

**Watauga County
Board of Education**

Financial Statements
For the Year Ended
June 30, 2025

WATAUGA COUNTY BOARD OF EDUCATION

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Watauga County Board of Education
Boone, North Carolina

Opinions

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

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

Basis for Opinions

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Watauga County Board of

Education's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *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 GAAS and *Government Auditing Standards* we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures 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 Watauga County Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Watauga County Board of Education's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 and the Schedule of the Proportionate Share of the Net Pension Liability, OPEB Liabilities and the Schedule of Board Contributions on pages 58 to 63, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025 on our consideration of Watauga County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watauga County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watauga County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

December 2, 2025
Elon, North Carolina
(336) 380-4123

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

This section of the Watauga County Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 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 \$6.4 million and \$197 thousand, respectively.
- The liabilities of the Board exceeded assets at the close of the fiscal year by \$60.1 million.
- The Board's total net position decreased by \$1.7 million excluding the change in accounting principle during the 2024-2025 year.
- At the close of the fiscal year, the Board's governmental funds reported a combined fund balance of \$5.6 million, an increase of \$2.5 million from the prior year.
- At the close of the fiscal year, the Board's General Fund reported a fund balance of \$3.5 million, an increase of \$1.8 million from the prior year.

District Highlights

Watauga County Schools is home to more than 4,500 students who attend classes at one of the system's 11 schools. The district comprises eight schools serving students in grades K-8, one consolidated high school and the Watauga Innovation Academy, a cooperative high school that allows students to earn high school and college credit simultaneously.

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

Watauga County Schools is consistently ranked among the best public school systems in the state of North Carolina. WCS also ranks as a top academic contender statewide, recently scoring in the top four for End-of-Grade testing and netting the top spot region-wide in a number of testing categories.

Watauga County Schools is consistently named an "Accomplished District" by the National Board for Professional Teaching Standards. The designation was given to school districts in which 20 percent or more of teachers have achieved National Board certification. Watauga County is one of just 79 school districts across the nation that were awarded the Accomplished District designation.

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

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

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

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

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary statements for certain governmental funds and budgetary statements for the enterprise funds*

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

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Watauga County Board of Education has three types of funds:

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

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, and the Federal Grants Fund.

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

Proprietary fund: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Watauga County Board of Education has two proprietary funds – both enterprise funds - the School Food Service Fund and the Child Care Fund. The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.

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

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

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$60.1 million as of June 30, 2025. The largest component of net position is net investment in capital assets, net of related debt, of \$15.7 million.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2025 and 2024						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Current assets	\$ 6,320,268	\$ 3,487,746	\$ 1,867,553	\$ 2,290,612	\$ 8,187,821	\$ 5,778,358
Capital assets	15,667,574	16,342,146	240,333	218,207	15,907,907	16,560,353
Total assets	<u>21,987,842</u>	<u>19,829,892</u>	<u>2,107,886</u>	<u>2,508,819</u>	<u>24,095,728</u>	<u>22,338,711</u>
Deferred outflows of resources	<u>37,569,393</u>	<u>36,197,673</u>	<u>1,164,854</u>	<u>1,027,414</u>	<u>38,734,247</u>	<u>37,225,087</u>
Current liabilities	688,992	432,728	49,508	53,076	738,500	485,804
Long-term liabilities	105,904,484	89,208,272	3,283,484	2,516,182	109,187,968	91,724,454
Total liabilities	<u>106,593,476</u>	<u>89,641,000</u>	<u>3,332,992</u>	<u>2,569,258</u>	<u>109,926,468</u>	<u>92,210,258</u>
Deferred inflows of resources	<u>12,628,976</u>	<u>18,652,839</u>	<u>391,567</u>	<u>529,429</u>	<u>13,020,543</u>	<u>19,182,268</u>
Net investment in capital assets	15,471,018	16,342,146	240,333	218,207	15,711,351	16,560,353
Restricted net position	2,229,449	1,488,550	1,890	-	2,231,339	1,488,550
Unrestricted net position	<u>(77,365,684)</u>	<u>(70,096,970)</u>	<u>(694,042)</u>	<u>219,339</u>	<u>(78,059,726)</u>	<u>(69,877,631)</u>
Total net position	<u>\$ (59,665,217)</u>	<u>\$ (52,266,274)</u>	<u>\$ (451,819)</u>	<u>\$ 437,546</u>	<u>\$ (60,117,036)</u>	<u>\$ (51,828,728)</u>

Note that net position of governmental activities decreased during the year, indicating deterioration in the financial condition of the Board. The decrease is primarily due to the change in accounting principle. Also note that the Board carries capital assets for which Watauga County carries the offsetting debt.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2025 and 2024						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Revenues:						
Program revenues:						
Charges for services	\$ 1,974,076	\$ 2,164,160	\$ 1,471,255	\$ 1,541,589	\$ 3,445,331	\$ 3,705,749
Operating grants and contributions	41,142,332	40,888,106	1,402,197	1,860,465	42,544,529	42,748,571
Capital grants and contributions	2,764,883	345,636	-	-	2,764,883	345,636
General revenues:						
Other revenues	21,405,477	18,420,964	10,384	828	21,415,861	18,421,792
Total revenues	<u>67,286,768</u>	<u>61,818,866</u>	<u>2,883,836</u>	<u>3,402,882</u>	<u>70,170,604</u>	<u>65,221,748</u>
Expenses:						
Governmental activities:						
Instructional services	55,110,689	52,230,213	-	-	55,110,689	52,230,213
System-wide support services	12,347,359	12,244,090	-	-	12,347,359	12,244,090
Ancillary services	115,951	2,535	-	-	115,951	2,535
Non-programmed charges	476,761	401,786	-	-	476,761	401,786
Depreciation	174,340	172,797	-	-	174,340	172,797
Business-type activities:						
School food service	-	-	2,911,642	2,957,249	2,911,642	2,957,249
Child care	-	-	763,500	665,375	763,500	665,375
Total expenses	<u>68,225,100</u>	<u>65,051,421</u>	<u>3,675,142</u>	<u>3,622,624</u>	<u>71,900,242</u>	<u>68,674,045</u>
Transfers in (out)	<u>(98,672)</u>	<u>(172,113)</u>	<u>98,672</u>	<u>172,113</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>(1,037,004)</u>	<u>(3,404,668)</u>	<u>(692,634)</u>	<u>(47,629)</u>	<u>(1,729,638)</u>	<u>(3,452,297)</u>
Net position (deficit), beginning, as previously reported	(52,266,274)	(48,861,606)	437,546	485,175	(51,828,728)	(48,376,431)
Change in accounting principle (note 5)	<u>(6,361,939)</u>	<u>-</u>	<u>(196,731)</u>	<u>-</u>	<u>(6,558,670)</u>	<u>-</u>
Net position (deficit), beginning, as restated	<u>(58,628,213)</u>	<u>(48,861,606)</u>	<u>240,815</u>	<u>485,175</u>	<u>(58,387,398)</u>	<u>(48,376,431)</u>
Ending net position	<u>\$ (59,665,217)</u>	<u>\$ (52,266,274)</u>	<u>\$ (451,819)</u>	<u>\$ 437,546</u>	<u>\$ (60,117,036)</u>	<u>\$ (51,828,728)</u>

Total governmental activities generated revenues of \$67.3 million as compared to the \$61.8 million generated in the prior year. Expenses for the current year were \$68.2 million as compared to \$65.1 million in the prior year. The decrease in net position stands at \$1.0 million at June 30, 2025, compared to a decrease of \$3.4 million in 2024. Business-type activities generated revenue of \$2.9 million and had expenses of \$3.7 million. The decrease in business-type net position, after transfers in, stands at \$693 thousand.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

