	-	-	158,421	560,207
Debt service						
Principal	-	-	-	23,430	-	23,430
Total expenditures	19,702,101	37,411,949	1,887,395	1,352,351	3,442,388	63,796,184
Revenues over (under) expenditures	(2,129,754)	96,310	217,935	(137,600)	-	(1,953,109)
OTHER FINANCING USES						
Transfers to other funds	-	(96,310)	-	-	-	(96,310)
Net change in fund balance	(2,129,754)	-	217,935	(137,600)	-	(2,049,419)
Fund balances-beginning	3,861,072	-	952,762	314,812	-	5,128,646
Change in reserve for inventories	(24,209)	-	-	-	-	(24,209)
Fund balances-ending	\$ 1,707,109	\$ -	\$ 1,170,697	\$ 177,212	\$ -	\$ 3,055,018

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

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ (2,049,419)
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 the depreciation expense exceeded the capital outlays expense in the current period.	(1,055,723)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	6,290,636
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	2,586,905
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in fund balance due to change in reserve for inventory	(24,209)
OPEB nonemployer contributions	65,295
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	23,430
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	(9,195,085)
Net OPEB expense	100,109
Compensated absences	(146,607)
Total changes in net position of governmental activities	<u>\$ (3,404,668)</u>

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

Exhibit 5

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	\$ 318,000	\$ 368,000	\$ 380,062	\$ 12,062
Watauga County	15,280,022	15,280,022	15,280,022	-
U.S. Government	-	259,000	138,745	(120,255)
Other	431,000	3,702,385	1,773,518	(1,928,867)
Total revenues	16,029,022	19,609,407	17,572,347	(2,037,060)
Expenditures:				
Current:				
Instructional services	8,003,152	11,573,135	11,665,829	(92,694)
System-wide support services	7,538,470	7,556,555	7,556,555	-
Ancillary services	-	77,931	77,931	-
Non-programmed charges	487,400	401,786	401,786	-
Total expenditures	16,029,022	19,609,407	19,702,101	(92,694)
Revenues over (under) expenditures	-	-	(2,129,754)	(2,129,754)
Other financing uses:				
Transfers to other funds	-	-	-	-
Net change in fund balance	\$ -	\$ -	(2,129,754)	\$ (2,129,754)
Fund balances, beginning of year			3,861,072	
Change in reserve for inventories			(24,209)	
Fund balances, end of year			<u>\$ 1,707,109</u>	

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

Exhibit 5
(Continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ 35,350,953	\$ 39,658,516	\$ 37,508,259	\$ (2,150,257)
Watauga County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	35,350,953	39,658,516	37,508,259	(2,150,257)
Expenditures:				
Current:				
Instructional services	33,134,406	35,209,536	33,265,841	1,943,695
System-wide support services	2,216,547	4,148,980	4,146,108	2,872
Ancillary services	-	-	-	-
Non-programmed charges	-	150,000	-	150,000
Total expenditures	35,350,953	39,508,516	37,411,949	2,096,567
Revenues over expenditures	-	150,000	96,310	(53,690)
Other financing uses:				
Transfers to other funds	-	(150,000)	(96,310)	53,690
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

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

Exhibit 5
(Continued)

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Watauga County	-	-	-	-
U.S. Government	3,795,212	3,920,701	3,442,388	(478,313)
Other	-	-	-	-
Total revenues	3,795,212	3,920,701	3,442,388	(478,313)
Expenditures:				
Current:				
Instructional services	3,357,633	3,429,182	3,178,692	250,490
System-wide support services	109,423	107,423	105,275	2,148
Ancillary services	-	-	-	-
Non-programmed charges	328,156	384,096	158,421	225,675
Total expenditures	3,795,212	3,920,701	3,442,388	478,313
Revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2024

Exhibit 6

	Major Fund		
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,415,104	\$ 735,639	\$ 2,150,743
Due from other governments	21,713	-	21,713
Inventories	118,156	-	118,156
Total current assets	1,554,973	735,639	2,290,612
Noncurrent assets:			
Capital assets, net	218,207	-	218,207
Total assets	1,773,180	735,639	2,508,819
DEFERRED OUTFLOWS OF RESOURCES	865,335	162,079	1,027,414
LIABILITIES			
Current liabilities:			
Compensated absences	31,767	10,547	42,314
Unearned revenues	53,076	-	53,076
Total current liabilities	84,843	10,547	95,390
Noncurrent liabilities:			
Net pension liability	857,121	160,540	1,017,661
Net OPEB liability	1,189,391	222,774	1,412,165
Compensated absences	33,064	10,978	44,042
Total noncurrent liabilities	2,079,576	394,292	2,473,868
Total liabilities	2,164,419	404,839	2,569,258
DEFERRED INFLOWS OF RESOURCES	445,910	83,519	529,429
NET POSITION			
Net investment in capital assets	218,207	-	218,207
Unrestricted	(190,021)	409,360	219,339
Total net position	\$ 28,186	\$ 409,360	\$ 437,546

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND
POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2024

