GATES COUNTY
BOARD OF EDUCATION
Gatesville, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Gates County Board of Education
Gatesville, North Carolina

Report on the Audit of the Financial Statements

Opinions

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gates County Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gates 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 10 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liabilities (Assets) and the Schedules of Board Contributions on pages 48 through 53, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025, on our consideration of the Gates County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gates 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 Gates County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

December 8, 2025
Rockingham, North Carolina
(910) 997-1418

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

Financial Highlights

- As discussed in Note 5 to the financial statements, effective July 1, 2024, the Board implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement required the Board to begin recording liabilities for employee sick leave balances that are more likely than not to be used. As a result of implementation of this statement, the Board's governmental and business-type activities net position, as previously reported at June 30, 2024, was reduced by $4.4 million and $379 thousand, respectively.
- For the fiscal year ended June 30, 2025, the Board's total government-wide net position (not including the decrease in net position due to the GASB 101 restatement) increased by $5.1 million. Governmental activities net position increased by $5.3 million and business-type activities net position decreased by $194 thousand.
- Total government-wide net investment in capital assets increased by $4.5 million over the prior year.
- Total governmental activities restricted net position increased by $397 thousand over the prior year.

Overview of the Financial Statements

The audited financial statements of the Gates County Board of Education consist of five components. They are as follows:

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

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

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Gates County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Federal Grants Fund, the Other Special Revenue Fund, the Capital Outlay Fund

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Gates County Board of Education has two proprietary funds - both enterprise funds – the School Food Service Fund and the Child Care Fund. The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Financial Analysis of the Board as a Whole

Total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by $5.4 million as of June 30, 2025 as compared to $5.7 million as of June 30, 2024. As previously discussed, this change is primarily due to the implementation of GASB Statement 101 during the year, which had the effect of reducing beginning of year total primary government net position, as previously reported at June 30, 2024, by $4.8 million.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Current and other assets	$ 1,086,942	$ 1,840,872	$ 4,540	$ 208,041	$ 1,091,482	$ 2,048,913
Capital assets	23,258,610	18,655,027	44,304	52,817	23,302,914	18,707,844
Total assets	24,345,552	20,495,899	48,844	260,858	24,394,396	20,756,757
Deferred outflows of resources	12,174,094	11,944,488	445,994	374,559	12,620,088	12,319,047
Current liabilities	1,956,175	842,922	154,680	46,781	2,110,855	889,703
Long-term liabilities	34,547,018	31,344,304	1,330,803	994,396	35,877,821	32,338,700
Total liabilities	36,503,193	32,187,226	1,485,483	1,041,177	37,988,676	33,228,403
Deferred inflows of resources	4,274,885	5,360,021	156,609	168,084	4,431,494	5,528,105
Net investment in capital assets	22,970,074	18,445,107	44,304	52,817	23,014,378	18,497,924
Restricted net position	766,195	369,234	1,002	-	767,197	369,234
Unrestricted net position (deficit)	(27,994,701)	(23,921,201)	(1,192,560)	(626,661)	(29,187,261)	(24,547,862)
Total net position (deficit)	$ (4,258,432)	$ (5,106,860)	$ (1,147,254)	$ (573,844)	$ (5,405,686)	$ (5,680,704)

Net position is an indicator of the fiscal health of the Board. Net of the $4.4 million reduction in beginning of year net position for implementation of GASB 101, the net position of the Board's governmental activities increased $5.3 million during the year to $(4.3) million at June 30, 2025, indicating an improvement in the financial condition of the Board. Net investment in capital assets increased $4.5 million during the year due to an excess of capital additions over depreciation and amortization expense. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the Board participates in. The Board is required to record its proportionate share of these items along with its proportionate share of the plan liabilities. See Note 2 of the financial statements for more details regarding these plans. In addition to liabilities being significantly impacted by actuarial changes in pension and OPEB plans, liabilities were also significantly impacted due to the recording of sick leave as part of the implementation of GASB 101.

Net of a reduction of $379 thousand to beginning of year net position for implementation of GASB 101, net position of the Board's business-type activities decreased $194 thousand during the year. This decrease is the combined net loss incurred by our school food service and child care operations during the 2025 fiscal year.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Revenues:						
Program revenues:						
Charges for services	$ 468,302	$ 573,850	$ 543,185	$ 499,097	$ 1,011,487	$ 1,072,947
Operating grants and contributions	15,180,294	16,852,683	655,193	742,311	15,835,487	17,594,994
Capital grants and contributions	313,162	161,512	-	-	313,162	161,512
General revenues:						
County appropriations	3,153,000	3,187,742	-	-	3,153,000	3,187,742
State appropriations	8,190,056	4,215,999	-	-	8,190,056	4,215,999
Other revenues	359,420	465,335	11,869	24,184	371,289	489,519
Total revenues	27,664,234	25,457,121	1,210,247	1,265,592	28,874,481	26,722,713
Expenses:						
Governmental activities:						
Instructional services	15,625,018	16,886,425	-	-	15,625,018	16,886,425
System-wide support services	5,946,564	7,490,612	-	-	5,946,564	7,490,612
Ancillary services	51,564	369,360	-	-	51,564	369,360
Payments to other governments	43,770	23,137	-	-	43,770	23,137
Interest on long-term debt	923	2,585	-	-	923	2,585
Unallocated depreciation	676,410	678,207	-	-	676,410	678,207
Business-type activities:						
School food service	-	-	1,071,825	1,018,671	1,071,825	1,018,671
Child care	-	-	392,629	310,757	392,629	310,757
Total expenses	22,344,249	25,450,326	1,464,454	1,329,428	23,808,703	26,779,754
Excess (deficiency) of revenues over expenses before transfers	5,319,985	6,795	(254,207)	(63,836)	5,065,778	(57,041)
Transfers in (out)	(59,867)	(119,293)	59,867	119,293	-	-
Increase (decrease) in net position	5,260,118	(112,498)	(194,340)	55,457	5,065,778	(57,041)
Beginning net position (deficit), as previously reported	(5,106,860)	(4,994,362)	(573,844)	(629,301)	(5,680,704)	(5,623,663)
Change in accounting principle (Note 5)	(4,411,690)	-	(379,070)	-	(4,790,760)	-
Beginning net position (deficit), as restated	(9,518,550)	(4,994,362)	(952,914)	(629,301)	(10,471,464)	(5,623,663)
Ending net position (deficit)	$ (4,258,432)	$ (5,106,860)	$ (1,147,254)	$ (573,844)	$ (5,405,686)	$ (5,680,704)

Total governmental activities generated revenues of $27.7 million while expenses in this category also totaled $22.3 million for the year ended June 30, 2025, resulting in an increase in net position of $5.3 million (including transfers to business-type activities of $60 thousand). Comparatively, revenues were $25.5 million, expenses totaled $25.5 million and transfers out were $119 thousand for the year ended

June 30, 2024, resulting in a decrease in net position of $112 thousand. In comparing the two years, revenues increased $2.2 million, or 8.7%, while expenses decreased $3.1 million, or 12.2%. The increases in revenues was primarily due to an increase in State Lottery Capital Funds received for upgrades at the high school.

The Board's primary sources of revenues were funding from the State of North Carolina, Gates County, and the United States Government, which respectively comprised 79.9%, 11.4% and 4.8% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 69.9% of our total expenses during the most recent fiscal year. Of the remaining 30.1% of our total expenses, 26.6% was attributable to system-wide support services.

