Ashe County
Board of Education

Financial Statements
Year Ended June 30, 2025

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Ashe County Board of Education
Jefferson, North Carolina

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Ashe 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 Ashe County Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Ashe 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, the Federal Grants Fund, and the Other Special Revenue 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 Ashe 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 Ashe 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 responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ashe 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 Ashe 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 54 through 59, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ashe 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 3, 2025 on our consideration of Ashe 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 Ashe 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 Ashe County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

December 3, 2025
Elon, North Carolina
(336) 380-4123

This section of the Ashe 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 $5.1 million and $167 thousand, respectively.

<u>State/Federal Levels</u>

- Ashe County's 2024/25 State funding was based on an average daily membership (ADM) of 2,636 students compared to 2,702 in 2023/24.
- Based upon the first month of 2024/25, actual student enrollment in Ashe was 2,586 compared to 2,636 in 2023/24.
- The State retirement contribution decreased from 25.02 to 24.04 percent.
- Monthly hospital insurance increased from $7,557 to $8,095 per employee per year.
- Funding for the customary Federal grants remained relatively level. However, Ashe County Schools had carryover funding from COVID-19 funds of $924,217. The district planned appropriately to absorb cost for the loss of COVID-19 funds through attrition and budget cuts.
- The district opted to continue free meals through the Community Eligibility Program (CEP). Participation increased significantly as families took advantage during the recovery of Hurricane Helene.
- The district unveiled the new turf football field and Mondo™ track in the fall of 2024. The renovation was made possible by a $2.5 million grant from the NC Office of State Budget & Management and fundraising by the Ashe County Husky Booster Club.
- Ashe County Schools applied and was awarded multiple new grants in FY 25. A total of $1,228,475 in new grants was received:
    - *NC Department of Public Instruction – School Safety Grant - $200,821.* The purpose of the grant is to improve safety in public school units by providing grants for services for students in crisis, school safety training, and safety equipment in schools.
    - *AppHealthCare – HRSA Grant – $65,040.* This grant was provided to continue funding a school nurse at Ashe County Middle School.
    - *US Department of Education – ProjServ Grant - $762,630.* The grant was provided to aid in the recovery of Hurricane Helene. The main objectives of the grant are to restore learning loss and provide mental health supports.
    - *Research Triangle Institute/CDC – What Works in Schools Grant - $199,984.* The grant addresses improving school culture, supporting staff well-being, preventing suicide ideation, and preventing substance abuse over a 5 year period.

Key Takeaways for State Funding

- In FY 25, state funding continued to decline due to the loss of average daily membership (ADM). Ashe County's ADM dropped 2.4 percent. Dollar and positional allotments continue to be reduced. The district lost an additional 2.49 teaching positions. This along with the 1.52 positions lost in FY 2023-24 has strained the district to keep class-size manageable, provide a variety of offerings at the high school level, and keep enhancement programs.
- Most state employees received a 3 percent increase.
- Teachers and Instructional Support Personnel received an average salary increase of 3 percent for 2024/25.
- Per the National Education Association (NEA), North Carolina still falls short of the national average for teacher compensation. The national average was projected to be $72,030 for 2024-25. The North Carolina average for FY 25 was $58,292.

Local Level

- Ashe County Schools enjoys a collaborative and supportive relationship with the County Commission of Ashe. The county commission increased the Current Expense budget by 4 percent. The Current Expense budget changed from $6,296,556 to $6,548,418.
- The school system received level funding in Capital Outlay and Technology—$318,072 in Capital Outlay, of which $118,072 was for technology.
- There was a significant increase in charter school enrollment, rising from 29 to 48 students in fiscal year 2025. The school system paid a total of $83,698 in local funds for 35 Ashe County students attending Two Rivers Charter School in Watauga County. Additional charter school tuition payments included $6,883 to NC Virtual Academy (2–4 students), $6,197 to Marjorie Williams Academy (1–3 students), $9,086 to NC Cyber Academy (2–5 students), and $7,434 to Pine Springs Preparatory Academy (3 students). Payments to virtual charter schools increased notably due to recent legislative changes. Total funds paid to charter schools was $113,298.

"Virtual charter schools participating in the pilot program shall also be subject to the requirements in G.S. 115C-238.29H(b) through G.S. 115C-238.29H(d). The amount of local funds provided to participating schools pursuant to G.S. 115C-238.29H(b) shall be the lesser of seven hundred ninety dollars ($790.00) per pupil or the amount computed in accordance with G.S. 115C-238.29H(b)."

The NC Virtual Academy, NC Cyber Academy, and Pine Valley Preparatory Academy qualified for the amount computed in accordance with G.S. 115C-238.29H(b).

Overview of the Financial Statements

The audited financial statements of the Ashe 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 combining and budgetary statements for non-major governmental funds and budgetary statements for the enterprise fund*

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

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets 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 they have changed. Net position – the difference between the Board's assets and liabilities – is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

Ashe County Board of Education has two types of funds:

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

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

Financial Analysis of the Board of Education as a Whole

Net position is an indicator of the fiscal health of the Board. Net position for governmental activities was $(519 thousand) as of June 30, 2025. Other than unrestricted net position, the largest component of net position is net investment in capital assets of $38.8 million.

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 Acitivities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Current assets	$ 8,050,151	$ 9,206,366	$ 1,337,392	$ 1,428,956	$ 9,387,543	$ 10,635,322
Capital assets	38,866,344	33,728,727	85,506	100,538	38,951,850	33,829,265
Total assets	46,916,495	42,935,093	1,422,898	1,529,494	48,339,393	44,464,587
Deferred outflows of resources	20,393,156	19,260,186	644,315	666,508	21,037,471	19,926,694
Current liabilities	1,021,951	2,678,082	22,310	20,788	1,044,261	2,698,870
Long-term liabilities	60,868,798	49,405,991	1,908,323	1,693,075	62,777,121	51,099,066
Total liabilities	61,890,749	52,084,073	1,930,633	1,713,863	63,821,382	53,797,936
Deferred inflows of resources	5,938,115	9,619,226	187,613	332,878	6,125,728	9,952,104
Net investment in capital assets	38,673,597	33,662,344	85,506	100,538	38,759,103	33,762,882
Restricted net position	1,985,126	1,881,084	1,038	-	1,986,164	1,881,084
Unrestricted net position	(41,177,936)	(35,051,448)	(137,577)	48,723	(41,315,513)	(35,002,725)
Total net position	$ (519,213)	$ 491,980	$ (51,033)	$ 149,261	$ (570,246)	$ 641,241

Also note that the Board carries capital assets for which Ashe County carries the offsetting debt.