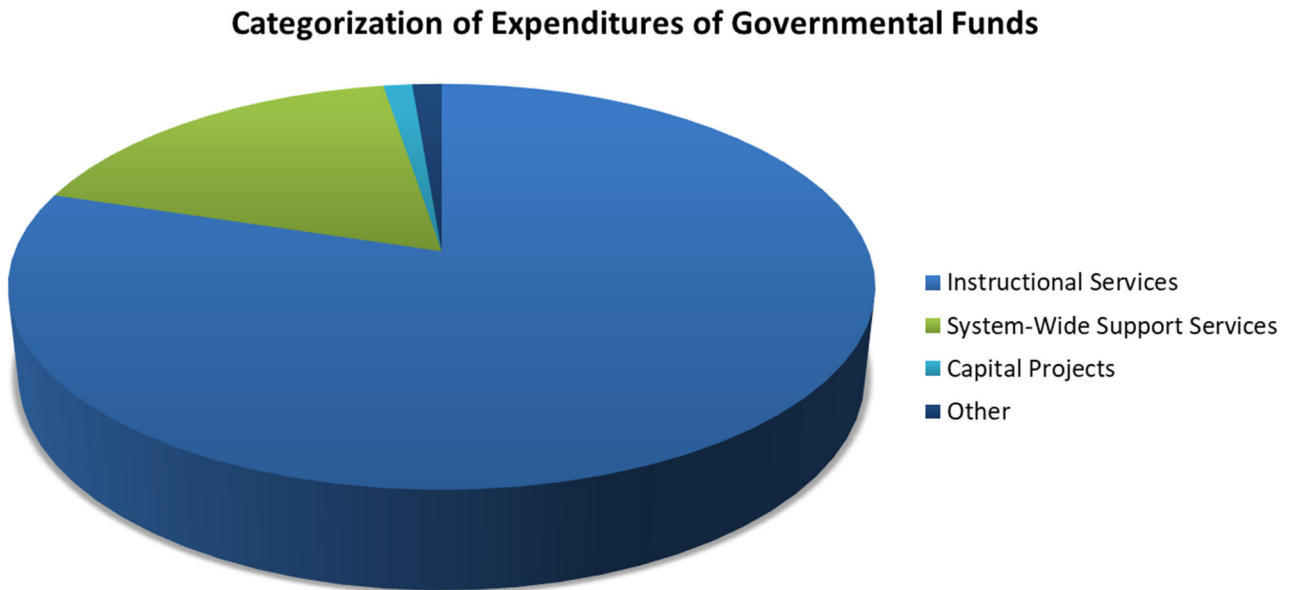
Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of \$5.6 million, a \$2.5 million increase from last year. The General Fund increased by \$1.8 million.

Proprietary Funds: The Board's business-type funds had a decrease in net position in the past year of \$693 thousand, excluding the change in accounting principle. Exclusive of the change in accounting principle, the School Food Service Fund reflected a decrease in net position of \$625 thousand while the Child Care Fund's net position decreased by \$68 thousand.

The following chart summarizes expenditures by category.



Expenditures are presented on the modified accrual basis of accounting.

Budgetary Highlights

Over the course of the year, the Board revised the budget to account for changes in expenditures. The State Public School Fund budget increased approximately \$2.6 million for additional revenue allocated from the State. The General Fund budget increased approximately \$4.6 million primarily due to an increased allocation from the County, as well as the receipt of additional grant funds, including FEMA funds related to Hurricane Helene.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

Capital Assets

Capital assets decreased by \$652 thousand from the previous year. This was largely due to depreciation exceeding capital asset additions during the year. The following is a summary of the capital assets, net of depreciation at year-end.

A more detailed description of the capital assets is available in Note 2 of the basic financial statements.

Table 3						
Summary of Capital Assets						
As of June 30, 2025 and 2024						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Land	\$ 1,982,106	\$ 1,982,106	\$ -	\$ -	\$ 1,982,106	\$ 1,982,106
Buildings and improvements	10,592,510	11,426,179	-	-	10,592,510	11,426,179
Equipment and furniture	1,311,787	1,411,178	240,333	218,207	1,552,120	1,629,385
Vehicles	1,576,978	1,522,683	-	-	1,576,978	1,522,683
Right to use leased assets	204,193	-	-	-	204,193	-
Total	<u>\$ 15,667,574</u>	<u>\$ 16,342,146</u>	<u>\$ 240,333</u>	<u>\$ 218,207</u>	<u>\$ 15,907,907</u>	<u>\$ 16,560,353</u>

Debt Outstanding

During the year the Board's outstanding debt relating to lease liabilities increased by approximately \$197 thousand due to new leases for bus radios and repeaters. The Board is limited by North Carolina statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

A more detailed description of the long-term debt is available in Note 2 of the basic financial statements.

Economic Factors

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

- The property tax rate of 31.8 cents per \$100 is the 3rd lowest of all 100 counties in North Carolina for 2024-25.
- For December 2024, Watauga County ranked 32nd lowest out of 100 counties in North Carolina for unemployment with a rate of 3.2 percent.
- State and local tax revenues from travel to Watauga County amounted to \$36.1 million. This represents a \$656.22 tax savings to each county resident.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

Requests for Information

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

Joseph B. Nash, CPA
Chief Financial Officer
Watauga County Board of Education
175 Pioneer Trail
Boone, NC 28607

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2025

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 5,682,383	\$ 1,694,399	\$ 7,376,782
Due from other governments	428,958	48,633	477,591
Receivables (net)	3,033	-	3,033
Net OPEB asset	60,943	1,890	62,833
Inventories	144,951	122,631	267,582
Capital assets:			
Intangible right-to-use lease, net of amortization	204,193	-	204,193
Land, improvements, and construction in progress	1,982,106	-	1,982,106
Other capital assets, net of depreciation	13,481,275	240,333	13,721,608
Total capital assets	15,667,574	240,333	15,907,907
Total assets	21,987,842	2,107,886	24,095,728
DEFERRED OUTFLOWS OF RESOURCES	37,569,393	1,164,854	38,734,247
LIABILITIES			
Accounts payable and accrued expenses	604,420	-	604,420
Due to other governments	84,572	-	84,572
Unearned revenues	-	49,508	49,508
Long-term liabilities:			
Due within one year			
Lease liability	43,943	-	43,943
Compensated absences	4,113,575	145,530	4,259,105
Due in more than one year			
Lease liability	152,613	-	152,613
Net pension liability	31,416,653	974,087	32,390,740
Net OPEB liability	64,497,048	1,999,759	66,496,807
Compensated absences	5,680,652	164,108	5,844,760
Total liabilities	106,593,476	3,332,992	109,926,468
DEFERRED INFLOWS OF RESOURCES	12,628,976	391,567	13,020,543
NET POSITION			
Net investment in capital assets	15,471,018	240,333	15,711,351
Restricted for:			
Individual schools	1,229,660	-	1,229,660
Stabilization by State statute	431,991	-	431,991
Instructional services	506,855	-	506,855
DIPNC OPEB plan	60,943	1,890	62,833
Unrestricted	(77,365,684)	(694,042)	(78,059,726)
Total net position	\$ (59,665,217)	\$ (451,819)	\$ (60,117,036)