Our business-type activities generated revenues of $1.2 million, expenses of $1.5 million and reported transfers in from governmental activities of $60 thousand for the year ended June 30, 2025. For the year, net position decreased by $194 thousand. Comparatively, revenues were $1.3 million, expenses were $1.3 million and transfers in from governmental activities totaled $119 thousand for the year ended June 30, 2024, resulting in an increase in net position of $55 thousand. In comparing the two periods, revenues decreased $55 thousand while expenses increased $135 thousand. Revenues were down due to a decline in USDA reimbursements. The change in expenses was largely attributable to a year-over-year increase in pension and OPEB expenses due to changes in actuarial valuations and allocation percentages of those plans.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Gates 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 $1.0 million at June 30, 2025, a decrease of $684 thousand from the amount reported at June 30, 2024. Revenues were $27.7 million for the year ended June 30, 2025, compared to $25.5 million in the prior year, an increase of $2.2 million, or 8.6%. Expenditures were $28.7 million for the current year, compared to $25.3 million in the prior year, an increase of $3.4 million, or 13.4%. The increases in both revenues and expenditures were primarily due to an increase in State Lottery Capital Funds used for upgrades at the high school.

The Board's General Fund reported a decrease in fund balance of $553 thousand during the 2024-2025 year compared to an increase of $312 thousand in the 2023-2024 year. Revenues were comparable to the prior year, increasing by $65 thousand. Expenditures increased by $931 thousand over the prior year, primarily due to increases in instructional and system-wide support services costs.

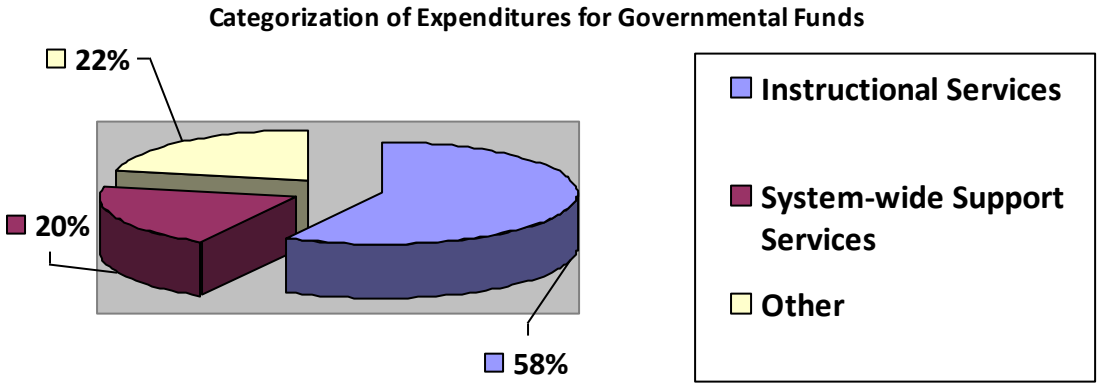
The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Combined revenues and expenditures in these funds decreased by $1.1 million from the previous year, primarily due to a decline in Federal COVID-19 funding received through the Federal Grants Fund as a result of the expiration of that funding.

The Other Specific Revenue Fund reported a deficit fund balance of $40 thousand at June 30, 2025, a decrease for the year of $185 thousand compared to a decrease of $8 thousand for the 2024 year. Revenues were under budget which contributed to the decline in fund balance for the year.

The Capital Outlay Fund reported fund balance of $54 thousand at June 30, 2025, an increase of $39 thousand for the year. The district received increased Lottery Capital Funds from the State in 2025 over 2024 of $3.7 million. This funding was used for capital improvements at the high school.

The Individual Schools Fund reported fund balance of $218 thousand at June 30, 2025, an increase for the year of $15 thousand compared to an increase of $8 thousand for the 2024 year. Both revenues and expenditures were comparable for the two periods.

The following chart summarizes governmental fund expenditures:



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board's business-type funds, the School Food Service and Child Care funds, reported a combined decrease in net position of $194 thousand for the current year compared to a combined increase of $55 thousand for the year ended June 30, 2024. See the section above *Financial Analysis of the Board as a Whole*, for more detailed discussion regarding School Food Service and Child Care program operating results for the year.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. Due to some State and federal revenue sources being uncertain at the start of the year, management budgeted $250 thousand of fund balance in case it was needed to cover instructional or system-wide support service costs that could not be paid from State or federal funds. Budget amendments were made during the year to increase fund balance appropriated to $550 thousand. All of this appropriated fund balance was used by the Board during the year.

Capital Assets

Total primary government capital assets were $23.3 million at June 30, 2025 compared to $18.7 million at June 30, 2024, an increase of 24.6%. This increase was due an excess of capital additions over depreciation and amortization expense for the year, primarily related to upgrades at the high school financed with Lottery Capital Funds. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2025 and 2024:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Right to use asset	$ -	$ 45,195	$ -	$ -	$ -	$ 45,195
Land	65,470	65,470	-	-	65,470	65,470
Construction in progress	5,108,950	101,930	-	-	5,108,950	101,930
Buildings	16,645,763	17,266,584	-	-	16,645,763	17,266,584
Building improvements	12,829	14,185	-	-	12,829	14,185
Equipment and furniture	134,097	135,040	44,304	52,817	178,401	187,857
Vehicles	1,291,501	1,026,623	-	-	1,291,501	1,026,623
Total	$ 23,258,610	$ 18,655,027	$ 44,304	$ 52,817	$ 23,302,914	$ 18,707,844

Debt Outstanding

During the current year, the Board's long-term debt increased by $79 thousand. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. More detailed information about the Board's outstanding debt is contained in the Note 2 to the financial statements.

Economic Factors

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

- As of June 30, 2025, Gates County experienced an unemployment rate of 3.8% as compared to an unemployment rate of 3.6% at June 30, 2024. The unemployment rate for the State of North Carolina at June 30, 2025 was 4.1 %.
- The Board continues to move forward on building improvements and expansions when made necessary by changes in enrollments and other needs. The Board is working diligently with the Gates County Board of Commissioners to find ways to fund these needs through the use of available funding sources.

Requests for Information

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

Steven Harrell, Finance Officer
Gates County Board of Education
205 Main Street
Gatesville, NC 27938

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GATES COUNTY BOARD OF EDUCATION ***Exhibit 1***
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 893,014	$ 127,397	$ 1,020,411
Due from other governments	-	5,968	5,968
Internal balances	175,000	(175,000)	-
Inventories	-	45,482	45,482
Net OPEB asset	18,928	693	19,621
Capital assets:			
Land and construction in progress	5,174,420	-	5,174,420
Other capital assets, net of depreciation	18,084,190	44,304	18,128,494
Total capital assets	23,258,610	44,304	23,302,914
Total assets	24,345,552	48,844	24,394,396
Deferred Outflows of Resources			
Pension and OPEB plans	12,174,094	445,994	12,620,088
Liabilities			
Accounts payable and accrued expenses	61,279	26	61,305
Unearned revenue	-	16,270	16,270
Long-term liabilities:			
Due within one year	1,894,896	138,384	2,033,280
Due in more than one year	34,547,018	1,330,803	35,877,821
Total liabilities	36,503,193	1,485,483	37,988,676
Deferred Inflows of Resources			
Pension and OPEB plans	4,274,885	156,609	4,431,494
Net position			
Net investment in capital assets	22,970,074	44,304	23,014,378
Restricted for:			
Stabilization by State statute	207,622	-	207,622
School capital outlay	53,930	-	53,930
Instructional services	259,130	-	259,130
Individual schools activities	218,145	-	218,145
DIPNC OPEB plan	27,368	1,002	28,370
Unrestricted (deficit)	(27,994,701)	(1,192,560)	(29,187,261)
Total net position (deficit)	$ (4,258,432)	$ (1,147,254)	$ (5,405,686)