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

Table 2
Condensed Statement of 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	$ 846,485	$ 963,555	$ 175,504	$ 185,024	$ 1,021,989	$ 1,148,579
Operating grants and contributions	30,246,855	33,867,735	1,740,563	1,877,470	31,987,418	35,745,205
Capital grants and contributions	1,660,708	1,074,754	-	-	1,660,708	1,074,754
General revenues:						
Other revenues	12,396,083	10,660,146	9,094	8,059	12,405,177	10,668,205
Total revenues	45,150,131	46,566,190	1,925,161	2,070,553	47,075,292	48,636,743
Expenses:						
Governmental activities:						
Instructional services	31,900,224	29,358,967	-	-	31,900,224	29,358,967
System-wide support services	8,586,337	8,334,440	-	-	8,586,337	8,334,440
Ancillary services	72,066	61,031	-	-	72,066	61,031
Non-programmed charges	155,718	114,246	-	-	155,718	114,246
Depreciation	118,139	104,586	-	-	118,139	104,586
Business-type activities:						
School food service	-	-	2,185,164	2,145,418	2,185,164	2,145,418
Total expenses	40,832,484	37,973,270	2,185,164	2,145,418	43,017,648	40,118,688
Revenues over (under) expenses	4,317,647	8,592,920	(260,003)	(74,865)	4,057,644	8,518,055
Transfers in (out)	(227,060)	(116,205)	227,060	116,205	-	-
Increase (decrease) in net position	4,090,587	8,476,715	(32,943)	41,340	4,057,644	8,518,055
Beginning net position, as previously reported	491,980	(7,984,735)	149,261	107,921	641,241	(7,876,814)
Change in accounting principle (Note 5)	(5,101,780)	-	(167,351)	-	(5,269,131)	-
Net position, beginning, as restated	(4,609,800)	(7,984,735)	(18,090)	107,921	(4,627,890)	(7,876,814)
Ending net position	$ (519,213)	$ 491,980	$ (51,033)	$ 149,261	$ (570,246)	$ 641,241

Total governmental activities generated revenues of $45.2 million while expenses in this category totaled $40.8 million for the year ended June 30, 2025. Comparatively, revenues were $46.6 million and expenses totaled $38.0 million for the year ended June 30, 2024. The increase in governmental activities net position, including transfers, stands at $4.1 million at June 30, 2025, exclusive of the change in accounting principle, compared to an increase of $8.5 million in 2024. The increase in net position was primarily due to results of operations, capital projects, and a decrease in the Board's deferred inflows of resources. Instructional services comprised 78% of total governmental-type expenses while system-wide support services made up 21% of those expenses for 2025. The Board's primary source of revenues were funding from the State of North Carolina, Ashe County, and the United States Government, which respectively comprised 62%, 22%, and 9% of our total revenues. Business-type activities generated revenue of $1.9 million which was $33 thousand less than expenses.

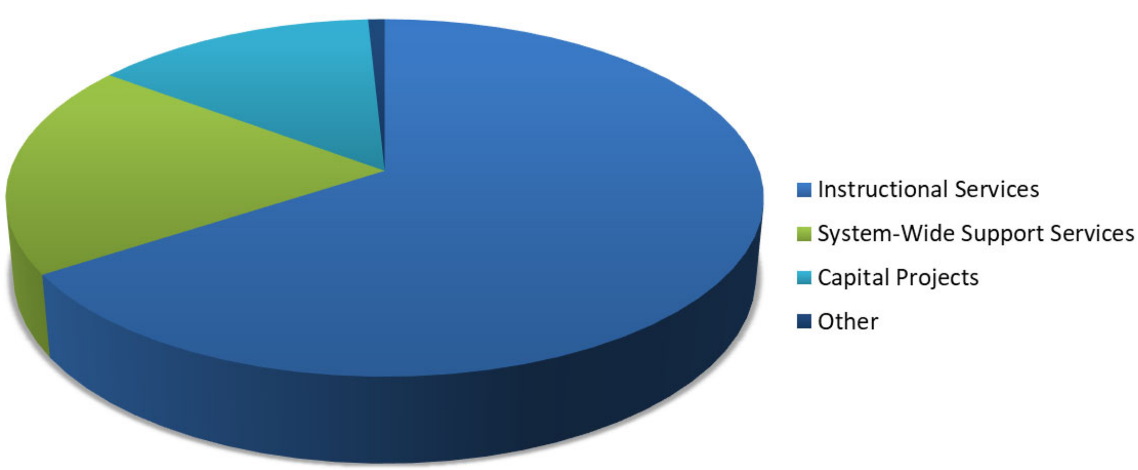
Financial Analysis of the Board's Funds

Governmental Funds: The focus of Ashe 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 $7.0 million, a $467 thousand increase from last year. The increase in fund balance was expected based on current funding the Board receives as compared to anticipated expenditures. The General Fund reported a $4 thousand increase in fund balance, ending the year with $3.2 million in fund balance. The individual schools fund reported an increase in fund balance of $17 thousand, the capital outlay fund reported a decrease of $16 thousand, and the other special revenue fund reported an increase of $461 thousand. The primary cause of the increased in fund balance in the Other Special Revenue Fund was due to additional restricted grants received above expenditures in the current year.

Proprietary Funds: The Board's business-type fund had a decrease in net position of $33 thousand. The decrease in net position was primarily due to the number of days out of school due to Hurricane Helene, resulting in lower total participation, as well as increased costs. This program provided free meals for all students for the 2024-2025 school year.

Categorization of Expenditures for Governmental Funds



Expenditures are presented on the modified accrual basis of accounting

Budgetary Highlights

The Board approved several budget amendments to account for changes in revenue and expenditure projections. Budget amendments are submitted to the Board as needed to reflect new revenues in addition to revisions to expenditures estimated in the original budget. Budget amendments were needed during the year in the General Fund to reflect changes in the current economic environment. There were no significant expenditures in excess of the budgeted expenditures. In addition, there were no significant changes from the original budget to the final budget. The State Public School Fund had budget increases, due to additional funds provided by the State.

Capital Assets

Capital assets increased by $5.1 million from the previous year. This was largely due to current year additions exceeding the amount of depreciation expense during the year. The most notable addition includes the construction in progress of a new Ashe County Middle School. 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 Acitivities		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	$ 3,166,162	$ 3,166,162	$ -	$ -	$ 3,166,162	$ 3,166,162
Construction in progress	11,221,722	5,423,732	-	-	11,221,722	5,423,732
Buildings and Improvements	22,656,640	23,208,966	-	-	22,656,640	23,208,966
Equipment and furniture	930,790	801,565	85,506	100,538	1,016,296	902,103
Vehicles	891,030	1,128,302	-	-	891,030	1,128,302
Total	$ 38,866,344	$ 33,728,727	$ 85,506	$ 100,538	$ 38,951,850	$ 33,829,265

Debt Outstanding

During the year, the Board's long-term debt (installment purchase agreements for school buses) increased by approximately $126,000. This increase was due to new installment purchase agreements exceeding principal payments. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purposes that debt can be used.