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

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

					Exhibit 2		
					Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	\$ 36,016,134	\$ 74,692	\$ 21,861,929	\$ -	\$ (14,079,513)	\$ -	\$ (14,079,513)
Special populations	8,943,209	-	7,232,217	-	(1,710,992)	-	(1,710,992)
Alternative programs	2,500,635	-	2,559,210	-	58,575	-	58,575
School leadership	2,984,145	-	1,701,737	-	(1,282,408)	-	(1,282,408)
Co-curricular	497,713	1,898,739	-	-	1,401,026	-	1,401,026
School-based support	4,168,853	-	2,930,446	-	(1,238,407)	-	(1,238,407)
System-wide support services:							
Support and development	787,443	-	285,317	-	(502,126)	-	(502,126)
Special populations	309,004	-	289,631	-	(19,373)	-	(19,373)
Alternative programs	618	-	618	-	-	-	-
Technology support	1,136,594	-	337,813	-	(798,781)	-	(798,781)
Operational support	7,312,003	645	3,305,813	2,764,883	(1,240,662)	-	(1,240,662)
Financial and human resource services	1,720,236	-	147,372	-	(1,572,864)	-	(1,572,864)
Accountability	8,101	-	2,233	-	(5,868)	-	(5,868)
System-wide pupil support services	318,262	-	-	-	(318,262)	-	(318,262)
Policy, leadership and public relations	755,098	-	403,082	-	(352,016)	-	(352,016)
Ancillary services	115,951	-	84,914	-	(31,037)	-	(31,037)
Non-programmed charges	476,761	-	-	-	(476,761)	-	(476,761)
Unallocated depreciation expense*	174,340	-	-	-	(174,340)	-	(174,340)
Total governmental activities	68,225,100	1,974,076	41,142,332	2,764,883	(22,343,809)	-	(22,343,809)
Business-type activities:							
School food service	2,911,642	807,510	1,370,398	-	-	(733,734)	(733,734)
Child care	763,500	663,745	31,799	-	-	(67,956)	(67,956)
Total business-type activities	3,675,142	1,471,255	1,402,197	-	-	(801,690)	(801,690)
Total primary government	\$ 71,900,242	\$ 3,445,331	\$ 42,544,529	\$ 2,764,883	(22,343,809)	(801,690)	(23,145,499)
General revenues:							
Unrestricted county appropriations - operating					17,840,022	-	17,840,022
Unrestricted county appropriations - capital					450,000	-	450,000
Unrestricted State appropriations - operating					412,512	-	412,512
Unrestricted State appropriations - capital					2,810,646	-	2,810,646
Investment earnings, unrestricted					162,268	9,697	171,965
Miscellaneous, unrestricted					(269,971)	687	(269,284)
Transfers					(98,672)	98,672	-
Total general revenues and transfers					21,306,805	109,056	21,415,861
Change in net position					(1,037,004)	(692,634)	(1,729,638)
Net position (deficit) - beginning, as previously reported					(52,266,274)	437,546	(51,828,728)
Change in accounting principle (Note 5)					(6,361,939)	(196,731)	(6,558,670)
Net position (deficit) - beginning, as restated					(58,628,213)	240,815	(58,387,398)
Net position-ending					\$ (59,665,217)	\$ (451,819)	\$ (60,117,036)

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

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

FUND FINANCIAL STATEMENTS

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

Exhibit 3

	Major Funds					Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	
ASSETS						
Cash and cash equivalents	\$ 3,748,507	\$ -	\$ 1,229,660	\$ 704,216	\$ -	\$ 5,682,383
Receivables (net)	3,033	-	-	-	-	3,033
Due from other governments	63,466	-	-	365,492	-	428,958
Inventories	144,951	-	-	-	-	144,951
Total assets	<u>\$ 3,959,957</u>	<u>\$ -</u>	<u>\$ 1,229,660</u>	<u>\$ 1,069,708</u>	<u>\$ -</u>	<u>\$ 6,259,325</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 374,047	\$ -	\$ -	\$ 230,373	\$ -	\$ 604,420
Due to other governments	84,572	-	-	-	-	84,572
Total liabilities	<u>458,619</u>	<u>-</u>	<u>-</u>	<u>230,373</u>	<u>-</u>	<u>688,992</u>
Fund balances:						
Nonspendable:						
Inventories	144,951	-	-	-	-	144,951
Restricted:						
Stabilization by State statute	66,499	-	-	365,492	-	431,991
Instructional services	506,855	-	-	-	-	506,855
Individual schools	-	-	1,229,660	-	-	1,229,660
Unassigned	2,783,033	-	-	473,843	-	3,256,876
Total fund balances	<u>3,501,338</u>	<u>-</u>	<u>1,229,660</u>	<u>839,335</u>	<u>-</u>	<u>5,570,333</u>
Total liabilities and fund balances	<u>\$ 3,959,957</u>	<u>\$ -</u>	<u>\$ 1,229,660</u>	<u>\$ 1,069,708</u>	<u>\$ -</u>	

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

Net OPEB asset	60,943
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,463,381
Right to leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	204,193
Deferred outflows of resources related to OPEB	23,185,475
Deferred outflows of resources related to pensions	14,383,918
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,794,227)
Lease liability	(196,556)
Net pension liability	(31,416,653)
Net OPEB liability	(64,497,048)
Deferred inflows of resources related to pensions	(1,425,978)
Deferred inflows of resources related to OPEB	(11,202,998)
Net position of governmental activities	<u>\$ (59,665,217)</u>

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

	Major Funds					Exhibit 4
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Total Governmental Funds
REVENUES						
State of North Carolina	\$ 412,512	\$ 37,807,911	\$ -	\$ 2,810,646	\$ -	\$ 41,031,069
Watauga County	17,840,022	-	-	450,000	-	18,290,022
U.S. Government	208,739	-	-	411,871	2,131,570	2,752,180
Other	2,181,734	-	1,898,739	1,122,485	-	5,202,958
Total revenues	20,643,007	37,807,911	1,898,739	4,795,002	2,131,570	67,276,229
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	7,371,872	21,480,033	1,839,776	2,860,367	223,887	33,775,935
Special populations	1,301,636	6,144,551	-	-	1,013,146	8,459,333
Alternative programs	415,203	1,271,428	-	-	648,893	2,335,524
School leadership	1,133,509	1,701,737	-	-	-	2,835,246
Co-curricular	461,778	-	-	21,644	-	483,422
School-based support	1,061,370	2,923,231	-	-	6,721	3,991,322
System-wide support services:						
Support and development	461,126	285,317	-	-	-	746,443
Special populations	3,931	190,537	-	-	92,305	286,773
Alternative programs	-	-	-	-	576	576
Technology support	769,459	337,813	-	-	-	1,107,272
Operational support	3,751,083	2,789,039	-	410,366	-	6,950,488
Financial and human resource services	1,458,247	147,372	-	-	-	1,605,619
Accountability	5,868	2,233	-	-	-	8,101
System-wide pupil support services	108	-	-	-	-	108
Policy, leadership and public relations	306,798	403,082	-	17,757	-	727,637
Ancillary services	77,124	84,914	-	-	-	162,038
Non-programmed charges	476,761	-	-	-	146,042	622,803
Capital outlay	-	-	-	822,745	-	822,745
Debt service						
Principal	58,685	-	-	-	-	58,685
Total expenditures	19,114,558	37,761,287	1,839,776	4,132,879	2,131,570	64,980,070
Revenues over (under) expenditures	1,528,449	46,624	58,963	662,123	-	2,296,159
OTHER FINANCING USES						
Transfers to other funds	-	(46,624)	-	-	-	(46,624)
Lease liabilities issued	255,241	-	-	-	-	255,241
Total other financing sources (uses)	255,241	(46,624)	-	-	-	208,617
Net change in fund balance	1,783,690	-	58,963	662,123	-	2,504,776
Fund balances-beginning	1,707,109	-	1,170,697	177,212	-	3,055,018
Change in reserve for inventories	10,539	-	-	-	-	10,539
Fund balances-ending	\$ 3,501,338	\$ -	\$ 1,229,660	\$ 839,335	\$ -	\$ 5,570,333