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position, Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position, Primary Government: Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	$ 8,817,348	$ -	$ 7,627,231	$ -	$ (1,190,117)	$ -	$ (1,190,117)
Special populations	2,206,888	-	2,030,579	-	(176,309)	-	(176,309)
Alternative programs	1,224,598	-	1,235,054	-	10,456	-	10,456
School leadership	1,308,764	-	918,505	-	(390,259)	-	(390,259)
Co-curricular	464,455	385,373	-	-	(79,082)	-	(79,082)
School-based support	1,602,965	-	1,143,920	-	(459,045)	-	(459,045)
System-wide support services:							
Support and development	298,655	-	243,403	-	(55,252)	-	(55,252)
Special population support and development	54,591	-	38,773	-	(15,818)	-	(15,818)
Alternative programs and services support and development	35,633	-	38,277	-	2,644	-	2,644
Technology support	429,079	-	63,664	-	(365,415)	-	(365,415)
Operational support	3,606,979	82,929	1,070,567	313,162	(2,140,321)	-	(2,140,321)
Financial and human resource services	725,091	-	245,396	-	(479,695)	-	(479,695)
Accountability	137,297	-	138,342	-	1,045	-	1,045
System-wide pupil support	119,230	-	121,671	-	2,441	-	2,441
Policy, leadership and public relations	540,009	-	186,863	-	(353,146)	-	(353,146)
Ancillary services	51,564	-	73,296	-	21,732	-	21,732
Payments to other governments	43,770	-	4,753	-	(39,017)	-	(39,017)
Interest on long-term debt	923	-	-	-	(923)	-	(923)
Unallocated depreciation expense**	676,410	-	-	-	(676,410)	-	(676,410)
Total governmental activities	22,344,249	468,302	15,180,294	313,162	(6,382,491)	-	(6,382,491)
Business-type activities:							
School food service	1,071,825	236,524	652,912	-	-	(182,389)	(182,389)
Child care	392,629	306,661	2,281	-	-	(83,687)	(83,687)
Total business-type activities	1,464,454	543,185	655,193	-	-	(266,076)	(266,076)
Total primary government	$ 23,808,703	$ 1,011,487	$ 15,835,487	$ 313,162	(6,382,491)	(266,076)	(6,648,567)
General revenues:							
Unrestricted county appropriations - operating					2,953,000	-	2,953,000
Unrestricted county appropriations - capital					200,000	-	200,000
Unrestricted State appropriations - operating					2,530,908	-	2,530,908
Unrestricted State appropriations - capital					5,659,148	-	5,659,148
Investment earnings, unrestricted					189	55	244
Miscellaneous, unrestricted					359,231	11,814	371,045
Transfers					(59,867)	59,867	-
Total general revenues and transfers					11,642,609	71,736	11,714,345
Change in net position					5,260,118	(194,340)	5,065,778
Net position (deficit) - beginning, as previously reported					(5,106,860)	(573,844)	(5,680,704)
Change in accounting principle (Note 5)					(4,411,690)	(379,070)	(4,790,760)
Net position (deficit) - beginning, as restated					(9,518,550)	(952,914)	(10,471,464)
Net position (deficit) - ending					$ (4,258,432)	$ (1,147,254)	$ (5,405,686)

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

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

FUND FINANCIAL STATEMENTS

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

Exhibit 3

	Major Funds						
	General	State Public School	Federal Grants	Other Specific Revenue	Capital Outlay	Individual Schools	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 620,939	$ -	$ -	$ -	$ 53,930	$ 218,145	$ 893,014
Due from other funds	207,622	-	-	-	-	-	207,622
Total assets	$ 828,561	$ -	$ -	$ -	$ 53,930	$ 218,145	$ 1,100,636
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 53,432	$ -	$ -	$ 7,847	$ -	$ -	$ 61,279
Due to other funds	-	-	-	32,622	-	-	32,622
Total liabilities	53,432	-	-	40,469	-	-	93,901
Fund balances:							
Restricted:							
Stabilization by State statute	207,622	-	-	-	-	-	207,622
School capital outlay	-	-	-	-	53,930	-	53,930
Instructional services	259,130	-	-	-	-	-	259,130
Individual schools	-	-	-	-	-	218,145	218,145
Assigned:							
Subsequent year's expenditures	200,000	-	-	-	-	-	200,000
Unassigned	108,377	-	-	(40,469)	-	-	67,908
Total fund balances	775,129	-	-	(40,469)	53,930	218,145	1,006,735
Total liabilities and fund balances	$ 828,561	$ -	$ -	$ -	$ 53,930	$ 218,145	$ 1,100,636

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

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

Exhibit 3 (continued)

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

Total fund balances of governmental funds	$ 1,006,735
Net OPEB asset	18,928
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,258,610
Deferred outflows of resources related to pensions	4,673,443
Deferred outflows of resources related to OPEB	7,500,651
Some liabilities, including those for compensated absences, installment purchases and leases are not due and payable in the current period and therefore are not reported in the funds.	(4,375,216)
Net pension liability	(9,906,518)
Net OPEB liability	(22,160,180)
Deferred inflows of resources related to pensions	(634,596)
Deferred inflows of resources related to OPEB	(3,640,289)
Net position (deficit) of governmental activities	$ (4,258,432)

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

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

Exhibit 4

	Major Funds						
	General	State Public School	Federal Grants	Other Specific Revenue	Capital Outlay	Individual Schools	Total Governmental Funds
Revenues:							
State of North Carolina	$ -	$ 15,770,885	$ -	$ 371,317	$ 5,972,310	$ -	$ 22,114,512
Gates County:							
Local current expense	2,953,000	-	-	-	-	-	2,953,000
Other	-	-	-	-	200,000	-	200,000
U.S. Government	-	-	1,269,457	44,986	-	-	1,314,443
Other	101,012	-	-	600,458	189	385,373	1,087,032
Total revenues	3,054,012	15,770,885	1,269,457	1,016,761	6,172,499	385,373	27,668,987
Expenditures:							
Current:							
Instructional services:							
Regular instructional	647,928	8,361,146	87,944	254,923	-	-	9,351,941
Special populations	279,939	1,355,964	484,115	236,891	-	-	2,356,909
Alternative programs	3,839	444,555	594,470	258,701	-	-	1,301,565
School leadership	83,065	1,261,004	3,951	42,911	-	-	1,390,931
Co-curricular	130,873	-	-	-	-	370,218	501,091
School-based support	85,998	1,407,462	1,555	214,599	-	-	1,709,614
System-wide support services:							
Support and development	29,664	287,988	-	1,997	-	-	319,649
Special population support and development	15,085	38,773	-	2,687	-	-	56,545
Alternative programs and services support and development	-	-	38,277	-	-	-	38,277
Technology support	104,076	348,453	-	5,924	-	-	458,453
Operational support	1,676,283	1,104,259	18,736	106,856	440,187	-	3,346,321
Financial and human resource services	215,247	522,177	21,956	15,062	-	-	774,442
Accountability	6,664	138,342	-	1,119	-	-	146,125
System-wide pupil support	4,098	121,671	-	1,120	-	-	126,889
Policy, leadership and public relations	255,628	269,893	1,646	48,705	-	-	575,872
Ancillary services	30,193	-	12,054	5,674	-	-	47,921
Non-programmed charges	38,720	-	4,753	5,050	-	-	48,523
Debt service:							
Principal retirement	-	48,408	-	-	313,162	-	361,570
Interest and fees	-	923	-	-	-	-	923
Capital outlay	-	-	-	-	5,819,848	-	5,819,848
Total expenditures	3,607,300	15,711,018	1,269,457	1,202,219	6,573,197	370,218	28,733,409
Excess (deficiency) of revenues over expenditures	(553,288)	59,867	-	(185,458)	(400,698)	15,155	(1,064,422)
Other financing sources (uses):							
Transfers to other funds	-	(59,867)	-	-	-	-	(59,867)
Installment purchase obligations issued	-	-	-	-	440,186	-	440,186
Total other financing sources (uses)	-	(59,867)	-	-	440,186	-	380,319
Net change in fund balance	(553,288)	-	-	(185,458)	39,488	15,155	(684,103)
Fund balances:							
Beginning of year	1,328,417	-	-	144,989	14,442	202,990	1,690,838
End of year	$ 775,129	$ -	$ -	$ (40,469)	$ 53,930	$ 218,145	$ 1,006,735