Exhibit 7

	Major Fund		
	School Food Service	Child Care	Total
OPERATING REVENUES			
Food sales	\$ 920,770	\$ -	\$ 920,770
Child care fees	-	620,819	620,819
Other	828	-	828
Total operating revenues	921,598	620,819	1,542,417
OPERATING EXPENSES			
Food cost:			
Purchase of food	1,152,595	26,255	1,178,850
Salaries and benefits	1,609,292	540,492	2,149,784
Supplies and materials	22,801	73,078	95,879
Repairs and maintenance	2,963	-	2,963
Indirect costs	117,513	-	117,513
Depreciation	29,562	-	29,562
Non-capitalized equipment	-	7,260	7,260
Other	22,523	18,290	40,813
Total operating expenses	2,957,249	665,375	3,622,624
Operating loss	(2,035,651)	(44,556)	(2,080,207)
NONOPERATING REVENUES			
Federal reimbursements	1,378,301	-	1,378,301
Federal commodities	168,567	-	168,567
State reimbursements	12,821	-	12,821
Contract reimbursements	-	183,263	183,263
Indirect costs not paid	117,513	-	117,513
Total nonoperating revenues	1,677,202	183,263	1,860,465
Income (loss) before transfers	(358,449)	138,707	(219,742)
Capital contributions	75,803	-	75,803
Transfers from other funds	96,310	-	96,310
Change in net position	(186,336)	138,707	(47,629)
Total net position - beginning	214,522	270,653	485,175
Total net position - ending	\$ 28,186	\$ 409,360	\$ 437,546

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

Page 21

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2024

Exhibit 8

	Major Fund		
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 933,816	\$ 437,556	\$ 1,371,372
Cash paid for goods and services	(1,063,722)	(125,304)	(1,189,026)
Cash paid to employees for services	(1,358,533)	(529,888)	(1,888,421)
Other operating revenues	828	-	828
Net cash provided (used) by operating activities	(1,487,611)	(217,636)	(1,705,247)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal and State reimbursements	1,375,394	-	1,375,394
Contract reimbursement	-	183,263	183,263
Net cash provided from noncapital financing activities	1,375,394	183,263	1,558,657
Net increase (decrease) in cash and cash equivalents	(112,217)	(34,373)	(146,590)
Balances-beginning of the year	1,527,321	770,012	2,297,333
Balances-end of the year	\$ 1,415,104	\$ 735,639	\$ 2,150,743

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

Exhibit 8
(Continued)

Reconciliation of operating loss to net cash used by operating activities

Operating loss	\$ (2,035,651)	\$ (44,556)	\$ (2,080,207)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	29,562	-	29,562
Expenses paid by other funds	96,310	-	96,310
Donated commodities consumed	168,567	-	168,567
Indirect costs not paid	117,513	-	117,513
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in inventories	(22,164)	-	(22,164)
Increase (decrease) in accounts payable	(9,243)	(228)	(9,471)
Increase (decrease) in accrued salaries and wages payable	-	(193)	(193)
(Increase) decrease in deferred outflows	(66,779)	(1,761)	(68,540)
Increase (decrease) in net pension liability	116,683	11,890	128,573
Increase (decrease) in net OPEB liability	173,570	18,837	192,407
Increase (decrease) in deferred inflows	(79,493)	(21,961)	(101,454)
Increase (decrease) in unearned revenues	13,046	(183,263)	(170,217)
Increase (decrease) in compensated absences	10,468	3,599	14,067
Total adjustments	548,040	(173,080)	374,960
Net cash provided (used) by operating activities	\$ (1,487,611)	\$ (217,636)	\$ (1,705,247)

Noncash investing, capital, and financing activities:

Indirect costs of \$117,513 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$168,567 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The Child Nutrition Fund received \$75,803 of capital assets as a contribution from the Capital Outlay Fund.

The State Public School Fund contributed \$96,310 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
June 30, 2024

Exhibit 9

	<u>Private-Purpose Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 129,705</u>
NET POSITION	
Assets held in trust for private purpose	<u>\$ 129,705</u>

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
For the Year Ended June 30, 2024

Exhibit 10

	Private-Purpose Trust Fund
Additions:	
Contributions and other revenue	\$ 9,200
Interest income	6,895
Total additions	<u>16,095</u>
Deductions:	
Instructional costs	<u>20,750</u>
Change in net position	(4,655)
Total net position - beginning	<u>134,360</u>
Total net position - ending	<u><u>\$ 129,705</u></u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Watauga County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Watauga County, 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, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. All expenses are considered to be operating expenses.

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are 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.

Federal Grants Fund. The Federal Grants Fund includes appropriations from the federal government, generally the U.S. Department of Education, which are passed-through the North Carolina Department of Public Instruction for the current operating expenditures of the 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 Individual Schools Fund is reported as a special revenue 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 Watauga County appropriations, restricted sales tax moneys, proceeds of Watauga County bonds issued for public school construction, as well as certain State assistance.

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.

Child Care Fund. The Child Care Fund is used to account for the after school care program.