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

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds	\$ 2,504,776
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded the capital outlays expense in the current period.	(878,765)
Governmental funds report leased assets as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the life of the lease and reported as amortization expense. This is the amount by which the leased asset expenditures exceeded amortization expense in the current period.	204,193
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	5,856,590
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	2,528,903
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in fund balance due to change in reserve for inventory	10,539
OPEB nonemployer contributions	19,623
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(196,556)
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	(8,401,313)
Net OPEB expense	(2,853,663)
Compensated absences	168,669
Total changes in net position of governmental activities	<u>\$ (1,037,004)</u>

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

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ 390,000	\$ 466,008	\$ 412,512	\$ (53,496)
Watauga County	16,040,022	17,840,022	17,840,022	-
U.S. Government	-	560,090	208,739	(351,351)
Other	411,000	2,603,870	2,181,734	(422,136)
Total revenues	16,841,022	21,469,990	20,643,007	(826,983)
Expenditures:				
Current:				
Instructional services	8,300,889	11,953,434	11,745,368	208,066
System-wide support services	8,001,231	7,545,194	6,756,620	788,574
Ancillary services	-	1,435,990	77,124	1,358,866
Non-programmed charges	538,902	480,000	476,761	3,239
Debt Service				
Principal	-	58,685	58,685	-
Total expenditures	16,841,022	21,473,303	19,114,558	2,358,745
Revenues over (under) expenditures	-	(3,313)	1,528,449	1,531,762
Other financing sources (uses):				
Lease liabilities issued	-	-	255,241	255,241
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	255,241	255,241
Revenues over expenditures and other uses	-	(3,313)	1,783,690	1,787,003
Appropriated fund balance	-	3,313	-	(3,313)
Net change in fund balance	\$ -	\$ -	1,783,690	\$ 1,783,690
Fund balances, beginning of year			1,707,109	
Change in reserve for inventories			10,539	
Fund balances, end of year			<u>\$ 3,501,338</u>	

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

Exhibit 5
(Continued)

	State Public School Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ 36,567,254	\$ 39,175,264	\$ 37,807,911	\$ (1,367,353)
Watauga County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	36,567,254	39,175,264	37,807,911	(1,367,353)
Expenditures:				
Current:				
Instructional services	34,330,796	34,506,959	33,520,980	985,979
System-wide support services	2,236,458	4,521,717	4,155,393	366,324
Ancillary services	-	99,913	84,914	14,999
Non-programmed charges	-	-	-	-
Total expenditures	36,567,254	39,128,589	37,761,287	1,367,302
Revenues over expenditures	-	46,675	46,624	(51)
Other financing uses:				
Transfers to other funds	-	(46,675)	(46,624)	51
Revenues over expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

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

Exhibit 5
(Continued)

	Federal Grants Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Watauga County	-	-	-	-
U.S. Government	2,630,695	2,681,582	2,131,570	(550,012)
Other	-	-	-	-
Total revenues	2,630,695	2,681,582	2,131,570	(550,012)
Expenditures:				
Current:				
Instructional services	2,045,232	2,095,721	1,892,647	203,074
System-wide support services	98,176	98,176	92,881	5,295
Ancillary services	-	-	-	-
Non-programmed charges	487,287	487,685	146,042	341,643
Total expenditures	2,630,695	2,681,582	2,131,570	550,012
Revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Revenues over expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning of year			-	
Fund balances, end of year			\$ -	

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2025

Exhibit 6

	Major Fund		
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 930,130	\$ 764,269	\$ 1,694,399
Due from other governments	48,633	-	48,633
OPEB asset	1,535	355	1,890
Inventories	122,631	-	122,631
Total current assets	<u>1,102,929</u>	<u>764,624</u>	<u>1,867,553</u>
Noncurrent assets:			
Capital assets, net	<u>240,333</u>	<u>-</u>	<u>240,333</u>
Total assets	<u>1,343,262</u>	<u>764,624</u>	<u>2,107,886</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>946,083</u>	<u>218,771</u>	<u>1,164,854</u>
LIABILITIES			
Current liabilities:			
Compensated absences	129,551	15,979	145,530
Unearned revenues	49,508	-	49,508
Total current liabilities	<u>179,059</u>	<u>15,979</u>	<u>195,038</u>
Noncurrent liabilities:			
Net pension liability	791,144	182,943	974,087
Net OPEB liability	1,624,185	375,574	1,999,759
Compensated absences	146,089	18,019	164,108
Total noncurrent liabilities	<u>2,561,418</u>	<u>576,536</u>	<u>3,137,954</u>
Total liabilities	<u>2,740,477</u>	<u>592,515</u>	<u>3,332,992</u>
DEFERRED INFLOWS OF RESOURCES	<u>318,027</u>	<u>73,540</u>	<u>391,567</u>
NET POSITION			
Net investment in capital assets	240,333	-	240,333
DIPNC OPEB plan	1,535	355	1,890
Unrestricted	(1,011,027)	316,985	(694,042)
Total net position	<u>\$ (769,159)</u>	<u>\$ 317,340</u>	<u>\$ (451,819)</u>

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND
POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2025

Exhibit 7

	Major Fund		
	School Food Service	Child Care	Total
OPERATING REVENUES			
Food sales	\$ 807,510	\$ -	\$ 807,510
Child care fees	-	663,745	663,745
Other	687	-	687
Total operating revenues	808,197	663,745	1,471,942
OPERATING EXPENSES			
Food cost:			
Purchase of food	930,832	24,475	955,307
Donated commodities	143,751	-	143,751
Salaries and benefits	1,659,170	659,417	2,318,587
Supplies and materials	662	20,483	21,145
Repairs and maintenance	6,005	-	6,005
Indirect costs	120,078	49,352	169,430
Depreciation	29,922	-	29,922
Other	21,222	9,773	30,995
Total operating expenses	2,911,642	763,500	3,675,142
Operating loss	(2,103,445)	(99,755)	(2,203,200)
NONOPERATING REVENUES			
Federal reimbursements	1,145,267	28,619	1,173,886
Federal commodities	143,751	-	143,751
State reimbursements	11,302	3,180	14,482
Interest earned	9,697	-	9,697
Indirect costs not paid	70,078	-	70,078
Total nonoperating revenues	1,380,095	31,799	1,411,894
Income (loss) before transfers and capital contributions	(723,350)	(67,956)	(791,306)
Capital contributions	52,048	-	52,048
Transfers from other funds	46,624	-	46,624
Change in net position	(624,678)	(67,956)	(692,634)
Total net position - beginning, as previously reported	28,186	409,360	437,546
Change in accounting principle (Note 5)	(172,667)	(24,064)	(196,731)
Total net position (deficit) - beginning, as restated	(144,481)	385,296	240,815
Total net position (deficit) - ending	\$ (769,159)	\$ 317,340	\$ (451,819)

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

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WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2025

Exhibit 8

	Major Fund		
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 803,942	\$ 663,745	\$ 1,467,687
Cash paid for goods and services	(1,013,196)	(104,083)	(1,117,279)
Cash paid to employees for services	(1,415,753)	(562,831)	(1,978,584)
Other operating revenues	687	-	687
Net cash provided (used) by operating activities	(1,624,320)	(3,169)	(1,627,489)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal and State reimbursements	1,129,649	31,799	1,161,448
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	9,697	-	9,697
Net increase (decrease) in cash and cash equivalents	(484,974)	28,630	(456,344)
Balances-beginning of the year	1,415,104	735,639	2,150,743
Balances-end of the year	\$ 930,130	\$ 764,269	\$ 1,694,399

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

Exhibit 8
(Continued)

Reconciliation of operating loss to net cash used by operating activities

Operating loss	\$ (2,103,445)	\$ (99,755)	\$ (2,203,200)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	29,922	-	29,922
Expenses paid by other funds	46,624	-	46,624
Donated commodities consumed	143,751	-	143,751
Indirect costs not paid	70,078	-	70,078
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in net OPEB asset	(1,535)	(355)	(1,890)
(Increase) decrease in inventories	(4,475)	-	(4,475)
(Increase) decrease in deferred outflows	(80,748)	(56,692)	(137,440)
Increase (decrease) in net pension liability	(65,977)	22,403	(43,574)
Increase (decrease) in net OPEB liability	434,794	152,800	587,594
Increase (decrease) in deferred inflows	(127,883)	(9,979)	(137,862)
Increase (decrease) in unearned revenues	(3,568)	-	(3,568)
Increase (decrease) in compensated absences	38,142	(11,591)	26,551
Total adjustments	479,125	96,586	575,711
Net cash provided (used) by operating activities	\$ (1,624,320)	\$ (3,169)	\$ (1,627,489)

Noncash investing, capital, and financing activities:

Indirect costs of \$70,078 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$143,751 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue on Exhibit 7.