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2025

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

Net changes in fund balances - total governmental funds	$ (684,103)
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.	4,603,583
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,029,728
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	860,729
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	6,742
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(78,616)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Pension (expense) benefit	(2,483,148)
OPEB (expense) benefit	(678,302)
Compensated absences	1,683,505
Total changes in net position of governmental activities	$ 5,260,118

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

GATES COUNTY BOARD OF EDUCATION ***Exhibit 6***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Gates County	$ 2,953,000	$ 2,953,000	$ 2,953,000	-
Other	35,000	108,000	101,012	(6,988)
Total revenues	2,988,000	3,061,000	3,054,012	(6,988)
Expenditures:				
Current:				
Instructional services	824,395	1,232,955	1,231,642	1,313
System-wide support services	2,393,605	2,306,745	2,306,745	-
Ancillary services	-	31,300	30,193	1,107
Nonprogrammed charges	20,000	40,000	38,720	1,280
Total expenditures	3,238,000	3,611,000	3,607,300	3,700
Deficiency of revenues over expenditures	(250,000)	(550,000)	(553,288)	(3,288)
Fund balance appropriated	250,000	550,000	-	(550,000)
Net change in fund balance	$ -	$ -	(553,288)	$ (553,288)
Fund balances:				
Beginning of year			1,328,417	
End of year			$ 775,129	

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

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

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ 15,547,770	$ 15,930,940	$ 15,770,885	$ (160,055)
Expenditures:				
Current:				
Instructional services	12,305,000	12,857,865	12,830,131	27,734
System-wide support services	3,184,708	2,958,985	2,831,556	127,429
Debt service:				
Principal retirement	-	48,408	48,408	-
Interest and fees	-	923	923	-
Total debt service	-	49,331	49,331	-
Total expenditures	15,489,708	15,866,181	15,711,018	155,163
Excess of revenues over expenditures	58,062	64,759	59,867	(4,892)
Other financing uses:				
Transfers to other funds	(58,062)	(64,759)	(59,867)	4,892
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
End of year			$ -	

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

GATES COUNTY BOARD OF EDUCATION ***Exhibit 6 (continued)***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2025

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
U.S. Government	$ 2,816,640	$ 1,399,801	$ 1,269,457	$ (130,344)
Expenditures:				
Current:				
Instructional services	2,301,243	1,246,311	1,172,035	74,276
System-wide support services	250,689	94,567	80,615	13,952
Ancillary services	12,285	12,054	12,054	-
Nonprogrammed charges	252,423	46,869	4,753	42,116
Total expenditures	2,816,640	1,399,801	1,269,457	130,344
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
End of year			$ -	

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

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

	Other Specific Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ 394,691	$ 393,335	$ 371,317	$ (22,018)
U.S. Government	76,861	76,861	44,986	(31,875)
Contributions and donations	3,994	3,994	-	(3,994)
Other	582,913	710,851	600,458	(110,393)
Total revenues	1,058,459	1,185,041	1,016,761	(168,280)
Expenditures:				
Current:				
Instructional services	1,286,135	1,100,644	1,008,025	92,619
System-wide support services	221,664	209,172	183,470	25,702
Ancillary services	5,562	5,682	5,674	8
Nonprogrammed charges	-	5,050	5,050	-
Total expenditures	1,513,361	1,320,548	1,202,219	118,329
Deficiency of revenues over expenditures	(454,902)	(135,507)	(185,458)	(49,951)
Fund balance appropriated	454,902	135,507	-	(135,507)
Net change in fund balance	$ -	$ -	(185,458)	$ (185,458)
Fund balances:				
Beginning of year			144,989	
End of year			$ (40,469)	

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

GATES COUNTY BOARD OF EDUCATION ***Exhibit 7***
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2025

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Assets			
Current assets:			
Cash and cash equivalents	$ 92,628	$ 34,769	$ 127,397
Due from other governments	5,968	-	5,968
Inventories	45,482	-	45,482
Total current assets	144,078	34,769	178,847
Noncurrent assets:			
Net OPEB asset	449	244	693
Capital assets:			
Furniture and equipment, net	44,304	-	44,304
Total noncurrent assets	44,753	244	44,997
Total assets	188,831	35,013	223,844
Deferred Outflows of Resources			
Pension and OPEB plans	288,848	157,146	445,994
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	26	-	26
Due to other funds	50,000	125,000	175,000
Compensated absences	85,539	52,845	138,384
Unearned revenue	16,270	-	16,270
Total current liabilities	151,835	177,845	329,680
Noncurrent liabilities:			
Net pension liability	235,047	127,875	362,922
Net OPEB liability	525,784	286,047	811,831
Compensated absences	96,459	59,591	156,050
Total noncurrent liabilities	857,290	473,513	1,330,803
Total liabilities	1,009,125	651,358	1,660,483
Deferred Inflows of Resources			
Pension and OPEB plans	101,428	55,181	156,609
Net position			
Investment in capital assets	44,304	-	44,304
Restricted for DIPNC OPEB plan	649	353	1,002
Unrestricted (deficit)	(677,827)	(514,733)	(1,192,560)
Total net position (deficit)	$ (632,874)	$ (514,380)	$ (1,147,254)

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

GATES COUNTY BOARD OF EDUCATION ***Exhibit 8***
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2025

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Operating revenues:			
Food sales	$ 236,524	$ -	$ 236,524
Child care fees	-	306,661	306,661
Other	2,167	6,371	8,538
Total operating revenues	238,691	313,032	551,723
Operating expenses:			
Food cost:			
Purchase of food	321,445	24,414	345,859
Donated commodities	57,743	-	57,743
Salaries and benefits	622,816	352,617	975,433
Materials and supplies	32,783	5,796	38,579
Repairs and maintenance	2,514	-	2,514
Depreciation	8,513	-	8,513
Contracted services	9,817	7,500	17,317
Other	16,194	2,302	18,496
Total operating expenses	1,071,825	392,629	1,464,454
Operating loss	(833,134)	(79,597)	(912,731)
Nonoperating revenues:			
Federal grant reimbursements	590,482	2,281	592,763
Federal commodities	57,743	-	57,743
State grants	4,687	-	4,687
Interest earned	55	-	55
Contracted service revenues	-	3,276	3,276
Total nonoperating revenues	652,967	5,557	658,524
Loss before transfers	(180,167)	(74,040)	(254,207)
Transfers from other funds	59,867	-	59,867
Change in net position	(120,300)	(74,040)	(194,340)
Net position (deficit), beginning, as previously reported	(239,629)	(334,215)	(573,844)
Change in accounting principle (Note 5)	(272,945)	(106,125)	(379,070)
Net position (deficit), beginning, as restated	(512,574)	(440,340)	(952,914)
Net position (deficit), ending	$ (632,874)	$ (514,380)	$ (1,147,254)

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

GATES COUNTY BOARD OF EDUCATION ***Exhibit 9***
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2025