The Board reports the following fiduciary fund:

Private Purpose Trust Fund. The Private Purpose Trust Fund is used to account for scholarship money under the control of the board for the benefit of students in the district.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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 \$5,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. 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 reservations of fund balances and do not constitute expenditures or liabilities because the

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2024.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. 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. The inventories of the Board's General Fund consist of

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

expendable materials and supplies which are reported as expenditures when consumed. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 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.

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

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

	Years
Buildings and Improvements	50
Equipment and Furniture	10
Computer Equipment	5
Buses	15
Vehicles	6

Depreciation for building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities. The Board carries certain capital assets for which Watauga County carries the offsetting debt.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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 position 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 position that applies to a future period and will not be recognized as revenue until then. The Board has several items that meet this criterion – unavailable grant revenue in the General Fund and pension and OPEB related deferrals.

Long-term obligations

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

Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2024 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position

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.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

The 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 of \$(55,321,292) consists of several elements as follows:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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)	\$ 55,462,370
Less Accumulated Depreciation	39,120,224
Net capital assets	16,342,146
Pension related deferred outflows of resources	21,492,093
OPEB related deferred outflows of resources	14,705,580
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	(3,600,957)
Installment purchases	-
Net pension liability	(35,854,097)
Net OPEB liability	(49,753,218)
Deferred inflows of resources related to pensions	(1,551,986)
Deferred inflows of resources related to OPEB	(17,100,853)
Total adjustment	\$ (55,321,292)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(1,355,249) as follows:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 305,160
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,360,883)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	6,290,636
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	2,586,905
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in fund balance due to change in reserve for inventory	(24,209)
OPEB nonemployer contributions	65,295
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	(9,195,085)
Net OPEB expense	100,109
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(146,607)
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. This amount is the net effect of these differences in the treatment of long-term debt.	23,430
Total adjustment	<u>\$ (1,355,249)</u>

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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

During the fiscal year ended June 30, 2024, the Board reported expenditures that violated State law [G.S. 115C-441] due to actual expenditures exceeding the budget within the General 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, 2024, the Board had deposits with banks and savings and loans with a carrying amount of \$5,617,666 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$6,366,941 and \$455,854, respectively. Of these balances, \$1,044,186 was covered by federal depository insurance and \$5,778,609 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Accounts Receivable

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

	<u>Due from other governments</u>
Governmental activities:	
General Fund	<u>\$ 16,116</u>
Business-type activities:	
School Food Service	<u>\$ 21,713</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	<u>\$ 16,116</u>	Gear Up NC Grant
Business-type activities:		
School Food Service	<u>\$ 21,713</u>	USDA Grant reimbursement

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Capital Assets

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

	Beginning Balances	Increases	Retirements and Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,982,106	\$ -	\$ -	\$ 1,982,106
Capital assets being depreciated:				
Buildings/improvements	45,927,581	-	-	45,927,581
Equipment and furniture	2,583,408	188,993	-	2,772,401
Vehicles	4,664,115	116,167	-	4,780,282
Total capital assets being depreciated	53,175,104	305,160	-	53,480,264
Less accumulated depreciation for:				
Buildings/improvements	33,632,894	868,508	-	34,501,402
Equipment and furniture	1,188,426	172,797	-	1,361,223
Vehicles	2,938,021	319,578	-	3,257,599
Total accumulated depreciation	37,759,341	1,360,883	-	39,120,224
Total capital assets being depreciated, net	15,415,763			14,360,040
Governmental activity capital assets, net	\$ 17,397,869			\$ 16,342,146
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 557,703	\$ 75,803	\$ 101,546	\$ 531,960
Less accumulated depreciation for:				
Furniture and office equipment	385,737	29,562	101,546	313,753
School Food Service capital assets, net:	\$ 171,966			\$ 218,207

Depreciation was charged to governmental functions as follows:

Regular instructional services	\$ 868,508
System-wide support services	319,578
Unallocated depreciation	172,797
Total	\$ 1,360,883

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Liabilities

Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454 or at www.osc.nc.gov.

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in 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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2024 was 17.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$6,469,184 for the year ended June 30, 2024.

Refunds of Contributions. Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

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

At June 30, 2024, the Board reported a liability of \$36,871,758 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Board's proportionate share 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 Boards proportion was .22% and .23%, respectively.

For the year ended June 30, 2024, the Board recognized pension expense of \$9,484,169. At June 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,005,920	\$ 272,140
Changes of assumptions	1,294,887	-
Net difference between projected and actual earnings on pension plan investments	10,268,782	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,063,339	1,323,896
Board contributions subsequent to the measurement date	<u>6,469,184</u>	<u>-</u>
Total	<u>\$ 22,102,112</u>	<u>\$ 1,596,036</u>

\$6,469,184 reported as deferred outflows of resources related to pensions resulted from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	\$ 4,683,880
2026	2,706,932
2027	6,207,429
2028	438,651
2029	-
Thereafter	-
Total	<u>\$ 14,036,892</u>

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

Inflation	2.5%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.5%, 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.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 actuarial valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2022. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurements.