The Child Nutrition Fund received \$52,048 of capital assets as a contribution from the Capital Outlay Fund.

The State Public School Fund contributed \$46,624 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages. This payment is reflected as a transfer in and an operating expense on Exhibit 7.

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
June 30, 2025

Exhibit 9

	Private-Purpose Trust Fund
ASSETS	
Cash and cash equivalents	\$ 129,195
NET POSITION	
Assets held in trust for private purpose	\$ 129,195

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
For the Year Ended June 30, 2025

Exhibit 10

	Private-Purpose Trust Fund
Additions:	
Contributions and other revenue	\$ 17,343
Interest income	<u>6,872</u>
Total additions	<u>24,215</u>
Deductions:	
Instructional costs	<u>24,725</u>
Change in net position	(510)
Total net position - beginning	<u>129,705</u>
Total net position - ending	<u><u>\$ 129,195</u></u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

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

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

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

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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

The Board reports the following major governmental funds:

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

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

Federal Grants Fund. The Federal Grants Fund includes appropriations from the federal government, generally the U.S. Department of Education, which are passed-through the North Carolina Department of Public Instruction for the current operating expenditures of the school system.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fund raising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs. The Individual Schools Fund is reported as a special revenue fund.

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

The Board reports the following major enterprise fund:

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

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

The Board reports the following fiduciary fund:

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Measurement Focus and Basis of Accounting

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

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

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

Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the superintendent to move moneys (up to \$5,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Encumbrance accounting is employed in all governmental funds except the Individual Schools Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2025.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

Cash and Cash Equivalents

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

Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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

Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1950 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

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

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

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

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Right to use assets

The Board reports right to use assets 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.

Deferred outflows and inflows of resources

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

Long-term obligations

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

Compensated Absences

The Board 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.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for hurricane relief – portion of fund balance restricted for hurricane relief expenditures, or reimbursement to repay excess funds received for hurricane relief, insurance proceeds or Federal Emergency Management Custodial funds.

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

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

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, and lastly board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(65,235,550) consists of several elements as follows:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 55,884,122
Less Accumulated Depreciation	<u>40,420,741</u>
Net capital assets	15,463,381
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds (total right to use lease at historical cost on government-wide statement in governmental activities column)	255,241
Less Accumulated Amortization	<u>51,048</u>
Right to use leased assets, net	204,193
Net OPEB asset	60,943
Pension related deferred outflows of resources	14,383,918
OPEB related deferred outflows of resources	23,185,475
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:	
Lease liability	(196,556)
Compensated absences	(9,794,227)
Net pension liability	(31,416,653)
Net OPEB liability	(64,497,048)
Deferred inflows of resources related to pensions	(1,425,978)
Deferred inflows of resources related to OPEB	<u>(11,202,998)</u>
Total adjustment	<u>\$ (65,235,550)</u>

- 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 \$(3,541,780) as follows:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 447,398
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,326,163)
Right to use intangible assets recorded in the fund statements but capitalized as assets in the statement of activities.	255,241
Amortization expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(51,048)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	5,856,590
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	2,528,903
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in fund balance due to change in reserve for inventory	10,539
OPEB nonemployer contributions	19,623
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	(8,401,313)
Net OPEB expense	(2,853,663)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	168,669
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	(196,556)
Total adjustment	<u>\$ (3,541,780)</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Defined Benefit Pension Plan and OPEB Plans

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

NOTE 2 – DETAIL NOTES ON ALL FUNDS

Assets

Deposits

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

At June 30, 2025, the Board had deposits with banks and savings and loans with a carrying amount of \$7,505,977 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$8,039,816 and \$152,494, respectively. Of these balances, \$642,715 was covered by federal depository insurance and \$7,549,595 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Accounts Receivable

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

	Due from other governments	Other
Governmental activities:		
General Fund	\$ 63,466	\$ 3,033
Other governmental activities	365,492	-
Total	<u>\$ 428,958</u>	<u>\$ 3,033</u>
Business-type activities:		
School Food Service	<u>\$ 48,633</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 1,734	Appalachian State University
General Fund	29,836	Watauga County
General Fund	31,896	Gear Up
Capital Outlay Fund	325,874	Watauga County
Capital Outlay Fund	39,618	NC Department of Public Safety
Total	<u>\$ 428,958</u>	
Business-type activities:		
School Food Service	<u>\$ 48,633</u>	USDA Grant reimbursement

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Capital Assets

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

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,982,106	\$ -	\$ -	\$ 1,982,106
Capital assets being depreciated:				
Buildings/improvements	45,927,581	-	-	45,927,581
Equipment and furniture	2,772,401	74,949	15,646	2,831,704
Vehicles	4,780,282	372,449	10,000	5,142,731
Total capital assets being depreciated	53,480,264	447,398	25,646	53,902,016
Less accumulated depreciation for:				
Buildings/improvements	34,501,402	833,669	-	35,335,071
Equipment and furniture	1,361,223	174,340	15,646	1,519,917
Vehicles	3,257,599	318,154	10,000	3,565,753
Total accumulated depreciation	39,120,224	1,326,163	25,646	40,420,741
Total capital assets being depreciated, net	14,360,040			13,481,275
Capital assets being amortized:				
Right-to-use leased asset	-	255,241	-	255,241
Less accumulated amortization for:				
Right-to-use leased asset	-	51,048	-	51,048
Total capital assets being amortized, net	-			204,193
Governmental activity capital assets, net	\$ 16,342,146			\$ 15,667,574

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 531,960	\$ 52,048	\$ -	\$ 584,008
Less accumulated depreciation for:				
Furniture and office equipment	313,753	29,922	-	343,675
School Food Service capital assets, net:	<u>\$ 218,207</u>			<u>\$ 240,333</u>

Depreciation and amortization were charged to governmental functions as follows:

	Depreciation	Amortization
Regular instructional services	\$ 833,669	\$ -
System-wide support services	318,154	51,048
Unallocated depreciation	174,340	-
Total	<u>\$ 1,326,163</u>	<u>\$ 51,048</u>

Liabilities

Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

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

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if 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 the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$6,038,179 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.

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

At June 30, 2025, the Board reported a liability of \$32,390,740 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 proportionate share of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2025 and at June 30, 2024, the Boards proportion was .22%.

For the year ended June 30, 2025, the Board recognized pension expense of \$(8,703,531). At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,918,968	\$ 95,751
Net difference between projected and actual earnings on pension plan investments	5,341,080	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	531,670	1,374,440
Board contributions subsequent to the measurement date	<u>6,038,179</u>	<u>-</u>
Total	<u>\$ 14,829,897</u>	<u>\$ 1,470,191</u>

\$6,038,179 reported as deferred outflows of resources related to pensions resulted from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2026	\$ 2,288,687
2027	5,742,695
2028	(138,131)
2029	(571,724)
2030	-
Thereafter	-
Total	<u>\$ 7,321,527</u>

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

Inflation	2.5%
Salary increases	3.25% to 8.05%, including inflation and productivity factor
Investment rate of return	6.5%, net of pension plan investment expense, including inflation

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100.0%	

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

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

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

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 59,417,221	\$ 32,390,740	\$ 10,103,446

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

b. Other Post-employment Benefits

Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established in Chapter 135, Article 2 of the General Statutes. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

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

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

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Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.99% of covered payroll which amounted to \$2,560,562. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$35.0 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$20,231.