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

Economic Factors at the State Level Based Upon Fiscal Research Division

Per the Fiscal Research Division, the 2023 Appropriations Act provided $1.7 billion in net General Fund Appropriations for FY 2024-25, which was $1.9 billion above the FY 2023-24 total, a 6.5% increase. Education makes up 57.4% of the state budget. General revenue fund forecasts were optimistic until April of 2024 when a revision was made to the forecast because collections were lower than anticipated. Final actual revenue for FY 2023-24 was close to the original pre-revision figure, totaling roughly $33.7 billion. Per the NC Office of State Budget and Management, the 2024-25 revenue collected was $34.5 billion. Original estimates were $34.2 billion.

A continued focus by the NC General Assembly on Opportunity Scholarships for charter schools is eroding the funding base for traditional schools. The state provided $463.5 million for Opportunity Scholarships. This will give taxpayer-funded private school vouchers to every family that applied, regardless of the income level. According to the Public-School Forum, over half of families who receive taxpayer dollars to attend private schools make over $115,400, including 18% who make over $259,000 per year. Private schools often serve fewer economically disadvantage students and have smaller class sizes, which can influence the outcome of student success. Families choosing private schools may already have higher levels of parental education/income, contributing to achievement differences.

On September 27, 2024 Hurricane Helene, a category 4 hurricane, sped through Western North Carolina leaving much devastation in its path. Ashe County Schools were immediately turned into shelters and hubs for emergency supplies. Students lost a total of twenty-four (24) instructional days. Three separate bills were passed, appropriating a total of $994.2 million in disaster relief for the state. Ashe County Schools received a total of $456,253 in state funds to support Child Nutrition programs, mental health care, and summer programs to combat learning loss. The cost of the disaster will have long-lasting emotional and financial impacts on the County of Ashe, the state and on the most vulnerable population, children.

The economic climate will always impact the State budget and the State Public School Fund. Public School Units (PSU) are dependent upon State revenue allocations to fund the primary operations of the school system as set forth in State law. School systems across the state continue to be faced with budgetary reductions and operating cost increases that significantly impact local budgets. The uncertain outlook at both the federal and state levels was certainly challenging in the 2024/25 budget year and will continue in the upcoming 2025/26 budget year. The Board will continue future budget development in a conservative and fiscally prudent manner.

Requests for Information

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

Amanda Coldiron, Finance Officer
Ashe County Board of Education
PO Box 604
320 South Street
Jefferson, NC 28640

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Exhibit 1

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Cash and cash equivalents	$ 7,106,335	$ 1,161,791	$ 8,268,126
Receivables (net)	8,241	5,488	13,729
Due from other governments	902,712	72,198	974,910
Net OPEB asset	32,863	1,038	33,901
Inventories	-	96,877	96,877
Capital assets			
Land, improvements, and construction in progress	15,048,478	-	15,048,478
Other capital assets, net of depreciation	23,817,866	85,506	23,903,372
Total capital assets	38,866,344	85,506	38,951,850
Total assets	46,916,495	1,422,898	48,339,393
DEFERRED OUTFLOWS OF RESOURCES	20,393,156	644,315	21,037,471
LIABILITIES			
Accounts payable and accrued expenses	992,566	7,300	999,866
Unearned revenues	29,385	15,010	44,395
Long-term liabilities:			
Due within one year:			
Obligations under installment purchase	112,970	-	112,970
Liability for compensated absences	1,636,101	58,636	1,694,737
Due in more than one year:			
Obligations under installment purchase	79,777	-	79,777
Net pension liability	17,136,362	541,417	17,677,779
Net OPEB liability	35,483,390	1,121,085	36,604,475
Liability for compensated absences	6,420,198	187,185	6,607,383
Total liabilities	61,890,749	1,930,633	63,821,382
DEFERRED INFLOWS OF RESOURCES	5,938,115	187,613	6,125,728
NET POSITION			
Net investment in capital assets	38,673,597	85,506	38,759,103
Restricted for:			
Individual schools	833,566	-	833,566
Stabilization by State statute	84,472	-	84,472
Instructional services	231,098	-	231,098
School Capital Outlay	803,127	-	803,127
DIPNC OPEB plan	32,863	1,038	33,901
Unrestricted	(41,177,936)	(137,577)	(41,315,513)
Total net position	$ (519,213)	$ (51,033)	$ (570,246)

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

Exhibit 2

		Program Revenues			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	$ 18,622,325	$ 56,568	$ 14,363,483	$ 41,267	$ (4,161,007)	$ -	$ (4,161,007)
Special populations	3,744,280	-	3,370,861	-	(373,419)	-	(373,419)
Alternative programs	3,265,363	-	2,847,036	-	(418,327)	-	(418,327)
School Leadership	2,448,433	-	1,774,015	-	(674,418)	-	(674,418)
Co-curricular	219,296	788,867	-	1,586,251	2,155,822	-	2,155,822
School-based support	3,600,527	-	2,809,865	-	(790,662)	-	(790,662)
System-wide Support services:							
Support and development	341,349	-	113,734	-	(227,615)	-	(227,615)
Special population support	478,285	-	389,601	-	(88,684)	-	(88,684)
Alternative programs	171,524	-	-	-	(171,524)	-	(171,524)
Technology support	426,653	-	281,861	-	(144,792)	-	(144,792)
Operational support	5,114,350	1,050	3,605,021	33,190	(1,475,089)	-	(1,475,089)
Financial and human resource services	879,483	-	283,701	-	(595,782)	-	(595,782)
Accountability	507,257	-	49,517	-	(457,740)	-	(457,740)
System-wide pupil support services	-	-	-	-	-	-	-
Policy, leadership and public relations	667,436	-	319,811	-	(347,625)	-	(347,625)
Ancillary services	72,066	-	38,349	-	(33,717)	-	(33,717)
Non-programmed charges	155,718	-	-	-	(155,718)	-	(155,718)
Unallocated depreciation expense**	118,139	-	-	-	(118,139)	-	(118,139)
Total governmental activities	40,832,484	846,485	30,246,855	1,660,708	(8,078,436)	-	(8,078,436)
Business-type activities:							
School food service	2,185,164	175,504	1,740,563	-	-	(269,097)	(269,097)
Total primary government	$ 43,017,648	$ 1,021,989	$ 31,987,418	$ 1,660,708	(8,078,436)	(269,097)	(8,347,533)
General revenues:							
Unrestricted county appropriations - operating					6,548,418	-	6,548,418
Unrestricted county appropriations - capital					4,710,172	-	4,710,172
Unrestricted State appropriations - operating					51,499	-	51,499
Investment earnings, unrestricted					149,517	9,094	158,611
Miscellaneous, unrestricted					936,477	-	936,477
Transfers					(227,060)	227,060	-
Total general revenues and transfers					12,169,023	236,154	12,405,177
Change in net position					4,090,587	(32,943)	4,057,644
Net position - beginning, as previously reported					491,980	149,261	641,241
Change in accounting principle (Note 5)					(5,101,780)	(167,351)	(5,269,131)
Net position (deficit) - beginning, as restated					(4,609,800)	(18,090)	(4,627,890)
Net position (deficit) - ending					$ (519,213)	$ (51,033)	$ (570,246)