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:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability reported at June 30, 2024 and 2023 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	\$ 63,300,168	\$ 36,871,758	\$ 15,069,177

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

b. Other Post-employment Benefits

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 2 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.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 7.14% of covered payroll which amounted to \$2,619,965. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187.0 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 \$67,148.

At June 30, 2024, Board reported a liability of \$51,113,651 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and at June 30, 2023, the Boards proportion was 0.19% and 0.20%, respectively.

\$2,619,965 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2025	\$ (1,876,540)
2026	(2,611,365)
2027	(957,261)
2028	257,575
2029	-
Thereafter	-
Total	<u>\$ (5,187,591)</u>

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

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Healthcare cost trend rates:

Medical	5.00% - 6.50%
Prescription drug	5.00% - 10.00%
Medicare	5.00%
Administrative costs	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF at June 30, 2024 and 2023 was 3.65% and 3.54%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB liability	\$ 60,296,835	\$ 51,113,651	\$ 43,632,338

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:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

		Current Trend Rates (5.00-6.50% Medical, 5.00-10.00% Rx, 5.00% Medicare, 3.00% Administrative Expenses)	
	1% Decrease in Trend Rates		1% Increase in Trend Rates
Net OPEB liability	\$ 42,197,892	\$ 51,113,651	\$ 62,607,536

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2024, employers made a statutory contribution of 0.11% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$40,364 for the year ended June 30, 2024.

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

At June 30, 2024, Board reported an OPEB liability of \$51,732 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and at June 30, 2023, the Boards proportion was .19% and .21%, respectively.

\$40,364 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2025	\$	21,121
2026		12,199
2027		19,438
2028		4,371
2029		4,010
Thereafter		2,866
Total	\$	<u>64,005</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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

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

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

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB liability	\$ 62,189	\$ 51,732	\$ 41,084

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2022 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 1.3%.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2024:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (revenue)	\$ 52,505	\$ (68,123)	\$ (15,618)
OPEB liability	51,113,651	51,732	51,165,383
Proportionate share of the net OPEB liability	0.192%	0.195%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ 562,861	\$ 45,336	\$ 608,197
Changes of assumptions	5,537,164	3,770	5,540,934
Net difference between projected and actual earnings on plan investments	408,322	67,569	475,891
Changes in proportion and defferences between Board contributions and proportionate share of contributions	5,835,814	1,810	5,837,624
Board contributions subsequent to the measurement date	<u>2,619,965</u>	<u>40,364</u>	<u>2,660,329</u>
Total Deferred Outflows of Resources	<u>\$ 14,964,126</u>	<u>\$ 158,849</u>	<u>\$ 15,122,975</u>
Deferred of Inflows of Resources			
Differences between expected and actual experience	\$ 50,081	\$ 28,653	\$ 78,734
Changes of assumptions	13,636,710	8,831	13,645,541
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>3,844,961</u>	<u>16,996</u>	<u>3,861,957</u>
Total Deferred Inflows of Resources	<u>\$ 17,531,752</u>	<u>\$ 54,480</u>	<u>\$ 17,586,232</u>

Accounts Payable

Accounts payable at June 30, 2024, are as follows:

	<u>Vendors</u>
Governmental Activities	
General	<u>\$ 432,728</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Unearned Revenues

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

	Unearned Revenues
Prepaid lunch balances (School Food Service Fund)	\$ 53,076

Deferred Outflows and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Board contributions and proportionate share of contributions	\$ 6,900,963	\$ 5,185,853
Changes in assumptions	6,835,821	13,645,541
Difference between projected and actual earnings on plan investments	10,744,673	-
Board contributions subsequent to the measurement date	9,129,513	-
Difference between expected and actual experience	3,614,117	350,874
Total	\$ 37,225,087	\$ 19,182,268

Risk Management

The Board is exposed to various risk 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 Board Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' compensation coverage is provided by the State of North Carolina

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption, and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing 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 the majority of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$85,000. The remaining employees that have access to funds are bonded under a blanket bond for \$15,000.

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Long-Term Obligation Activity

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

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Current Portion
Governmental activities:					
Direct placement					
installment purchases	\$ 23,430	\$ -	\$ 23,430	\$ -	\$ -
Net pension liability	33,904,086	1,950,011	-	35,854,097	-
Net OPEB liability	46,513,684	3,239,534	-	49,753,218	-
Compensated absences	3,454,350	3,279,968	3,133,361	3,600,957	1,675,463
Total	<u>\$ 83,895,550</u>	<u>\$ 8,469,513</u>	<u>\$ 3,156,791</u>	<u>\$ 89,208,272</u>	<u>\$ 1,675,463</u>
Business-type activities:					
Net pension liability	\$ 889,088	\$ 128,573	\$ -	\$ 1,017,661	\$ -
Net OPEB liability	1,219,758	192,407	-	1,412,165	-
Compensated absences	72,289	97,033	82,966	86,356	42,314
Total	<u>\$ 2,181,135</u>	<u>\$ 418,013</u>	<u>\$ 82,966</u>	<u>\$ 2,516,182</u>	<u>\$ 42,314</u>

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

Transfers to/from other Funds

During the year ended June 30, 2024, the State Public School Fund transferred \$96,310 to the School Food Service Fund to pay for certain wages.