At June 30, 2025, Board reported a liability of \$66,496,807 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2025 and at June 30, 2024, the Boards proportion was 0.20% and 0.19%, respectively.

\$2,560,562 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

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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	\$	616,849
2027		2,305,096
2028		3,568,904
2029		3,294,733
2030		-
Thereafter		-
	Total	<u>\$ 9,785,582</u>

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

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

Healthcare cost trend rates:

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

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF at June 30, 2025 and 2024 was 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

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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%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability	\$ 79,113,991	\$ 66,496,807	\$ 56,366,311

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

	1% Decrease in Trend Rates	Current Trend Rates (5.00-6.50% Medical, 5.00-10.00% Rx, 5.00% Medicare, 3.00% Administrative Expenses)	1% Increase in Trend Rates
Net OPEB liability	\$ 54,888,340	\$ 66,496,807	\$ 81,527,511

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

Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$46,752 for the year ended June 30, 2025.

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

At June 30, 2025, Board reported an OPEB asset of \$62,833 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. The total OPEB asset was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2025 and at June 30, 2024, the Boards proportion was .19%.

\$46,752 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

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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	\$	(28,921)
2027		(21,827)
2028		4,655
2029		4,381
2030		2,814
Thereafter		-
Total	\$	<u>(38,898)</u>

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

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

Sensitivity of the Board's proportionate share of the net OPEB 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:

	<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB asset	\$ 56,026	\$ 62,833	\$ 69,987

Common actuarial assumptions for both OPEB plans. The total OPEB liability/asset 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/asset 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

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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 3.0%.

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:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (revenue)	\$ (3,050,179)	\$ (28,702)	\$ (3,078,881)
OPEB liability (asset)	66,496,807	(62,833)	66,433,974
Proportionate share of the net OPEB liability	0.196%	0.191%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ 541,988	\$ 25,331	\$ 567,319
Changes of assumptions	16,015,146	937	16,016,083
Net difference between projected and actual earnings on plan investments	284,950	49,328	334,278
Changes in proportion and defferences between Board contributions and proportionate share of contributions	4,378,208	1,148	4,379,356
Board contributions subsequent to the measurement date	<u>2,560,562</u>	<u>46,752</u>	<u>2,607,314</u>
Total Deferred Outflows of Resources	<u>\$ 23,780,854</u>	<u>\$ 123,496</u>	<u>\$ 23,904,350</u>
Deferred of Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 72,271	\$ 72,271
Changes of assumptions	8,669,826	29,273	8,699,099
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>2,764,884</u>	<u>14,098</u>	<u>2,778,982</u>
Total Deferred Inflows of Resources	<u>\$ 11,434,710</u>	<u>\$ 115,642</u>	<u>\$ 11,550,352</u>

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Accounts Payable

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

	<u>Vendors</u>	<u>Other Governments</u>
Governmental Activities		
General	\$ 374,047	\$ 84,572
Other Governmental	<u>230,373</u>	<u>-</u>
Total - governmental activities	<u>\$ 604,420</u>	<u>\$ 84,572</u>

Due to other governments consists of the following:

Governmental activities:		
General Fund	<u>\$ 84,572</u>	N.C. Department of Public Instruction

Unearned Revenues

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

	<u>Unearned Revenues</u>
Prepaid lunch balances (School Food Service Fund)	<u>\$ 49,508</u>

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Deferred Outflows and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between Board contributions and proportionate share of contributions	\$ 4,911,026	\$ 4,153,422
Changes in assumptions	16,016,083	8,699,099
Difference between projected and actual earnings on plan investments	5,675,358	-
Board contributions subsequent to the measurement date	8,645,493	-
Difference between expected and actual experience	<u>3,486,287</u>	<u>168,022</u>
Total	<u>\$ 38,734,247</u>	<u>\$ 13,020,543</u>

Risk Management

The Board is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Board Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers (or self-insured by the local board). Coverage is provided to the extent employees are paid from Federal or local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake,

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Business Interruption, and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing of the State administered by Blue Cross and Blue Shield of North Carolina, 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 moneys at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$85,000. The remaining employees that have access to funds are bonded under a blanket bond for \$15,000.

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

Leases

The board has entered into various agreements to lease equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum payments as of the date of their inception.

Agreements for radios and repeaters were executed in April 2025 each with a term of 60 months, requiring minimum annual payments of \$20,640 and \$33,045, respectively. There are no variable components to the leases. The lease liabilities were measured using a discount rate of 7.5%. As a result of the leases, the Board has recorded a right to use asset with a net book value of \$204,193 as of June 30, 2025. The right to use assets are discussed in more detail in Note 1.

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

Year Ending June 30,	Principal	Interest
2026	\$ 43,943	\$ 14,742
2027	47,239	11,446
2028	50,782	7,903
2029	54,592	4,094
Total	<u>\$ 196,556</u>	<u>\$ 38,185</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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:

	Balance July 1, 2024 as adjusted	Increases	Decreases	Balance June 30, 2025	Current Portion
Governmental activities:					
Lease liability	\$ -	\$ 255,241	\$ 58,685	\$ 196,556	\$ 43,943
Net pension liability	35,854,097	-	4,437,444	31,416,653	-
Net OPEB liability	49,753,218	14,743,830	-	64,497,048	-
Compensated absences	9,962,896	-	168,669	9,794,227	4,113,575
Total	<u>\$ 95,570,211</u>	<u>\$ 14,999,071</u>	<u>\$ 4,664,798</u>	<u>\$ 105,904,484</u>	<u>\$ 4,157,518</u>
Business-type activities:					
Net pension liability	\$ 1,017,661	\$ -	\$ 43,574	\$ 974,087	\$ -
Net OPEB liability	1,412,165	587,594	-	1,999,759	-
Compensated absences	283,087	26,551	-	309,638	145,530
Total	<u>\$ 2,712,913</u>	<u>\$ 614,145</u>	<u>\$ 43,574</u>	<u>\$ 3,283,484</u>	<u>\$ 145,530</u>

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

Transfers to/from other Funds

During the year ended June 30, 2025, the State Public School Fund transferred \$46,624 to the School Food Service Fund to pay for certain wages.

Contributed Capital

During the year ended Jun 30, 2025, capital assets with the value of \$52,048 were purchased by the Capital Outlay Fund and contributed to the School Food Service Fund. This amount is presented as a transfer between governmental and business-type activities in Exhibit 2 and contributed capital in Exhibit 7.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

Fund Balance

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

Total fund balance - General Fund	\$ 3,501,338
Less:	
Inventories	144,951
Stabilization by State statute	66,499
Instructional services	<u>506,855</u>
Remaining fund balance	<u>\$ 2,783,033</u>

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	\$ 15,667,574
Less:	
Lease liabilities	<u>196,556</u>
Net investment in capital assets, governmental activities	<u>\$ 15,471,018</u>

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. For the year ended June 30, 2025, the Board reported \$85 thousand relating to the potential over spending of State grants and has recorded a liability in the General Fund for this amount that is anticipated to be refunded to the State. believes that any other amounts required to be refunded will be immaterial. No other provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 4 – SUBSEQUENT EVENT

Management has evaluated subsequent events through December 2, 2025, the date which the financial statements were available to be issued. Based on this evaluation, management is not

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

aware of any events that occurred subsequent to year-end that would require recognition or disclosure in the accompanying financial statements.