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

FUND FINANCIAL STATEMENTS

Exhibit 3

	Major Funds						
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Other Special Revenue Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 3,439,231	$ -	$ 699,058	$ 839,573	$ -	$ 2,128,473	$ 7,106,335
Receivables (net)	4,554	-	-	-	-	3,687	8,241
Due from other governments	-	-	-	826,481	-	76,231	902,712
Due from other funds	-	-	134,508	-	-	-	134,508
Total assets	$ 3,443,785	$ -	$ 833,566	$ 1,666,054	$ -	$ 2,208,391	$ 8,151,796
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	$ 159,024	$ -	$ -	$ 833,542	$ -	$ -	$ 992,566
Due to other funds	134,508	-	-	-	-	-	134,508
Unearned revenue	-	-	-	29,385	-	-	29,385
Total liabilities	293,532	-	-	862,927	-	-	1,156,459
Fund balances:							
Restricted							
Encumbrances	-	-	-	-	-	171,089	171,089
Stabilization by State statute	4,554	-	-	-	-	79,918	84,472
School capital outlay	-	-	-	803,127	-	-	803,127
Instructional services	-	-	-	-	-	231,098	231,098
Individual schools	-	-	833,566	-	-	-	833,566
Assigned:							
Subsequent year's expenditures	1,169,399	-	-	-	-	-	1,169,399
Special revenues	-	-	-	-	-	1,726,286	1,726,286
Unassigned:	1,976,300	-	-	-	-	-	1,976,300
Total fund balances	3,150,253	-	833,566	803,127	-	2,208,391	6,995,337
Total liabilities and fund balances	$ 3,443,785	$ -	$ 833,566	$ 1,666,054	$ -	$ 2,208,391	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Net OPEB asset	32,863
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,866,344
Deferred outflows of resources related to pensions	8,234,683
Deferred outflows of resources related to OPEB	12,158,473
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(8,249,046)
Net pension liability	(17,136,362)
Net OPEB liability	(35,483,390)
Deferred inflows of resources related to pensions	(154,321)
Deferred inflows of resources related to OPEB	(5,783,794)
Net position of governmental activities	$ (519,213)

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

Exhibit 4

	Major Funds						
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Other Special Revenue Fund	Total Governmental Funds
REVENUES							
State of North Carolina	$ -	$ 25,646,329	$ -	$ 1,660,708	$ -	$ 840,800	$ 28,147,837
Ashe County	6,548,418	-	-	4,710,172	-	-	11,258,590
U.S. Government	-	-	-	-	3,429,786	641,778	4,071,564
Other	153,676	-	788,867	46,792	-	682,805	1,672,140
Total revenues	6,702,094	25,646,329	788,867	6,417,672	3,429,786	2,165,383	45,150,131
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	1,913,203	13,274,652	771,396	150,907	458,172	70,011	16,638,341
Special populations	103,985	2,832,742	-	-	636,127	248	3,573,102
Alternative programs	146,083	619,320	-	-	1,510,816	838,316	3,114,535
School Leadership	558,427	1,711,675	-	-	60,371	9,333	2,339,806
Co-curricular	205,288	-	-	7,317	-	2,000	214,605
School-based support	321,864	2,459,883	-	-	179,295	520,866	3,481,908
System-wide support services:							
Support and development	188,513	113,734	-	-	-	24,600	326,847
Special population support	12,600	285,920	-	-	100,406	54,737	453,663
Alternative programs	163,596	-	-	-	-	-	163,596
Technology support	126,679	281,861	-	-	-	-	408,540
Operational support	1,872,809	3,251,282	-	159,554	342,564	62,791	5,689,000
Financial and human resource services	498,001	283,701	-	-	-	73,774	855,476
Accountability	56,286	49,517	-	-	-	-	105,803
Policy, leadership and public relations	325,061	319,811	-	-	-	-	644,872
Ancillary services	24,051	3,568	-	-	33,682	4,836	66,137
Non-programmed charges	113,296	-	-	-	108,353	42,422	264,071
Capital outlay	-	-	-	6,242,080	-	-	6,242,080
Debt service - principal	-	-	-	33,190	-	-	33,190
Total expenditures	6,629,742	25,487,666	771,396	6,593,048	3,429,786	1,703,934	44,615,572
Excess (deficiency) of revenues over expenditures	72,352	158,663	17,471	(175,376)	-	461,449	534,559
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(68,397)	(158,663)	-	-	-	-	(227,060)
Installment purchase obligations issued	-	-	-	159,554	-	-	159,554
Total other financing sources (uses)	(68,397)	(158,663)	-	159,554	-	-	(67,506)
Net change in fund balance	3,955	-	17,471	(15,822)	-	461,449	467,053
Fund balances-beginning	3,146,298	-	816,095	818,949	-	1,746,942	6,528,284
Fund balances-ending	$ 3,150,253	$ -	$ 833,566	$ 803,127	$ -	$ 2,208,391	$ 6,995,337

ASHE 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	$ 467,053
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current period.	5,137,617
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	1,507,482
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	3,491,121
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	10,795
The issuance of long-term debt provides current financial resources to govenmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences.	(126,364)
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	(4,774,442)
Net OPEB expense	(824,960)
Compensated absences	(797,715)
Total changes in net position of governmental activities	$ 4,090,587