Contributed Capital

During the year ended Jun 30, 2024, capital assets with the value of \$75,803 were purchased by the Capital Outlay Fund and contributed to the School Food Service Fund. This amount is presented as a transfer between governmental and business-type activities in Exhibit 2 and contributed capital in Exhibit 7.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

Fund Balance

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

Total fund balance - General Fund	\$ 1,707,109
Less:	
Inventories	134,412
Stabilization by State statute	16,116
Instructional services	<u>124,525</u>
Remaining fund balance	<u><u>\$ 1,432,056</u></u>

NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. For the year ended June 30, 2024, the Board reported questioned costs of \$142,794 relating to State grants and has recorded a liability in the General Fund for this amount that will be refunded to the State. Management believes that any other amounts required to be refunded will be immaterial. No other provision has been made in the accompanying financial statements for the refund of grant moneys.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions
Retiree Health Benefit Fund

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

Schedule of Board Contributions
Disability Income Plan of North Carolina

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

	2024	2023	2022	2021	2020
Board's proportion of the net pension liability (asset)	0.221%	0.234%	0.203%	0.206%	0.207%
Board's proportionate share of the net pension liability (asset)	\$ 36,871,758	\$ 34,793,174	\$ 9,497,720	\$ 24,931,201	\$ 21,426,427
Board's covered-employee payroll	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320	\$ 30,306,029
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	101.74%	100.46%	30.12%	79.76%	70.70%
Plan fiduciary net position as a percentage of the total pension liability	82.97%	84.14%	94.86%	85.98%	87.56%

	2019	2018	2017	2016	2015
Board's proportion of the net pension liability (asset)	0.199%	0.197%	0.196%	0.196%	0.197%
Board's proportionate share of the net pension liability (asset)	\$ 19,869,367	\$ 15,660,206	\$ 7,207,510	\$ 7,207,510	\$ 2,309,081
Board's covered-employee payroll	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694	\$ 26,807,956	\$ 25,459,278
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.88%	56.91%	27.11%	26.89%	9.07%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	89.51%	87.32%	94.64%	98.24%

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

This schedule is required supplementary information.

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
*Last Ten Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 6,469,184	\$ 6,298,715	\$ 5,673,035	\$ 4,661,326	\$ 4,054,074
Contributions in relation to the contractually required contribution	<u>6,469,184</u>	<u>6,298,715</u>	<u>5,673,035</u>	<u>4,661,326</u>	<u>4,054,074</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320
Contributions as a percentage of covered-employee payroll	17.63%	17.38%	16.38%	14.78%	12.97%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,724,611	\$ 3,065,266	\$ 2,746,143	\$ 2,432,958	\$ 2,452,928
Contributions in relation to the contractually required contribution	<u>3,724,611</u>	<u>3,065,266</u>	<u>2,746,143</u>	<u>2,432,958</u>	<u>2,452,928</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694	\$ 26,807,956
Contributions as a percentage of covered-employee payroll	12.29%	10.78%	9.98%	9.15%	9.15%

This schedule is required supplementary information.

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

	2024	2023	2022	2021	2020
Board's proportion of the net OPEB liability (asset)	0.192%	0.201%	0.176%	0.182%	0.181%
Board's proportionate share of the net OPEB liability (asset)	\$ 51,113,651	\$ 47,671,962	\$ 54,259,244	\$ 50,704,690	\$ 57,175,779
Board's covered-employee payroll	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320	\$ 30,306,029
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	141.04%	137.65%	172.04%	162.22%	188.66%
Plan fiduciary net position as a percentage of the total OPEB liability	10.73%	10.58%	7.72%	6.92%	4.40%

	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.177%	0.179%	0.199%
Board's proportionate share of the net OPEB liability (asset)	\$ 50,695,094	\$ 58,945,383	\$ 75,034,823
Board's covered-employee payroll	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	178.29%	214.22%	282.20%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	3.52%	2.41%

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

This schedule is required supplementary information.

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 2,619,965	\$ 2,497,016	\$ 2,178,473	\$ 2,106,743	\$ 2,022,349
Contributions in relation to the contractually required contribution	<u>2,619,965</u>	<u>2,497,016</u>	<u>2,178,473</u>	<u>2,106,743</u>	<u>2,022,349</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320
Contributions as a percentage of covered-employee payroll	7.14%	6.89%	6.29%	6.68%	6.47%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,900,188	\$ 1,720,302	\$ 1,599,100	\$ 1,488,791	\$ 1,471,757
Contributions in relation to the contractually required contribution	<u>1,900,188</u>	<u>1,720,302</u>	<u>1,599,100</u>	<u>1,488,791</u>	<u>1,471,757</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694	\$ 26,807,956
Contributions as a percentage of covered-employee payroll	6.27%	6.05%	5.81%	5.60%	5.49%

This schedule is required supplementary information.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Board's proportion of the net OPEB liability/asset	0.194%	0.207%	0.180%	0.183%	0.184%
Board's proportionate share of the net OPEB liability (asset)	\$ 51,732	\$ 61,480	\$ (29,332)	\$ (89,445)	\$ (79,336)
Board's covered payroll	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320	\$ 30,306,029
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.14%	0.18%	0.09%	0.29%	0.26%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	90.61%	90.34%	105.18%	115.57%	113.00%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability/asset	0.178%	0.175%	0.177%
Board's proportionate share of the net OPEB liability (asset)	\$ (57,628)	\$ (113,739)	\$ (118,321)
Board's covered payroll	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.20%	0.41%	0.44%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	108.47%	116.23%	116.06%

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

This schedule is required supplementary information.