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	\$ 28,186	\$ 409,360	\$ (52,266,274)	\$ 437,546
Change in accounting principle	<u>(172,667)</u>	<u>(24,064)</u>	<u>(6,361,939)</u>	<u>(196,731)</u>
as restated	<u><u>\$ (144,481)</u></u>	<u><u>\$ 385,296</u></u>	<u><u>\$ (58,628,213)</u></u>	<u><u>\$ 240,815</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions
Retiree Health Benefit Fund

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

Schedule of Board Contributions
Disability Income Plan of North Carolina

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

	2025	2024	2023	2022	2021
Board's proportion of the net pension liability (asset)	0.219%	0.221%	0.234%	0.203%	0.206%
Board's proportionate share of the net pension liability (asset)	\$ 32,390,740	\$ 36,871,758	\$ 34,793,174	\$ 9,497,720	\$ 24,931,201
Board's covered-employee payroll	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.27%	101.74%	100.46%	30.12%	79.76%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%

	2020	2019	2018	2017	2016
Board's proportion of the net pension liability (asset)	0.207%	0.199%	0.197%	0.196%	0.196%
Board's proportionate share of the net pension liability (asset)	\$ 21,426,427	\$ 19,869,367	\$ 15,660,206	\$ 7,207,510	\$ 7,207,510
Board's covered-employee payroll	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694	\$ 26,807,956
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.70%	69.88%	56.91%	27.11%	26.89%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

This schedule is required supplementary information.

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

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 6,038,179	\$ 6,469,184	\$ 6,298,715	\$ 5,673,035	\$ 4,661,326
Contributions in relation to the contractually required contribution	6,038,179	6,469,184	6,298,715	5,673,035	4,661,326
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063
Contributions as a percentage of covered-employee payroll	16.79%	17.63%	17.38%	16.38%	14.78%

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 4,054,074	\$ 3,724,611	\$ 3,065,266	\$ 2,746,143	\$ 2,432,958
Contributions in relation to the contractually required contribution	4,054,074	3,724,611	3,065,266	2,746,143	2,432,958
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Contributions as a percentage of covered-employee payroll	12.97%	12.29%	10.78%	9.98%	9.15%

This schedule is required supplementary information.

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability (asset)	0.196%	0.192%	0.201%	0.176%	0.182%
Board's proportionate share of the net OPEB liability (asset)	\$ 66,496,807	\$ 51,113,651	\$ 47,671,962	\$ 54,259,244	\$ 50,704,690
Board's covered-employee payroll	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	181.22%	141.04%	137.65%	172.04%	162.22%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%

	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.181%	0.177%	0.179%	0.199%
Board's proportionate share of the net OPEB liability (asset)	\$ 57,175,779	\$ 50,695,094	\$ 58,945,383	\$ 75,034,823
Board's covered-employee payroll	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	188.66%	178.29%	214.22%	282.20%
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.

This schedule is required supplementary information.

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

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 2,560,562	\$ 2,619,965	\$ 2,497,016	\$ 2,178,473	\$ 2,106,743
Contributions in relation to the contractually required contribution	2,560,562	2,619,965	2,497,016	2,178,473	2,106,743
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063
Contributions as a percentage of covered-employee payroll	6.99%	7.14%	6.89%	6.29%	6.68%

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,022,349	\$ 1,900,188	\$ 1,720,302	\$ 1,599,100	\$ 1,488,791
Contributions in relation to the contractually required contribution	2,022,349	1,900,188	1,720,302	1,599,100	1,488,791
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Contributions as a percentage of covered-employee payroll	6.47%	6.27%	6.05%	5.81%	5.60%

This schedule is required supplementary information.

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability/asset	0.191%	0.194%	0.207%	0.180%	0.183%
Board's proportionate share of the net OPEB liability (asset)	\$ (62,833)	\$ 51,732	\$ 61,480	\$ (29,332)	\$ (89,445)
Board's covered payroll	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063	\$ 31,257,320
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.17%	0.14%	0.18%	0.09%	0.29%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	114.99%	90.61%	90.34%	105.18%	115.57%

	2020	2019	2018	2017
Board's proportion of the net OPEB liability/asset	0.184%	0.178%	0.175%	0.177%
Board's proportionate share of the net OPEB liability (asset)	\$ (79,336)	\$ (57,628)	\$ (113,739)	\$ (118,321)
Board's covered payroll	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.26%	0.20%	0.41%	0.44%
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.

This schedule is required supplementary information.

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

	2025	2024	2023	2022	2021
Contractually required contribution	\$ 46,752	\$ 40,364	\$ 36,241	\$ 31,171	\$ 28,384
Contributions in relation to the contractually required contribution	46,752	40,364	36,241	31,171	28,384
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063
Contributions as a percentage of covered-employee payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 31,257	\$ 42,463	\$ 39,809	\$ 104,588	\$ 109,001
Contributions in relation to the contractually required contribution	31,257	42,463	39,809	104,588	109,001
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Contributions as a percentage of covered-employee payroll	0.10%	0.14%	0.14%	0.38%	0.41%

This schedule is required supplementary information.

INDIVIDUAL FUND BUDGETARY SCHEDULES

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

Exhibit A-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre-Kindergarten Program		\$ 283,770	
School Nurse Funding Initiative		126,008	
FEMA - State Match		2,734	
Total State of North Carolina	\$ 466,008	412,512	\$ (53,496)
Watauga County appropriations	17,840,022	17,840,022	-
U.S. Government:			
Gear Up NC Grant		181,383	
FEMA		24,607	
Local Food for Schools		2,749	
Total US Government	560,090	208,739	(351,351)
Other:			
ABC revenues		51,129	
Sales tax refund		70,142	
School nurse reimbursement		50,000	
Medicaid reimbursements		1,116,274	
Tuition and fees		74,692	
Fines and forfeitures		224,786	
Rental of school property		645	
Interest		162,268	
Miscellaneous		141,871	
Indirect cost allocated		247,799	
Private grants and donations		42,128	
Total	2,603,870	2,181,734	(422,136)
Total revenues	21,469,990	20,643,007	(826,983)
Expenditures:			
Instructional services:			
Regular instructional		7,371,872	
Special populations		1,301,636	
Alternative programs		415,203	
School leadership		1,133,509	
Co-curricular		461,778	
School-based support		1,061,370	
Total instructional services	11,953,434	11,745,368	208,066

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

Exhibit A-1
(Continued)

	Budget	Actual	Variance Positive (Negative)
System-wide support services:			
Support and development		461,126	
Special populations support and development		3,931	
Technology support		769,459	
Operational support		3,751,083	
Financial and human resource services		1,458,247	
Accountability		5,868	
System-wide pupil support services		108	
Policy, leadership and public relations		306,798	
Total system-wide support services	7,545,194	6,756,620	788,574
Ancillary services	1,435,990	77,124	1,358,866
Non-Programmed charges	480,000	476,761	3,239
Debt Service			
Principal	58,685	58,685	-
Total expenditures	21,473,303	19,114,558	2,358,745
Revenues over (under) expenditures	(3,313)	1,528,449	1,531,762
Other financing sources:			
Lease liabilities issued	-	255,241	255,241
Revenues and other sources over expenditures	(3,313)	1,783,690	1,787,003
Appropriated fund balance	3,313	-	(3,313)
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	1,783,690	\$ 1,783,690
Fund balances:			
Beginning of year, July 1		1,707,109	
Change in reserve for inventories		10,539	
End of year, June 30		\$ 3,501,338	