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Cash flows from operating activities:			
Cash received from customers	$ 232,454	$ 306,661	$ 539,115
Cash paid for goods and services	(373,262)	(40,012)	(413,274)
Cash paid to employees for services	(562,651)	(366,955)	(929,606)
Other operating revenue	2,167	6,371	8,538
Net cash used by operating activities	(701,292)	(93,935)	(795,227)
Cash flows from noncapital financing activities:			
Due to other funds	50,000	75,000	125,000
Due from other funds	-	-	-
Federal and State grants and reimbursements	602,656	2,281	604,937
Contracted service revenue	-	3,276	3,276
Net cash provided by noncapital financing activities	652,656	80,557	733,213
Cash flows from investing activities:			
Interest earned on investments	55	-	55
Net decrease in cash and cash equivalents	(48,581)	(13,378)	(61,959)
Cash and cash equivalents, beginning of year	141,209	48,147	189,356
Cash and cash equivalents, end of year	$ 92,628	$ 34,769	$ 127,397
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$ (833,134)	$ (79,597)	$ (912,731)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	8,513	-	8,513
Donated commodities	57,743	-	57,743
Salaries paid by special revenue fund	59,867	-	59,867
Changes in assets, liabilities, deferred outflows and deferred inflows:			
Decrease in accounts receivable	257	-	257
Increase in net OPEB asset	(449)	(244)	(693)
Decrease in inventories	9,491	-	9,491
Decrease in unearned revenue	(4,327)	-	(4,327)
Increase (decrease) in net pension liability	2,414	(28,344)	(25,930)
Increase in net OPEB liability	186,810	58,419	245,229
Increase in deferred outflows	(64,767)	(6,668)	(71,435)
Increase (decrease) in deferred inflows	870	(12,345)	(11,475)
Decrease in compensated absences payable	(124,580)	(25,156)	(149,736)
Total adjustments	131,842	(14,338)	117,504
Net cash used by operating activities	$ (701,292)	$ (93,935)	$ (795,227)

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

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of $57,743 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of $59,867 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Interfund services provided and used are not eliminated in the process of consolidation.

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

The Board reports the following major governmental funds:

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

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

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

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

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

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 fundraising activities. The primary expenditures are for athletic teams, club programs, activity buses and instructional needs.

The Board reports the following major enterprise funds:

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 afterschool care program at the elementary schools within the school system. The costs associated with these programs are recovered by user charges.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools 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 fund level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys within a fund without limitations and without a report to the Board of Education being required. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the Board of Education. 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.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balances

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. 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 are measured at amortized cost. The NCCMT is reported at fair value. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments with original maturities of three months or less are essentially demand deposits and are considered cash and cash equivalents.

3. Inventories

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

4. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than $5 thousand with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

The Board's capital assets also include certain right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease, which is 5 years.

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

Buildings	10 - 40
Equipment and furniture	5 - 15
Vehicles	10

5. Deferred Outflows and Inflows of Resources

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

6. Long-term Obligations

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

7. Compensated Absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The Board follows the State's policy for vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements on a FIFO basis. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

Sick Leave. The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. However, a liability for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

8. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute for amounts owed to the district at year end [G.S. 115C-425(a)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

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 expenditure 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 fundraising activities for which they were collected.

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes. The assignment of fund balance is governed by NC General Statutes. The Board of Education is authorized to approve appropriations of fund balance in accordance with restrictions established by N.C. General Statutes.

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

The Board does not have a formal revenue spending policy. However, it is the Board's practice to use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-Board funds and Board funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of $(5,265,167) consists of the following elements:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets at historical cost on government-wide statement in governmental activities column)	$ 39,794,047
Less accumulated depreciation and amortization	(16,535,437)
Net capital assets	23,258,610
Net OPEB asset	18,928
Deferred outflows of resources related to pensions	4,673,443
Deferred outflows of resources related to OPEB	7,500,651
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(288,536)
Compensated absences	(4,086,680)
Net pension liability	(9,906,518)
Net OPEB liability	(22,160,180)
Deferred inflows of resources related to pensions	(634,596)
Deferred inflows of resources related to OPEB	(3,640,289)
Total adjustment	$ (5,265,167)

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 $5,944,221 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 5,500,496
Depreciation and amortization expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(896,913)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(440,186)
Principal payments on debt owed and lease liabilities are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	361,570
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,029,728
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	860,729
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	6,742
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(2,483,148)
OPEB (expense) benefit	(678,302)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	1,683,505
Total adjustment	$ 5,944,221

10. Defined Benefit Pension Plans

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

payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2025, the Board had deposits with banks and savings and loans with a carrying amount of $1,020,336 and with the State Treasurer of $0. The bank balances with the financial institutions and the State Treasurer were $1,127,639 and $431,313, respectively. Of these balances, $470,939 was covered by federal depository insurance and $1,088,013 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board also had cash on hand of $75 at June 30, 2025.

2. Accounts Receivable

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

	Due from (to) Other Funds (Internal Balances)	Due from other governments	Total
Governmental activities:			
General Fund	$ 207,622	$ -	$ 207,622
Other governmental activities	(32,622)	-	(32,622)
Total governmental activities	$ 175,000	$ -	$ 175,000
Business-type activities:			
School Food Service Fund	$ (50,000)	$ 5,968	$ (44,032)
Child Care Fund	(125,000)	-	(125,000)
Total business-type activities	$ (175,000)	$ 5,968	$ (169,032)

At June 30, 2025, due from other governments in business-type activities consists of $5,968 of federal funds owed to the School Food Service Fund.

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being amortized:				
Right to use assets:				
Leased equipment	$ 225,976	$ -	$ 225,976	$ -
Less accumulated amortization for:				
Right to use assets:				
Leased equipment	180,781	45,195	225,976	-
Right to use assets, net	45,195			-
Capital assets not being depreciated:				
Land	65,470	-	-	65,470
Construction in progress	101,930	5,007,020	-	5,108,950
Total capital assets not being depreciated	167,400	5,007,020	-	5,174,420
Capital assets being depreciated:				
Buildings	29,651,362	31,962	-	29,683,324
Building improvements	20,345	-	-	20,345
Equipment and furniture	1,355,488	21,328	-	1,376,816
Vehicles	3,098,956	440,186	-	3,539,142
Total capital assets being depreciated	34,126,151	493,476	-	34,619,627
Less accumulated depreciation for:				
Buildings	12,384,778	652,783	-	13,037,561
Building improvements	6,160	1,356	-	7,516
Equipment and furniture	1,220,448	22,271	-	1,242,719
Vehicles	2,072,333	175,308	-	2,247,641
Total accumulated depreciation	15,683,719	851,718	-	16,535,437
Total capital assets being depreciated, net	18,442,432			18,084,190
Governmental activity capital assets, net	$ 18,655,027			$ 23,258,610
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	$ 373,445	$ -	$ -	$ 373,445
Less accumulated depreciation for:				
Equipment and furniture	320,628	8,513	-	329,141
Business-type activities capital assets, net	$ 52,817			$ 44,304

Amortization of $45,195 was charged to operational support services. Depreciation was charged to governmental functions as follows:

Operational support services	$ 175,308
Unallocated depreciation	676,410
Total	$ 851,718

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were $2,104,086 for the year ended June 30, 2025.

Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with

at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

At June 30, 2025, the Board reported a liability of $10,269,440 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was 0.0693% and 0.0767%, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of $2,602,683. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 925,455	$ 30,358
Net difference between projected and actual earnings on pension plan investments	1,693,382	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	121,730	627,486
Board contributions subsequent to the measurement date	2,104,086	-
Total	$ 4,844,653	$ 657,844

$2,104,086 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 582,929
2027	1,724,853
2028	(43,794)
2029	(181,265)
Total	$ 2,082,723

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2022 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability	$ 18,838,149	$ 10,269,440	$ 3,203,284

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

b. Other Postemployment Benefits

1. Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.
The financial statements and other required disclosures for the plan are presented in the State of North Carolina's ACFR, which can be found at https://www.osc.nc.gov/public-information/reports.

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the year ended June 30, 2025, the Board contributed 6.99% of covered payroll, which amounted to $875,971 for the entire fiscal year. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling $10.3 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled $6,989.

At June 30, 2025, the Board reported a liability of $22,972,011 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was 0.0675% and 0.0699%, respectively.

$875,971 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2026	$	134,220
2027		682,026
2028		1,383,978
2029		916,841
Total	$	3,117,065

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

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

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

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

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability	$ 27,330,748	$ 22,972,011	$ 19,472,326

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

		Healthcare Trend Rates	
	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-9.00%, Medicare Advantage - 4.00%, Administrative - 2.00%)	(Medical - 5.00-6.50%, Pharmacy - 5.00-10.00%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% increase (Medical -6.00-7.50%, Pharmacy - 6.00-11.00%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	$ 18,961,746	$ 22,972,011	$ 28,164,523

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

2. Disability Benefits

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

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

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

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $16,291 for the year ended June 30, 2025. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

At June 30, 2025, the Board reported an asset of $19,621 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was 0.0596% and 0.0663%, respectively.

$16,291 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (7,368)
2027	(5,054)
2028	2,573
2029	1,367
2030	940
Total	$ (7,542)

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

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

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

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	$ 17,495	$ 19,621	$ 21,855

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2024. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 1.2%.

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

	RHBF	DIPNC	Total
OPEB expense (benefit)	$ 789,688	$ 10,917	$ 800,605
OPEB liability (asset)	22,972,011	(19,621)	22,952,390
Proportionate share of the net OPEB liability / asset	0.0675%	0.0596%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 187,235	$ 7,910	$ 195,145
Changes of assumptions	5,532,598	293	5,532,891
Net difference between projected and actual earnings on plan investments	98,439	15,403	113,842
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,039,992	1,303	1,041,295
Board contributions subsequent to the measurement date	875,971	16,291	892,262
Total deferred outflows of resources	$ 7,734,235	$ 41,200	$ 7,775,435
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 22,568	$ 22,568
Changes of assumptions	2,995,081	9,141	3,004,222
Changes in proportion and differences between Board contributions and proportionate share of contributions	746,118	742	746,860
Total deferred inflows of resources	$ 3,741,199	$ 32,451	$ 3,773,650

2. Accounts Payable

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

	Vendors and Other
Governmental activities:	
General Fund	$ 53,432
Other governmental activities	7,847
Total governmental activities	$ 61,279
Business-type activities:	
School Food Service Fund	$ 26

3. Unearned Revenues

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

Business-type activities:	
Prepayments of meals (School Food Service Fund)	$ 16,270

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,120,600	$ 52,926
Changes of assumptions	5,532,891	3,004,222
Net difference between projected and actual earnings on pension and OPEB plan investments	1,807,224	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,163,025	1,374,346
Board contributions subsequent to the measurement date	2,996,348	-
Total	$ 12,620,088	$ 4,431,494

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of $1,000,000 each claim made / $3,150,000 coverage period aggregate.

Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds.

The Board also participates in the State Public Education Property Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. The Fund insures the tangible property assets of the Board. Buildings and contents are insured on a replacement cost basis.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina through December 31, 2024 and Aetna thereafter. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays the majority of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for $50,000. The remaining employees that have access to funds are bonded for either $5,000 or $10,000.

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

6. Long-Term Obligations

a. Leases

The Board has entered into an agreement to lease certain equipment. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The agreement was executed on July 1, 2020, to lease copier machines and requires 60 monthly payments of $4,110.90. There are no variable payment components of the lease. The lease liability is measured at an imputed discount rate of 3.50%. The lease was paid-in-full during the year and therefore has a net book value of $0 on June 30, 2025. The right to use asset is discussed in more detail in Note 2.4.

b. Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third-party direct placement financing arrangements. During the current and prior fiscal year, the Board entered into such contracts for the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The gross amount capitalized under the outstanding installment purchase contracts totaled $713,962 at June 30, 2025. The financing contracts require four equal principal-only payments with the first payment due within 10 days of receipt of the bus and the following 3 payments due on the next 3 immediately following November 15th dates. The future minimum payments of the installment purchases are as follows:

Year Ending June 30:	Governmental Activities Principal
2026	$ 178,490
2027	110,046
Totals	$ 288,536

c. Long-Term Obligation Activity

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

	July 1, 2024 (As restated)	Increases	Decreases	June 30, 2025	Current Portion
Governmental activities:					
Direct placement installment purchases	$ 161,512	$ 440,186	$ 313,162	$ 288,536	$ 178,490
Lease liabilities	48,408	-	48,408	-	-
Net pension liability	12,400,226	-	2,493,708	9,906,518	-
Net OPEB liability	18,068,551	4,091,629	-	22,160,180	-
Compensated absences	5,770,185	-	1,683,505	4,086,680	1,716,406
Total	$ 36,448,882	$ 4,531,815	$ 4,538,783	$ 36,441,914	$ 1,894,896
Business-type activities:					
Net pension liability	$ 388,852	$ -	$ 25,930	$ 362,922	$ -
Net OPEB liability	566,602	245,229	-	811,831	-
Compensated absences	444,170	-	149,736	294,434	138,384
Total	$ 1,399,624	$ 245,229	$ 175,666	$ 1,469,187	$ 138,384

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds. Installment purchases and lease liabilities are typically liquidated by the State Public School and Capital Outlay funds.

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2025 consisted of $50,000 owed to the General Fund from the School Food Service Fund and $125,000 owed to the General Fund from the Child Care Fund for operating cash advances. These balances are expected to be paid by June 30, 2026.

2. Transfers to/from other Funds

The State Public School Fund transferred $59,867 to the School Food Service Fund. This transfer was made at the request of the State of North Carolina to ensure that the State was in compliance with State matching requirements contained within the National School Lunch Program grant agreement.

D. Net Position / Fund Balance

1. Net Investment in Capital Assets – Governmental Activities

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

Total governmental activities capital assets	$ 23,258,610
Less: Installment purchase obligations for school buses	(288,536)
Net investment in capital assets, governmental activities	$ 22,970,074

2. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is unassigned and available for appropriation at June 30, 2025:

Total fund balance - General Fund	$ 775,129
Less:	
Stabilization by State statute	(207,622)
Restricted for instructional services	(259,130)
Appropriated fund balance in the 2025-2026 budget	(200,000)
Unassigned fund balance	$ 108,377

NOTE 3 – OTHER SPECIFIC REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2025 consist of the following:

Medicaid reimbursement program	$ 223,070
Activity bus / vehicle use revenue	117,980
Tuition and fees	72,659
Other	186,749
Total other revenues	$ 600,458

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – ACCOUNTING CHANGES

Change in Accounting Principle

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

Adjustments to and Restatements of Beginning Balances

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

	Reporting Units Affected by Restatements of Beginning Balances			
	Proprietary Fund		Government-Wide	
	School Food Service	Child Care	Governmental Activities	Business-Type Activities
June 30, 2024 net position (deficit), as previously reported	$ (239,629)	$ (334,215)	$ (5,106,860)	$ (573,844)
Change in accounting principle	(272,945)	(106,125)	(4,411,690)	(379,070)
June 30, 2024 net position (deficit), as restated	$ (512,574)	$ (440,340)	$ (9,518,550)	$ (952,914)