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 40,364	\$ 36,241	\$ 31,171	\$ 28,384	\$ 31,257
Contributions in relation to the contractually required contribution	40,364	36,241	31,171	28,384	31,257
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320
Contributions as a percentage of covered-employee payroll	0.11%	0.10%	0.09%	0.09%	0.10%

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 42,463	\$ 39,809	\$ 104,588	\$ 109,001	\$ 110,029
Contributions in relation to the contractually required contribution	42,463	39,809	104,588	109,001	110,029
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694	\$ 26,807,956
Contributions as a percentage of covered-employee payroll	0.14%	0.14%	0.38%	0.41%	0.41%

This schedule is required supplementary information.

INDIVIDUAL FUND BUDGETARY SCHEDULES

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

Exhibit A-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre-Kindergarten Program	\$ 318,000	\$ 330,062	\$ 12,062
School Nurse Funding Initiative	50,000	50,000	-
Total State of North Carolina	368,000	380,062	12,062
Watauga County appropriations	15,280,022	15,280,022	-
U.S. Government:			
Gear Up NC Grant	250,000	130,079	(119,921)
Local Food for Schools	9,000	8,666	(334)
Total US Government	259,000	138,745	(120,255)
Other :			
ABC revenues		90,118	
Sales tax refund		78,346	
School nurse reimbursement		50,000	
Medicaid reimbursements		539,637	
Tuition and fees		58,420	
Fines and forfeitures		245,803	
Rental of school property		410	
Interest		98,535	
Miscellaneous		95,328	
Indirect cost allocated		158,421	
Private grants and donations		358,500	
Total	3,702,385	1,773,518	(1,928,867)
Total revenues	19,609,407	17,572,347	(2,037,060)
Expenditures:			
Instructional services:			
Regular instructional		6,522,369	
Special populations		1,959,485	
Alternative programs		424,169	
School leadership		1,114,104	
Co-curricular		470,626	
School-based support		1,175,076	
Total instructional services	11,573,135	11,665,829	(92,694)

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

Exhibit A-1
(Continued)

	Budget	Actual	Variance Positive (Negative)
System-wide support services:			
Support and development		240,403	
Technology support		688,426	
Operational support		3,565,155	
Financial and human resource services		2,626,707	
Accountability		9,216	
Policy, leadership and public relations		426,648	
Total system-wide support services	7,556,555	7,556,555	-
Ancillary services	77,931	77,931	-
Non-Programmed charges	401,786	401,786	-
Total expenditures	19,609,407	19,702,101	(92,694)
Revenues over (under) expenditures	\$ -	(2,129,754)	\$ (2,129,754)
Fund balances:			
Beginning of year, July 1		3,861,072	
Change in reserve for inventories		(24,209)	
End of year, June 30		\$ 1,707,109	

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

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses		\$ 23,430	
State appropriations - lottery proceeds		301,527	
Total State of North Carolina	\$ 944,932	324,957	\$ (619,975)
Watauga County			
Appropriations - operating	5,030,000	869,115	(4,160,885)
U.S. Government:			
Emergency Connectivity Grant	-	20,679	20,679
Total revenues	5,974,932	1,214,751	(4,760,181)
Expenditures:			
Current:			
Instructional services		940,682	
System-wide support services		388,239	
Debt Service			
Principal		23,430	
Total expenditures	6,347,357	1,352,351	4,995,006
Revenues over (under) expenditures	(372,425)	(137,600)	234,825
Appropriated fund balance	372,425	-	(372,425)
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	(137,600)	\$ (137,600)
Fund balance:			
Beginning of year, July 1		314,812	
End of year, June 30		\$ 177,212	

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2024

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 812,400	\$ 921,598	\$ 109,198
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		1,174,759	
Salaries and benefits		1,454,843	
Supplies and materials		22,801	
Repairs and maintenance		2,963	
Other		22,523	
Total operating expenditures	2,696,154	2,677,889	18,265
Operating loss	(1,883,754)	(1,756,291)	127,463
Nonoperating revenues:			
Federal reimbursements		1,378,301	
Federal commodities		168,567	
State reimbursements		12,821	
Total nonoperating revenues	1,632,000	1,559,689	(72,311)
Revenues over (under) expenditures before other financing sources	(251,754)	(196,602)	55,152
Transfers from other funds	251,754	96,310	(155,444)
Revenues and other sources over (under) expenditures	\$ -	\$ (100,292)	\$ (100,292)