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

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 749,517	\$ -	\$ (749,517)
State appropriations - lottery proceeds	\$ 1,332,500	\$ 2,764,883	\$ 1,432,383
FEMA - State match	-	45,763	45,763
Total State of North Carolina	<u>2,082,017</u>	<u>2,810,646</u>	<u>728,629</u>
Watauga County:			
Appropriations - operating	<u>3,000,000</u>	<u>450,000</u>	<u>(2,550,000)</u>
U.S. Government:			
FEMA	<u>-</u>	<u>411,871</u>	<u>411,871</u>
Other:			
Insurance proceeds	-	1,000,000	1,000,000
Other	-	122,485	122,485
Total other	<u>-</u>	<u>1,122,485</u>	<u>1,122,485</u>
Total revenues	<u>5,082,017</u>	<u>4,795,002</u>	<u>(1,287,015)</u>
Expenditures:			
Current:			
Instructional services		2,882,011	
System-wide support services		428,123	
Capital Outlay		822,745	
Total expenditures	<u>5,082,017</u>	<u>4,132,879</u>	<u>949,138</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>662,123</u>	<u>\$ 662,123</u>
Fund balance:			
Beginning of year, July 1		<u>177,212</u>	
End of year, June 30		<u>\$ 839,335</u>	

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

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 879,900	\$ 808,197	\$ (71,703)
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		935,307	
Salaries and benefits		1,462,377	
Supplies and materials		662	
Repairs and maintenance		6,005	
Indirect costs		50,000	
Other		21,222	
Total operating expenditures	2,581,900	2,475,573	106,327
Operating loss	(1,702,000)	(1,667,376)	34,624
Nonoperating revenues:			
Federal reimbursements		1,145,267	
State reimbursements		11,302	
Interest earned		9,697	
Total nonoperating revenues	1,702,000	1,166,266	(535,734)
Revenues over (under) expenditures before other financing sources	-	(501,110)	(501,110)
Transfers from other funds	-	46,624	46,624
Revenues and other sources over (under) expenditures	\$ -	\$ (454,486)	\$ (454,486)

Reconciliation of modified accrual to full accrual basis:

Revenues and other sources under expenditures	\$ (454,486)
Depreciation	(29,922)
Net pension liability	65,977
Net OPEB liability	(433,259)
Deferred outflows	80,748
Deferred inflows	127,883
Increase (decrease) in inventories	4,475
Capital contributions	52,048
(Increase) decrease in compensated absences	(38,142)
Change in net position (full accrual)	\$ (624,678)

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

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 725,550	\$ 663,745	\$ (61,805)
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		24,475	
Salaries and benefits		562,831	
Supplies and materials		20,483	
Other		9,773	
Total operating expenditures	725,550	617,562	107,988
Operating income	-	46,183	46,183
Nonoperating revenues:			
Federal reimbursements		28,619	
State reimbursements		3,180	
Total nonoperating revenues	-	31,799	31,799
Revenues over (under) expenditures	\$ -	\$ 77,982	\$ 77,982
Reconciliation of modified accrual to full accrual basis:			
Revenues over (under) expenditures		\$ 77,982	
Net pension liability		(22,403)	
Net OPEB liability		(152,445)	
Deferred outflows		56,692	
Deferred inflows		9,979	
Indirect costs		(49,352)	
(Increase) decrease in compensated absences		11,591	
Change in net position (full accrual)		\$ (67,956)	

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watauga County Board of Education, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Watauga County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated December 2, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Watauga County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 2, 2025
Elon, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

Anderson Smith & Wike PLLC

*December 2, 2025
Elon, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during

our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

Anderson Smith & Wike PLLC

*December 2, 2025
Elon, North Carolina*

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

___yes X_no

Federal Awards

Internal control over major federal programs:

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

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

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

___yes X_no

Identification of major federal programs:

<u>AL Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
10.553	National School Lunch Program (Commodities)
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children
84.027	Special Education Cluster
84.027	Special Education – Grants to States
84.173	Special Education – Targeted Assistance
	Special Education – Targeted Assistance for Preschool
84.173	Special Education – Preschool Grants

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

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

Auditee qualified as low-risk auditee? ☐ yes ☒ no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified that
are not considered to be material weaknesses? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported
in accordance with the State Single Audit Implementation Act? ☐ yes ☒ no

Identification of major State programs:

Program Name
State Public School Fund
Lottery Capital Funds

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

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

Section II. Financial Statement Findings

Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None



WATAUGA COUNTY BOARD OF EDUCATION

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

Corrective Action Plan For the Year Ended June 30, 2025

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

**Watauga County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025**

Finding 24-01: Corrected

Finding 24-02: Corrected

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

Page 1 of 3

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 143,751
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	233,483
National School Lunch Program	10.555	PRC 035	845,276
Summer Food Service Program for Children	10.559	PRC 035	66,508
Cash Assistance Subtotal			1,145,267
Total Child Nutrition Cluster			1,289,018
Passed-through the N.C. Department of Agriculture & Consumer Services			
Local Food for Schools Program	10.185		2,749
Total U.S. Department of Agriculture			1,291,767
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Education Consolidation and Improvement Act of 1981			
Improving America School Act of 1994 (IASA)			
Title I, Grants to Local Educational Agencies			
Title I Cluster			
Educationally Deprived Children	84.010	PRC 050, 115	664,677
Supporting Effective Instruction State Grants	84.367	PRC 103	107,457
Rural Education Initiative	84.358	PRC 109	36,766
Student Support and Academic Enrichment Program	84.424	PRC 108	53,786
Language Acquisition Grant	84.365	PRC 104, 111	24,817
Special Education State Improvement	84.323A	PRC 082	5,815
COVID-19 - Education Stabilization Fund			
ARP:			
ESSER III - National Board of Professional Teaching Standards	84.425U	PRC 198	5,700
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	1,138,517
Special Education - Targeted Assistance	84.027	PRC 118	3,334
Special Education - Targeted Assistance for Preschool	84.173	PRC 119	1,284
Special Education - Preschool Grants	84.173	PRC 049	27,188
Total Special Education Cluster			1,170,323

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

Page 2 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Office of Vocational and Adult Education			
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	PRC 017	<u>62,229</u>
Passed through Appalachian State University			
Gear Up NC Grant	84.334	PRC 311	<u>181,383</u>
Total U.S. Department of Education			<u>2,312,953</u>
<u>U.S. Department of Homeland Security</u>			
Passed through N.C. Department of Public Safety			
FEMA Disaster Grants - Public Assistance	97.036		<u>465,097</u>
Total Federal Assistance			<u>4,069,817</u>
State Grants:			
<u>N.C. Department of Public Instruction (cash assistance):</u>			
State Public School Fund			35,362,425
Career and Technical Education			
State Months of Employment		PRC 013	1,704,658
Program Support Funds		PRC 014	415,115
Driver Training		PRC 012	95,463
School Technology Fund		PRC 015	42,086
Hurricane Helene Relief and Recovery		PRC 230	<u>188,164</u>
Passed-through Watauga County:			
Lottery Capital Funds:			
Public School Building Repair and Rennovation Fund			29,127
Public School Capital Fund			<u>2,735,756</u>
Total Lottery Capital Funds			<u>2,764,883</u>
Total N.C. Department of Public Instruction (cash assistance)			<u>40,572,794</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			2,663
State Reduced Lunch Program			<u>8,639</u>
Total N.C. Department of Agriculture			<u>11,302</u>
<u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program			283,770
School Nurse Funding Initiative			<u>126,008</u>
Total N.C. Department of Health and Human Services			<u>409,778</u>

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

Page 3 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
N.C. Department of Public Safety/Emergency Management FEMA Disaster Grants - Public Assistance - State Match			51,677
Total State Assistance			41,045,551
Total Federal and State Assistance			\$ 45,115,368

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

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

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

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

Note 3. Cluster of Programs

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

Note 4. FEMA Public Assistance

Expenditures reported for AL 97.036 (FEMA Public Assistance) include only the federal share. A 10% match is required, which is funded by state resources, and reported as state matching assistance.