Exhibit 5

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Ashe County	6,503,418	6,548,418	6,548,418	-
U.S. Government	-	-	-	-
Other	190,000	190,000	153,676	(36,324)
Total revenues	6,693,418	6,738,418	6,702,094	(36,324)
Expenditures:				
Current:				
Instructional services	3,813,834	3,813,834	3,248,850	564,984
System-wide support services	3,662,189	3,662,189	3,243,545	418,644
Ancillary services	118,811	118,811	24,051	94,760
Non-programmed charges	92,000	137,000	113,296	23,704
Total expenditures	7,686,834	7,731,834	6,629,742	1,102,092
Revenues over (under) expenditures	(993,416)	(993,416)	72,352	1,065,768
Other financing uses:				
Transfer to other funds	(68,397)	(68,397)	(68,397)	-
Revenues over (under) expenditures and other uses	(1,061,813)	(1,061,813)	3,955	1,065,768
Appropriated fund balance	1,061,813	1,061,813	-	(1,061,813)
Revenues and appropriated fund balance over (under) expenditures and other uses	$ -	$ -	3,955	$ 3,955
Fund balances, beginning of year			3,146,298	
Fund balances, end of year			$ 3,150,253	

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

Exhibit 5
(Continued)

	State Public School Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ 26,568,511	$ 27,029,901	$ 25,646,329	$ (1,383,572)
Ashe County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	26,568,511	27,029,901	25,646,329	(1,383,572)
Expenditures:				
Current:				
Instructional services	21,935,916	22,005,928	20,898,272	1,107,656
System-wide support services	4,586,245	4,858,823	4,585,826	272,997
Ancillary services	3,568	3,568	3,568	-
Non-programmed charges	-	-	-	-
Total expenditures	26,525,729	26,868,319	25,487,666	1,380,653
Revenues over (under) expenditures	42,782	161,582	158,663	(2,919)
Other financing uses:				
Transfer to other funds	(42,782)	(161,582)	(158,663)	2,919
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	$ -	$ -	-	$ -
Fund balances, beginning of year			-	
Fund balances, end of year			$ -	

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

Exhibit 5
(Continued)

	Federal Grants Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Ashe County	-	-	-	-
U.S. Government	4,760,436	4,760,436	3,429,786	(1,330,650)
Other	-	-	-	-
Total revenues	4,760,436	4,760,436	3,429,786	(1,330,650)
Expenditures:				
Current:				
Instructional services	3,841,540	3,841,540	2,844,781	996,759
System-wide support services	578,561	578,561	442,970	135,591
Ancillary services	33,689	33,689	33,682	7
Non-programmed charges	306,646	306,646	108,353	198,293
Total expenditures	4,760,436	4,760,436	3,429,786	1,330,650
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfer to other funds	-	-	-	-
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	$ -	$ -	-	$ -
Fund balances, beginning of year			-	
Fund balances, end of year			$ -	

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

Exhibit 5
(Continued)

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
State of North Carolina	$ 1,758,184	$ 1,758,184	$ 840,800	$ (917,384)
Ashe County	309,899	309,899	-	(309,899)
U.S. Government	-	-	641,778	641,778
Other	-	-	682,805	682,805
Total revenues	2,068,083	2,068,083	2,165,383	97,300
Expenditures:				
Current:				
Instructional services	2,100,411	2,100,411	1,440,774	659,637
System-wide support services	386,947	386,947	215,902	171,045
Ancillary services	55,171	55,171	4,836	50,335
Non-programmed charges	98,455	98,455	42,422	56,033
Total expenditures	2,640,984	2,640,984	1,703,934	937,050
Revenues over (under) expenditures	(572,901)	(572,901)	461,449	1,034,350
Other financing uses:				
Transfer to other funds	-	-	-	-
Revenues over (under) expenditures and other uses	(572,901)	(572,901)	461,449	1,034,350
Appropriated fund balance	-	-	-	-
Revenues and appropriated fund balance over (under) expenditures and other uses	$ -	$ -	461,449	$ 461,449
Fund balances, beginning of year			1,746,942	
Fund balances, end of year			$ 2,208,391	

ASHE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2025

Exhibit 6

	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,161,791
Due from other governments	72,198
Accounts receivable	5,488
OPEB asset	1,038
Inventories	96,877
Total current assets	1,337,392
Noncurrent assets:	
Capital assets, net	85,506
Total assets	1,422,898
DEFERRED OUTFLOWS OF RESOURCES	644,315
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	7,300
Unearned revenues	15,010
Compensated absences	58,636
Total current liabilities	80,946
Noncurrent liabilities:	
Net pension liability	541,417
Net OPEB liability	1,121,085
Compensated absences	187,185
Total non-current liabilities	1,849,687
Total liabilities	1,930,633
DEFERRED INFLOWS OF RESOURCES	187,613
NET POSITION	
Net investment in capital assets	85,506
DIPNC OPEB plan	1,038
Unrestricted	(137,577)
Total net position	$ (51,033)

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

Exhibit 7

	Major Fund
	School Food Service
OPERATING REVENUES	
Food sales	$ 175,504
OPERATING EXPENSES	
Food cost:	
Purchase of food	742,064
Donated commodities	115,361
Salaries and benefits	1,151,870
Indirect costs	100,222
Materials and supplies	7,565
Repairs and maintenance	26,702
Depreciation	15,032
Computer software and supplies	23,621
Other	2,727
Total operating expenses	2,185,164
Operating loss	(2,009,660)
NONOPERATING REVENUES	
Federal reimbursements	1,572,099
Federal commodities	115,361
State reimbursements	1,372
Interest earned	9,094
Contributions and donations	1,509
Indirect costs not paid	50,222
Total nonoperating revenues	1,749,657
Income (loss) before transfer from other fund	(260,003)
Transfer from other fund	227,060
Change in net position	(32,943)
Total net position - beginning	149,261
Change in accounting principle (Note 5)	(167,351)
Total net position (deficit) - beginning, as restated	(18,090)
Total net position (deficit) - ending	$ (51,033)

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

Exhibit 8

	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 167,509
Cash paid for goods and services	(842,630)
Cash paid to employees for services	(1,001,023)
Net cash used by operating activities	(1,676,144)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	1,538,818
Contributions and donations	1,509
State reimbursements	1,372
Net cash provided by noncapital financing activities	1,541,699
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	9,094
Net increase (decrease) in cash and cash equivalents	(125,351)
Balance-beginning of the year	1,287,142
Balance-end of the year	$ 1,161,791

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

Exhibit 8

		Major Fund
		School Food Service
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$	(2,009,660)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		15,032
Donated commodities consumed		115,361
Indirect costs not paid		50,222
Salaries paid by the State Public School Fund and General Fund		227,060
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable		(5,488)
(Increase) decrease in net OPEB asset		(1,038)
(Increase) decrease in inventories		6,020
Increase (decrease) in accounts payable and accrued liabilities		4,029
(Increase) decrease in deferred outflows		22,193
Increase (decrease) in net pension liability		(133,110)
Increase (decrease) in net OPEB liability		162,828
Increase (decrease) in deferred inflows		(145,265)
Increase (decrease) in unearned revenues		(2,507)
Increase (decrease) in compensated absences		18,179
Total adjustments		333,516
Net cash used by operating activities	$	(1,676,144)

Noncash investing, capital, and financing activities:

Indirect costs of $50,222 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 7 and C-1.