NOTE 6 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through December 8, 2025 (the issuance date of the financial statements) and has determined that there were no subsequent events to recognize or disclose in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions
Retiree Health Benefit Fund

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

Schedule of Board Contributions
Disability Income Plan of North Carolina

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

	2025	2024	2023	2022	2021
Board's proportion of the net pension liability	0.069%	0.077%	0.078%	0.073%	0.075%
Board's proportionate share of the net pension liability	$ 10,269,440	$ 12,789,078	$ 11,571,009	$ 3,418,299	$ 9,057,873
Board's covered payroll	$ 12,436,387	$ 12,851,876	$ 13,014,725	$ 11,839,958	$ 11,639,609
Board's proportionate share of the net pension liability as a percentage of its covered payroll	82.58%	99.51%	88.91%	28.87%	77.82%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%

	2020	2019	2018	2017	2016
Board's proportion of the net pension liability	0.074%	0.075%	0.076%	0.079%	0.082%
Board's proportionate share of the net pension liability	$ 7,680,878	$ 7,427,242	$ 6,018,273	$ 7,265,511	$ 3,015,966
Board's covered payroll	$ 11,541,678	$ 10,948,882	$ 10,840,597	$ 10,389,300	$ 11,132,481
Board's proportionate share of the net pension liability as a percentage of its covered payroll	66.55%	67.84%	55.52%	69.93%	27.09%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021
Contractually required contribution	$ 2,104,086	$ 2,192,535	$ 2,233,656	$ 2,131,812	$ 1,749,946
Contributions in relation to the contractually required contribution	2,104,086	2,192,535	2,233,656	2,131,812	1,749,946
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 12,531,781	$ 12,436,387	$ 12,851,876	$ 13,014,725	$ 11,839,958
Contributions as a percentage of covered payroll	16.79%	17.63%	17.38%	16.38%	14.78%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,509,657	$ 1,418,472	$ 1,180,290	$ 1,081,892	$ 950,621
Contributions in relation to the contractually required contribution	1,509,657	1,418,472	1,180,290	1,081,892	950,621
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 11,639,609	$ 11,541,678	$ 10,948,882	$ 10,840,597	$ 10,389,300
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability	0.068%	0.070%	0.067%	0.064%	0.065%
Board's proportionate share of the net OPEB liability	$ 22,972,011	$ 18,617,520	$ 15,937,707	$ 19,774,223	$ 17,935,332
Board's covered payroll	$ 12,436,387	$ 12,851,876	$ 13,014,725	$ 11,839,958	$ 11,639,609
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	184.72%	144.86%	122.46%	167.01%	154.09%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%

	2020	2019	2018	2017
Board's proportion of the net OPEB liability	0.064%	0.065%	0.067%	0.067%
Board's proportionate share of the net OPEB liability	$ 20,102,969	$ 18,585,644	$ 22,044,368	$ 29,058,318
Board's covered payroll	$ 11,541,678	$ 10,948,882	$ 10,840,597	$ 11,486,641
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	174.18%	169.75%	203.35%	252.97%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%

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

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

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST NINE FISCAL YEARS

	2025	2024	2023	2022	2021
Contractually required contribution	$ 875,971	$ 887,958	$ 885,494	$ 818,626	$ 790,909
Contributions in relation to the contractually required contribution	875,971	887,958	885,494	818,626	790,909
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 12,531,781	$ 12,436,387	$ 12,851,876	$ 13,014,725	$ 11,839,958
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%

	2020	2019	2018	2017
Contractually required contribution	$ 753,083	$ 723,663	$ 662,407	$ 630,166
Contributions in relation to the contractually required contribution	753,083	723,663	662,407	630,166
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Board's covered payroll	$ 11,639,609	$ 11,541,678	$ 10,948,882	$ 10,840,597
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%

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

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability/asset	0.060%	0.066%	0.068%	0.065%	0.066%
Board's proportionate share of the net OPEB liability (asset)	$ (19,621)	$ 17,633	$ 20,107	$ (10,571)	$ (32,266)
Board's covered payroll	$ 12,436,387	$ 12,851,876	$ 13,014,725	$ 11,839,958	$ 11,639,609
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.16%	0.14%	0.15%	0.09%	0.28%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	114.99%	90.61%	90.34%	105.18%	115.57%

	2020	2019	2018	2017
Board's proportion of the net OPEB liability/asset	0.065%	0.065%	0.066%	0.069%
Board's proportionate share of the net OPEB liability (asset)	$ (28,117)	$ (19,793)	$ (40,486)	$ (43,122)
Board's covered payroll	$ 11,541,678	$ 10,948,882	$ 10,840,597	$ 11,486,641
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.24%	0.18%	0.37%	0.38%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	113.00%	108.47%	116.23%	116.06%

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

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

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST NINE FISCAL YEARS

	2025	2024	2023	2022	2021
Contractually required contribution	$ 16,291	$ 13,680	$ 12,852	$ 11,713	$ 10,656
Contributions in relation to the contractually required contribution	16,291	13,680	12,852	11,713	10,656
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 12,531,781	$ 12,436,387	$ 12,851,876	$ 13,014,725	$ 11,839,958
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	2020	2019	2018	2017
Contractually required contribution	$ 11,640	$ 16,158	$ 15,328	$ 41,194
Contributions in relation to the contractually required contribution	11,640	16,158	15,328	41,194
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Board's covered payroll	$ 11,639,609	$ 11,541,678	$ 10,948,882	$ 10,840,597
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%

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

INDIVIDUAL FUND BUDGETARY SCHEDULES

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

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Gates County:			
County appropriation	$ 2,953,000	$ 2,953,000	$ -
Other:			
Fines and forfeitures	108,000	101,012	(6,988)
Total revenues	3,061,000	3,054,012	(6,988)
Expenditures:			
Current:			
Instructional services:			
Regular instructional		647,928	
Special populations		279,939	
Alternative programs		3,839	
School leadership		83,065	
Co-curricular		130,873	
School-based support		85,998	
Total instructional services	1,232,955	1,231,642	1,313
System-wide support services:			
Support and development		29,664	
Special population support and development		15,085	
Technology support		104,076	
Operational support		1,676,283	
Financial and human resource services		215,247	
Accountability		6,664	
System-wide pupil support		4,098	
Policy, leadership and public relations		255,628	
Total system-wide support services	2,306,745	2,306,745	-
Ancillary services:			
Nutrition	31,300	30,193	1,107
Non-programmed charges:			
Payments to other governments	40,000	38,720	1,280
Total expenditures	3,611,000	3,607,300	3,700
Deficiency of revenues over expenditures	(550,000)	(553,288)	(3,288)

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

	Final Budget	Actual	Variance with Final Budget
Fund balance appropriated	550,000	-	(550,000)
Net change in fund balance	$ -	(553,288)	$ (553,288)
Fund balance:			
Beginning of year		1,328,417	
End of year		$ 775,129	

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

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
State Buses Appropriation	$ 439,155	$ 313,162	$ (125,993)
Gates County:			
General county appropriations	200,000	200,000	-
Other:			
Interest earned on investments	-	189	189
Total revenues	639,155	513,351	(125,804)
Expenditures:			
Current:			
System-wide support services:			
Operational support	566,179	440,187	125,992
Debt service:			
Principal retirement	313,162	313,162	-
Capital outlay	200,000	160,700	39,300
Total expenditures	1,079,341	914,049	165,292
Deficiency of revenues over expenditures	(440,186)	(400,698)	39,488
Other financing sources:			
Installment purchase obligations issued	440,186	440,186	-
Net change in fund balance	$ -	39,488	$ 39,488
Non-budgeted reconciling items:			
Amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 4) are different from the Budget and Actual Statement due to capital outlay activity incurred by Gates County on behalf of the Board:			
Capital outlay contributed to the Board:			
Financed through Lottery Capital Funds		5,659,148	
Total County expenditures made on behalf of the Board		(5,659,148)	
Fund balance:			
Beginning of year		14,442	
End of year		$ 53,930	