Reconciliation of modified accrual to full accrual basis:

Revenues and other sources under expenditures	\$ (100,292)
Depreciation	(29,562)
Net pension liability	(116,683)
Net OPEB liability	(173,570)
Deferred outflows	66,779
Deferred inflows	79,493
Increase (decrease) in inventories	22,164
Capital contributions	75,803
(Increase) decrease in compensated absences	(10,468)
Change in net position (full accrual)	\$ (186,336)

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - CHILD CARE FUND
For the Year Ended June 30, 2024

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 729,850	\$ 620,819	\$ (109,031)
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		26,255	
Salaries and benefits		529,888	
Supplies and materials		73,078	
Non-capitalized equipment		7,260	
Other		18,290	
Total operating expenditures	729,850	654,771	75,079
Revenues over (under) expenditures	\$ -	\$ 149,311	\$ 149,311
Reconciliation of modified accrual to full accrual basis:			
Revenues over (under) expenditures		\$ 149,311	
Net pension liability		(11,890)	
Net OPEB liability		(18,837)	
Deferred outflows		1,761	
Deferred inflows		21,961	
(Increase) decrease in compensated absences		(3,599)	
Change in net position (full accrual)		\$ 138,707	

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

**To the Watauga County Board of Education
Boone, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watauga County Board of Education, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Watauga County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 17, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain a deficiency in internal control that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 24-01.

Report on Compliance and Other Matters

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

Watauga County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Watauga County Board of Education's response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Watauga Board of Education's response was not subjected to 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

September 17, 2024
Elon, North Carolina



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

**To the Watauga County Board of Education
Boone, North Carolina**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watauga County Board of Education's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Watauga County Board of Education's major federal programs for the year ended June 30, 2024. Watauga County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watauga County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's 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

*September 17, 2024
Elon, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

**To the Watauga County Board of Education
Boone, North Carolina**

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Watauga County Board of Education's compliance with the types of compliance requirements identified as subject to audit 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 Watauga County Board of Education's major state programs for the year ended June 30, 2024. The Watauga County 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, Watauga County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Watauga County Board of Education's State programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and the State Single Audit Implementation Act and which is described in the accompanying schedule of findings and questioned costs as item 24-02. Our opinion on each major State program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or

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

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.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 24-02 to be a significant deficiency.

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

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

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

Anderson Smith & Wike PLLC

September 17, 2024
Elon, North Carolina

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Xyes ___no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes Xnone reported

Noncompliance material to financial statements noted?

___yes Xno

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes Xno
- Significant deficiency(s) identified that are not considered to be material weaknesses? ___yes Xnone reported

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

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

___yes Xno

Identification of major federal programs:

<u>AL Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.010	Title I
84.425	COVID-19 - Education Stabilization Fund

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

Dollar threshold used to distinguish
between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? X_yes ___no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes X_no
- Significant deficiency(s) identified that
are not considered to be material weaknesses? X_yes ___none reported

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

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

Identification of major State programs:

Program Name
State Public School Fund
CTE – State Months of Employment
CTE – Program Support Funds

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

Auditee qualified as low-risk auditee? X_yes ___no

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

Section II. Financial Statement Findings

Finding 24-01

MATERIAL WEAKNESS

Budget

Criteria: The Board is required to operate under a balanced budget resolution and may not expend any funds regardless of their source except in accordance with the approved budget resolution. The sum of estimated revenues and appropriated fund balances in each fund shall equal the budget appropriations in the fund and expenditures should not exceed the amounts appropriated.

Condition: The District approved a budget amendment to the General Fund on June 17, 2024 to increase miscellaneous revenue and various expenditures by \$1,695,000, however no miscellaneous revenue was received or accrued.

No fund balance was appropriated in the Board approved budget, however the district spent \$2,153,963 of fund balance.

The District does not have internal controls in place that appropriately monitor expenditures as compared to the Board approved budget.

Effect: The Board approved a budget amendment for significant revenue that was not received or accrued.

The Board spent \$2,153,963 of fund balance that was not appropriated in the budget.

The district had expenditures that exceeded the final Board approved budget within the General Fund.

Cause: Oversight.

Identification of a repeat finding: This is not a repeat finding from the previous audit.

Recommendation: Management should closely review all expenditures to ensure they do not exceed the Board approved budget, ensure budgeted revenue is reasonably expected, and appropriate fund balance if fund balance is expected to be spent.

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

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding 24-02

SIGNIFICANT DEFICIENCY AND NON-COMPLIANCE

NC DEPARTMENT OF PUBLIC INSTRUCTION
AWARD: STATE PUBLIC SCHOOL FUND

Allowable costs/cost principles

Criteria: The North Carolina Public Schools Allotment Policy Manual and the North Carolina Public Schools Uniform Chart of Accounts, revised annually, should be used to monitor the appropriateness of expenditures and the proper use of allotments within the intent and limitations for which they are appropriated. School units are required to expend funds for the purposes they were allotted and to control their funds by the requirements and allotment basis for each category.

State Public School Fund Allotment – Classroom Teachers (PRC 001) must be utilized for individuals spending the majority of the school day providing classroom instruction.