The School Food Service Fund received donated commodities with a value of $115,361 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue.

The State Public School Fund contributed $158,663, and the General Fund contributed $68,397 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages, including those while the district was closed for Hurricane Helene. These payments are reflected as a transfer in and an operating expense on Exhibit 7.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ashe 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 Ashe 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 Ashe 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. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are accounted for in another fund.
State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

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

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

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for certain grants, reimbursements, indirect costs and other financial resources received by the Board.

The Board reports the following major enterprise fund:

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

Measurement Focus and Basis of Accounting

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

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

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

All governmental and business-type activities and enterprise funds of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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 $25,000) within funds. Such transfers do not require approval from the governing board. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $25,000. 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.

Assets, Liabilities, and Net Position/Fund Balance

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. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

Capital Assets

The Board's capital assets are recorded at original cost. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 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.

For governmental activities capital assets, 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. For business-type activities capital assets, it is the policy of the Board to capitalize all capital assets costing more than $500 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.

Ashe 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 financing agreements for construction costs. Agreements between the County and the Board gives the school 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 have been met.

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

	Years
Buildings	50
Improvements	20
Equipment and furniture	10
Buses	10
Vehicles	5
Computer equipment	3

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

Deferred Outflows and Inflows of Resources

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

Long-Term Obligations

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

Unearned Revenue

Unearned revenue in the Governmental Funds is for programs for which funds have been received but not earned. Unearned revenue in the Enterprise Funds represents prepaid lunches for the School Nutrition Program.

Compensated Absences

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

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

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

Net Position/Fund Balances

Net Position

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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through State statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for encumbrances – portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

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

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

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

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

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

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

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the that fund.

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.

<u>Reconciliation of Government-wide and Fund Financial Statements</u>

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 $(7,514,550) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 77,035,479
Less Accumulated Depreciation and Amortization	38,169,135
Net capital position	38,866,344
Net OPEB Asset	32,863
Pension related deferred outflows of resources	8,234,683
Differences between contributions and proportional share of contributions and changes in proportion	
OPEB related deferred outflows of resources	12,158,473
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:	
Net pension liability	(17,136,362)
Net OPEB liability	(35,483,390)
Compensated absences	(8,056,299)
Installment purchases	(192,747)
Deferred inflows of resources related to pensions	(154,321)
Deferred inflows of resources related to OPEB	(5,783,794)
Total adjustment	$ (7,514,550)

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of $3,623,534 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	$ 6,880,779
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.	(1,743,162)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,491,121
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,507,482
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	10,795
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	(4,774,442)
OPEB expense	(824,960)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(797,715)
The issuance of long-term debt provides current financial resourses to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	(126,364)
Total adjustment	$ 3,623,534

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 $5,031,525 and with the State Treasurer of $-0-. The bank balances with the financial institutions and the State Treasurer were $5,665,127 and $456,592, respectively. Of these balances, $818,098 was covered by federal depository insurance and $5,303,621 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2025, the Board of Education had $3,236,601 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2025. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

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

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	$ (134,508)	$ -	$ 4,554	$ (129,954)
Other governmental activities	134,508	902,712	3,687	1,040,907
Total governmental activities	$ -	$ 902,712	$ 8,241	$ 910,953
Business-type actitities:				
School Food Service Fund	$ -	$ 72,198	$ 5,488	$ 77,686

Due from other governments consists of the following:

Governmental activities:		
Capital Outlay Fund	$ 826,481	Ashe County
Other Special Revenue Fund	42,085	Appalachian State University
Other Special Revenue Fund	20,213	FEMA
Other Special Revenue Fund	527	Wilkes Community College
Other Special Revenue Fund	3,628	JROTC
Other Special Revenue Fund	4,927	US Department of Justice
Other Special Revenue Fund	4,851	What Works in Schools
Total	$ 902,712	
Business-type activities:		
School Food Service Fund	$ 72,198	USDA Reimbursement

Capital Assets

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 3,166,162	$ -	$ -	$ -	$ 3,166,162
Construction in progess	5,423,732	6,458,584	-	(660,594)	11,221,722
Total capital assets not being depreciated	8,589,894	6,458,584	-	(660,594)	15,048,478
Capital assets being depreciated:					
Buildings and improvements	51,070,642	15,277	-	660,594	51,746,513
Equipment and furniture	2,602,013	247,364	37,138	-	2,812,239
Vehicles	8,031,989	159,554	102,700	-	8,088,843
Total capital assets being depreciated	61,704,644	422,195	139,838	660,594	61,987,001
Less accumulated depreciation for:					
Buildings and improvements	27,861,676	1,228,197	-	-	29,089,873
Equipment and furniture	1,800,448	118,139	37,138	-	1,881,449
Vehicles	6,903,687	396,826	102,700	-	7,197,813
Total accumulated depreciation	36,565,811	1,743,162	139,838	-	38,169,135
Total capital assets being depreciated, net	25,138,833				23,817,866
Governmental activity capital assets, net	$ 33,728,727				$ 38,866,344

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	$ 1,820,240	$ -	$ 747	$ 1,819,493
Less accumulated depreciation for:				
Furniture and office equipment	1,719,702	15,032	747	1,733,987
School Food Service capital assets, net	$ 100,538			$ 85,506

Depreciation was charged to governmental functions as follows:

Regular instructional services	$ 1,228,197
System-wide support services	396,826
Unallocated depreciation	118,139
Total	$ 1,743,162

Construction Commitments

Ashe County Board of education has active construction projects as of June 30, 2025. At year end, commitments with contracts for school construction and renovations are as follows:

	Spent-to-date	Total Commitment
Ashe County High School - Stadium, Field & Track	$ 2,514,500	$ 2,654,521
Ashe County Middle School	8,707,222	88,055,254
	$ 11,221,722	$ 90,709,775

Liabilities

Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2025, was 16.79% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were $3,601,421 for the year ended June 30, 2025.

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

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

At June 30, 2025, the Board reported a liability of $17,677,779 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2025 and at June 30, 2024, the Board's proportion was .12%.