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

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Food sales	$ 191,100	$ 236,524	$ 45,424
Other	-	2,167	2,167
Total operating revenues	191,100	238,691	47,591
Operating expenditures:			
Business support services:			
Purchase of food		311,954	
Donated commodities		57,743	
Salaries and benefits		622,518	
Materials and supplies		32,783	
Repairs and maintenance		2,514	
Contracted services		9,817	
Other		16,194	
Total operating expenditures	1,056,100	1,053,523	2,577
Operating loss	(865,000)	(814,832)	50,168
Nonoperating revenues:			
Federal reimbursements	750,000	590,482	(159,518)
Federal commodities	65,000	57,743	(7,257)
State reimbursements	-	4,687	4,687
Interest earned	-	55	55
Total nonoperating revenues	815,000	652,967	(162,033)
Deficiency of revenues over expenditures	(50,000)	(161,865)	(111,865)
Other financing sources:			
Transfers from other funds	50,000	59,867	9,867
Net change in fund balance	$ -	(101,998)	$ (101,998)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(8,513)	
Net OPEB asset		449	
Net pension liability		(2,414)	
Net OPEB liability		(186,810)	
Deferred outflows - pension and OPEB		64,767	
Deferred inflows - pension and OPEB		(870)	
Decrease in compensated absences payable		124,580	
Decrease in inventory		(9,491)	
Change in net position (full accrual)		$ (120,300)	

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
CHILD CARE FUND
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Child care fees	$ 307,000	$ 306,661	$ (339)
Other	900	6,371	5,471
Total operating revenues	307,900	313,032	5,132
Operating expenditures:			
Regular community services:			
Purchase of food		24,414	
Salaries and benefits		366,955	
Materials and supplies		5,796	
Contracted services		7,500	
Other		2,302	
Total operating expenditures	417,900	406,967	10,933
Operating loss	(110,000)	(93,935)	16,065
Nonoperating revenues:			
Federal grant revenues	15,000	2,281	(12,719)
Contracted service revenues	20,000	3,276	(16,724)
Total nonoperating revenues	35,000	5,557	(29,443)
Deficiency of revenues over expenditures	(75,000)	(88,378)	(13,378)
Other financing sources:			
Transfers from other funds	75,000	-	(75,000)
Net change in fund balance	$ -	(88,378)	$ (88,378)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net OPEB asset		244	
Net pension liability		28,344	
Net OPEB liability		(58,419)	
Deferred outflows - pension and OPEB		6,668	
Deferred inflows - pension and OPEB		12,345	
Decrease in compensated absences payable		25,156	
Change in net position (full accrual)		$ (74,040)	

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT

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

To the Gates County Board of Education
Gatesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Gates County Board of Education, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprises the Gates County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated December 8, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Gates 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.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

December 8, 2025
Rockingham, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

To the Gates County Board of Education
Gatesville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gates 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 Gates 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 Gates 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 Gates 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 Gates County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

December 8, 2025
Rockingham, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

To the Gates County Board of Education
Gatesville, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 Gates 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 Gates 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 Gates 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 Gates 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 Gates 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 Gates 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 Gates 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 Gates County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

December 8, 2025
Rockingham, North Carolina

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	*No*
• Significant deficiency(ies) identified?	*None Identified for Reporting*
Noncompliance material to financial statements noted?	*No*

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	*No*
• Significant deficiency(ies) identified?	*None Identified for Reporting*
Type of auditor's report issued on compliance for major federal programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	*No*

Identification of major federal programs:

AL Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snack Program
10.555	Seamless Summer Program

Dollar threshold used to distinguish between Type A and Type B Programs	*$ 750,000*
Auditee qualified as low-risk auditee?	*Yes*

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

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

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None Identified for Reporting*

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

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

Identification of major State programs:

Program Name

State Public School Fund

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

Auditee qualified as low-risk auditee? *Yes*

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

No findings were reported in the prior year.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
U.S. Department of Agriculture			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	$ 57,743
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	185,821
National School Lunch Program	10.555	PRC 035	387,176
After School Snack Program	10.555	PRC 035	3,194
Seamless Summer Program	10.555	PRC 035	14,291
Cash assistance subtotal			590,482
Total Child Nutrition Cluster			648,225
Total School Nutrition Cluster (Note 3)			648,225
Local Food for Schools Cooperative Agreement Program	10.185	N/A	1,375
Passed-through the N.C. Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	N/A	2,281
Total U.S. Department of Agriculture			651,881
U.S. Department of Education			
Direct Programs:			
GEAR UP N.C. Grant	84.334	N/A	43,611
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 115	420,215
Supporting Effective Instruction State Grant	84.367	PRC 103	75,235
Language Acquisition Grant	84.365	PRC 111	455
Student Support and Academic Enrichment Program	84.424	PRC 108	21,174
Rural and Low Income Schools	84.358	PRC 109	10,182
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	431,066
Special Needs Targeted Assistance	84.027	PRC 118	15,888
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	21,954
Preschool Targeted Assistance	84.173	PRC 119	449
Total Special Education Cluster			469,357
Special Education - State Personnel Development	84.323	PRC 082	3,466
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	26,785

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
COVID-19 - Education Stabilization Fund:			
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	203,380
COVID-19 - ESSER III - Summer Career Accel. Programs	84.425U	PRC 188	14,721
COVID-19 - ESSER III - Math Enrichment Programs	84.425U	PRC 189	22,699
COVID-19 - ESSER III - Ed. and Comp. After-School Robotics Grant Program	84.425U	PRC 201	1,788
Total COVID-19 - Education Stabilization Fund	84.425		242,588
Total U.S. Department of Education			1,313,068
Total Federal Assistance			**1,964,949**
State Grants:			
N.C. Department of Public Instruction:			
Cash Assistance:			
State Public School Fund		Various	14,888,580
Career and Technical Education:			
State Months of Employment		PRC 013	697,071
Program Support Funds		PRC 014	144,007
Driver Training		PRC 012	24,531
School Technology Fund		PRC 015	16,696
Passed-through Gates County:			
Lottery Capital Funds:			
Public School Building Capital Fund			56,023
Needs-Based Public School Capital Fund			5,603,125
Total Lottery Capital Funds			5,659,148
Cash assistance subtotal			21,430,033
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	313,162
Total N.C. Department of Public Instruction			21,743,195
N.C. Department of Public Safety:			
Division of Juvenile Justice			
Student Assistance Program		PRC 414	35,791

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
N.C. Department of Agriculture:			
State Reduced Breakfast Program			1,733
State Reduced Lunch Program			2,954
Total N.C. Department of Agriculture			4,687
N.C. Department of Health and Human Services:			
Division of Child Development			
N.C. Pre-Kindergarten Program		PRC 413	217,000
Division of Public Health:			
Passed-through Albemarle Regional Health Services:			
State School Nurse Initiative		PRC 615	100,000
Total N.C. Department of Health and Human Services			317,000
N.C. Department of Cultural Resources:			
North Carolina Arts Council			
Cultural Resources Grant		PRC 422	18,526
Total State Assistance			**22,119,199**
Total Federal and State Assistance			**$ 24,084,148**

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

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