Expenditures should be coded according to the North Carolina Department of Public Instruction Chart of Accounts.

Condition: The District coded media specialists as classroom teachers and paid the individuals out of the PRC 001 Classroom Teacher allotment.

Effect: Employees were paid out of the 001 Classroom Teacher allotment and were not classroom teachers, resulting in an unallowable expenditure.

Cause: Oversight.

Identification of a repeat finding: This is not a repeat finding from the previous audit.

Questioned Cost: \$142,794.

Recommendation: Management should closely review all payroll coding and ensure expenditures are allowable.

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



WATAUGA COUNTY BOARD OF EDUCATION

Margaret E. Gragg Education Center
175 Pioneer Trail, Boone, NC 28607

Corrective Action Plan For the Year Ended June 30, 2024

Section II. Financial Statement Findings

Finding 24-01

Name of Contact Person: Ly Marze, Finance Officer

Corrective Action Plan: Management will implement controls and procedures to ensure budgeted funds are available prior to encumbering, and ensure that funds are appropriately budgeted. 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 24-02

Name of Contact Person: Ly Marze, Finance Officer

Corrective Action Plan: Management will implement controls and procedures to ensure payroll expenditures are properly coded and paid from allowable funds.

Proposed Completion Date: As soon as possible.

**Watauga County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024**

No findings reported in the prior year audit.

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2024

Page 1 of 3

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>Assistance</u> <u>Listing Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
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	\$ 168,567
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	284,486
Supply Chain Assistance Funds	10.555	PRC 035	115,660
National School Lunch Program	10.555	PRC 035	948,537
Summer Food Service Program for Children	10.559	PRC 035	29,618
Cash Assistance Subtotal			<u>1,378,301</u>
Total Child Nutrition Cluster			<u>1,546,868</u>
Passed-through the N.C. Department of Agriculture & Consumer Services			
Local Food for Schools Program	10.185		<u>8,666</u>
Total U.S. Department of Agriculture			<u>1,555,534</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Education Consolidation and Improvement Act of 1981			
Improving America School Act of 1994 (IASA)			
Title I, Grants to Local Educational Agencies			
Title I Cluster			
Educationally Deprived Children	84.010	PRC 050	787,324
Supporting Effective Instruction State Grants	84.367	PRC 103	163,783
Rural Education Initiative	84.358	PRC 109	67,509
Student Support and Academic Enrichment Program	84.424	PRC 108	38,340
Language Acquisition Grant	84.365	PRC 104, 111	19,591
Special Education State Improvement	84.323A	PRC 082	10,539
COVID-19 - Education Stabilization Fund			
CARES Act:			
ReThink Education Stipends	84.425B	PRC 146	15,920
ARP:			
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	1,053,227
ESSER III - Cyberbullying & Suicide Prevention Grant	84.425U	PRC 192	31,400
Total COVID-19 - Education Stabilization Fund			<u>1,100,547</u>

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2024

Page 2 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	1,067,127
Special Education - Targeted Assistance	84.027	PRC 118	83,646
Special Education - Targeted Assistance for Preschool	84.173	PRC 119	874
Special Education - Preschool Grants	84.173	PRC 049	37,677
Total Special Education Cluster			<u>1,189,324</u>
Office of Vocational and Adult Education			
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	<u>65,431</u>
Passed through Appalachian State University			
Gear Up NC Grant	84.334	PRC 311	<u>130,079</u>
Total U.S. Department of Education			<u>3,572,467</u>
<u>U.S. Federal Communications Commission</u>			
Direct Program:			
Emergency Connectivity Fund	32.009		<u>20,679</u>
Total Federal Assistance			<u>5,148,680</u>
State Grants:			
<u>N.C. Department of Public Instruction (cash assistance):</u>			
State Public School Fund			35,327,707
Career and Technical Education			
State Months of Employment		PRC 013	1,562,388
Program Support Funds		PRC 014	537,629
Driver Training		PRC 012	25,056
School Technology Fund		PRC 015	55,479
Passed-through Watauga County:			
Lottery Capital Funds:			
Public School Building Repair and Rennovation Fund			68,719
Public School Capital Fund			<u>232,808</u>
Total Lottery Capital Funds			<u>301,527</u>
Total N.C. Department of Public Instruction (cash assistance)			<u>37,809,786</u>
<u>N.C. Department of Public Instruction (noncash assistance)</u>			
School Buses			<u>23,430</u>

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2024

Page 3 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			3,428
State Reduced Lunch Program			9,393
Total N.C. Department of Agriculture			<u>12,821</u>
<u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program			330,062
School Nurse Funding Initiative			<u>50,000</u>
Total N.C. Department of Health and Human Services			<u>380,062</u>
Total State Assistance			<u>38,226,099</u>
Total Federal and State Assistance			<u>\$ 43,374,779</u>

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Watauga County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Watauga County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Watauga County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

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

Note 3. Cluster of Programs

The School Nutrition Program is clustered by the N.C. Department of Public Instruction and is treated separately for state audit requirement purposes.