For the year ended June 30, 2025, the Board recognized pension expense of $4,901,885. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,593,075	$ 52,258
Net difference between projected and actual earnings on pension plan investments	2,914,982	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	385,377	106,939
Board contributions subsequent to the measurement date	3,601,421	-
Total	$ 8,494,855	$ 159,197

$3,601,421 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2026		$ 1,479,483
2027		3,642,169
2028		(75,387)
2029		(312,028)
2030		-
Thereafter		-
	Total	$ 4,734,237

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

Inflation	2.5%
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 actuarial 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 measurement.

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

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	$ 32,427,925	$ 17,677,779	$ 5,514,122

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

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

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

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for

Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.99% of covered payroll which amounted to $1,527,225. 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 $11,136.

At June 30, 2025, Board reported a liability of $36,604,475 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 .11%.

$1,527,225 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2026		$ (303,997)
2027		841,720
2028		2,763,566
2029		1,727,680
2030		-
Thereafter		-
	Total	$ 5,028,969

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	6.50%
<u>Healthcare cost trend rates:</u>	
Healthcare cost trend rate – medical	5.00% - 6.50%
Healthcare cost trend rate – prescription drug	5.00% - 10.00%
Healthcare cost trend rate – administrative	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group and projected for mortality improvement using Scale MP-201

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 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	$ 43,549,702	$ 36,604,475	$ 31,027,837

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	$ 30,214,262	$ 36,604,475	$ 44,878,267

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

Disability Benefits

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

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

Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $27,885 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 $33,901 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 .10%, and .11%, respectively.

$27,885 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2026.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:			
2026		$	(11,871)
2027			(7,450)
2028			6,070
2029			3,260
2030			1,997
Thereafter			-
	Total	$	(7,994)

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 Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	**Current Discount Rate (3.00%)**	**1% Increase (4.00%)**
Net OPEB asset	$ 30,228	$ 33,901	$ 37,761

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 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%.

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

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

	RHBF	DIPNC	Total
OPEB expense (revenue)	$ (741,580)	$ (19,814)	$ (761,394)
OPEB liability (asset)	36,604,475	(33,901)	36,570,574
Proportionate share of the net OPEB liability	0.108%	0.103%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	$ 298,348	$ 13,667	$ 312,015
Changes of assumptions	8,815,852	506	8,816,358
Net difference between projected and actual earnings on plan investments	156,856	26,614	183,470
Changes in proportion and defferences between Board contributions and proportionate share of contributions	1,669,351	6,312	1,675,663
Board contributions subsequent to the measurement date	1,527,225	27,885	1,555,110
Total Deferred Outflows of Resources	$ 12,467,632	$ 74,984	$ 12,542,616
Deferred of Inflows of Resources			
Differences between expected and actual experience	$ -	$ 38,993	$ 38,993
Changes of assumptions	4,772,476	15,794	4,788,270
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,138,962	306	1,139,268
Total Deferred Inflows of Resources	$ 5,911,438	$ 55,093	$ 5,966,531

Accounts Payable and Accrued Expenses

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

	Vendors
Governmental Activities:	
General	$ 159,024
Other Govermental	833,542
Total Governmental Activities	$ 992,566
Business-types Activities	
School Food Service	$ 7,300

Unearned Revenues

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

	Unearned Revenue
Prepayments of meals (School Food Service Fund)	$ 15,010
Capital grant revenues (Capital Outlay Fund)	$ 29,385

Deferred Inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Board contributions and proportionate share of contributions	$ 2,061,040	$ 1,246,207
Changes in assumptions	8,816,358	4,788,270
Difference between projected and actual earnings on plan investments	3,098,452	-
Board contributions subsequent to the measurement date	5,156,531	-
Difference between expected and actual experience	1,905,090	91,251
Total	$ 21,037,471	$ 6,125,728

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State of North Carolina provides workers' compensation coverage for employees to the extent they are paid from State funds. The Board purchases workers' compensation coverage for locally and federally funded employees from Key Risk Insurance Company. The Board purchases General Liability from the North Carolina School Board Trust with a $2,550,000 General Aggregate Limit, the Board's Errors and Omissions is $850,000 per occurrence and $2,550,000 Aggregate Annual Limit.

The Board insures its tangible property with the NC Public School Insurance Fund. The fund provides coverage for $14,000,000. The Board purchases automobile liability insurance from Liberty Mutual and has a $1,000,000 limit. The Board participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-fund risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina through December 31, 2024 and Aetna thereafter. 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 an employee dishonesty blanket bond for $25,000. The finance officer is bonded for $250,000.

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

Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot moneys for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through third party direct placement financing arrangements. As of June 30, 2025, the Board has entered into a such contracts for the purchase of school buses. The terms of the financing contracts require annual payments between $33,193 and $79,777.

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

Year Ending June 30,	Governmental Activities Principal
2026	$ 112,970
2027	39,889
2028	39,888
Totals	$ 192,747

Long-Term Obligation Activity

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

	July 1, 2024 as restated	Increases	Decreases	June 30, 2025	Current Portion
Governmental activities:					
Direct Placement:					
Installment purchases	$ 66,383	$ 159,554	$ 33,190	$ 192,747	$ 112,970
Net pension liability	19,491,904	-	2,355,542	17,136,362	-
Net OPEB liability	27,690,900	7,792,490	-	35,483,390	-
Compensated absences	7,258,584	797,715	-	8,056,299	1,636,101
Total governmental activities	$ 54,507,771	$ 8,749,759	$ 2,388,732	$ 60,868,798	$ 1,749,071
Business-type actitities:					
Net pension liability	$ 674,527	$ -	$ 133,110	$ 541,417	$ -
Net OPEB liability	958,257	162,828	-	1,121,085	-
Compensated absences	227,642	18,179	-	245,821	58,636
Total business-type activities	$ 1,860,426	$ 181,007	$ 133,110	$ 1,908,323	$ 58,636

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds.

Due to/from other Funds

As of June 30, 2025 there was $134,508 due to the Individual Schools Fund from the General Fund. These items occurred in the normal operating cycle of the Board, and are expected to be paid in the next fiscal year.

Transfers to/from other Funds

During the year ended June 30, 2025, the State Public School Fund transferred $158,663, and the General Fund transferred $68,397 to the School Food Service Fund to pay for certain wages.

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	$ 38,866,344
Less:	
Installment purcahse obligations	192,747
Net investment in capital assets, governmental activities	$ 38,673,597

Fund Balance

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

Total fund balance - General Fund	$ 3,150,253
Less:	
Stabilization by State statute	4,554
Appropriated Fund Balance in 2025-2026 budget	1,169,399
Remaining fund balance	$ 1,976,300

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities; however, they represent commitments that will be honored in the subsequent fiscal year. The Other Special Revenue Fund had encumbrances of $171,089 outstanding at year end.

Encumbrances reported as assigned fund balance represent management’s intended use of resources for specific purposes. Encumbrances are not reported in the government-wide financial statements.

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 4 – SUBSEQUENT EVENT

Management has evaluated subsequent events through December 3, 2025, the date which the financial statements were available to be issued. Based on this evaluation, management is not 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	Governmental Activities	Business-Type Activities
June 30, 2024 net position, as previously reported	$ 149,261	$ 491,980	$ 149,261
Change in accounting principle	(167,351)	(5,101,780)	(167,351)
June 30, 2024 net position (deficit), as restated	$ (18,090)	$ (4,609,800)	$ (18,090)

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

ASHE COUNTY BOARD OF EDUCATION
SCHEDULE OF THE 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	0.119%	0.121%	0.114%	0.115%	0.122%
Board's proportionate share of the net pension liability (asset)	$ 17,677,779	$ 20,166,431	$ 16,884,530	$ 5,372,816	$ 14,715,872
Board's covered payroll	$ 21,908,321	$ 21,617,118	$ 19,612,848	$ 19,317,984	$ 19,104,376
Board's proportionate share of the net pension liability/asset as a percentage of its covered payroll	80.69%	93.29%	86.09%	27.81%	77.03%
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	0.125%	0.127%	0.128%	0.131%	0.132%
Board's proportionate share of the net pension liability (asset)	$ 12,986,687	$ 12,658,172	$ 10,144,976	$ 12,080,694	$ 4,875,885
Board's covered payroll	$ 19,356,241	$ 18,469,912	$ 18,243,711	$ 17,876,769	$ 17,864,326
Board's proportionate share of the net pension liability/asset as a percentage of its covered payroll	67.09%	68.53%	55.61%	67.58%	27.29%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	96.64%

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

This schedule is required supplementary information.

ASHE 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	$ 3,601,421	$ 3,862,437	$ 3,757,055	$ 3,212,585	$ 2,855,198
Contributions in relation to the contractually required contribution	3,601,421	3,862,437	3,757,055	3,212,585	2,855,198
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 21,449,796	$ 21,908,321	$ 21,617,118	$ 19,612,848	$ 19,317,984
Contributions as a percentage of covered payroll	16.79%	17.63%	17.38%	16.38%	14.78%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,477,838	$ 2,378,882	$ 1,991,057	$ 1,820,722	$ 1,635,724
Contributions in relation to the contractually required contribution	2,477,838	2,378,882	1,991,057	1,820,722	1,635,724
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 19,104,376	$ 19,356,241	$ 18,469,912	$ 18,243,711	$ 17,876,769
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

This schedule is required supplementary information.

ASHE 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	0.108%	0.107%	0.099%	0.100%	0.107%
Board's proportionate share of the net OPEB liability (asset)	$ 36,604,475	$ 28,621,308	$ 23,491,369	$ 31,005,892	$ 29,606,650
Board's covered payroll	$ 21,908,321	$ 21,617,118	$ 19,612,848	$ 19,317,984	$ 19,104,376
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	167.08%	132.40%	119.78%	160.50%	154.97%
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	0.109%	0.112%	0.116%	0.113%
Board's proportionate share of the net OPEB liability (asset)	$ 34,461,185	$ 31,808,394	$ 38,072,097	$ 49,174,198
Board's covered payroll	$ 19,356,241	$ 18,469,912	$ 18,243,711	$ 17,876,769
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	178.04%	172.22%	208.69%	275.07%
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.

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

	2025	2024	2023	2022	2021
Contractually required contribution	$ 1,527,225	$ 1,564,254	$ 1,489,419	$ 1,233,648	$ 1,290,441
Contributions in relation to the contractually required contribution	1,527,225	1,564,254	1,489,419	1,233,648	1,290,441
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 21,449,796	$ 21,908,321	$ 21,617,118	$ 19,612,848	$ 19,317,984
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,236,053	$ 1,213,636	$ 1,117,430	$ 1,059,191	$ 1,000,726
Contributions in relation to the contractually required contribution	1,236,053	1,213,636	1,117,430	1,059,191	1,000,726
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 19,104,376	$ 19,356,241	$ 18,469,912	$ 18,243,711	$ 17,876,769
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.60%

This schedule is required supplementary information.

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability/asset	0.103%	0.105%	0.099%	0.101%	0.106%
Board's proportionate share of the net OPEB liability (asset)	$ (33,901)	$ 27,849	$ 29,314	$ (16,457)	$ (52,106)
Board's covered payroll	$ 21,908,321	$ 21,617,118	$ 19,612,848	$ 19,317,984	$ 19,104,376
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.15%	0.13%	0.15%	0.09%	0.27%
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	0.110%	0.110%	0.112%	0.116%
Board's proportionate share of the net OPEB liability (asset)	$ (47,344)	$ (33,435)	$ (68,381)	$ (72,303)
Board's covered payroll	$ 19,356,241	$ 18,469,912	$ 18,243,711	$ 17,876,769
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.24%	0.18%	0.37%	0.40%
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.

ASHE 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	$ 27,885	$ 24,099	$ 21,617	$ 17,652	$ 17,386
Contributions in relation to the contractually required contribution	27,885	24,099	21,617	17,652	17,386
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 21,449,796	$ 21,908,321	$ 21,617,118	$ 19,612,848	$ 19,317,984
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 19,104	$ 27,099	$ 25,858	$ 69,276	$ 73,121
Contributions in relation to the contractually required contribution	19,104	27,099	25,858	69,276	73,121
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 19,104,376	$ 19,356,241	$ 18,469,912	$ 18,243,711	$ 17,876,769
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%

This schedule is required supplementary information.

INDIVIDUAL FUND BUDGETARY SCHEDULES

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

Exhibit A-1

	Budget	Actual	Variance Postive (Negative)
Revenues:			
Ashe County:			
Appropriations from general revenues	$ 6,548,418	$ 6,548,418	$ -
Other :			
Fines and forfeitures		51,499	
Interest earned on investments		102,177	
Total	190,000	153,676	(36,324)
Total revenues	6,738,418	6,702,094	(36,324)
Expenditures:			
Instructional services:			
Regular instructional		1,913,203	
Special populations		103,985	
Alternative programs		146,083	
School Leadership		558,427	
Co-curricular		205,288	
School-based support		321,864	
Total instructional services	3,813,834	3,248,850	564,984
System-wide support services:			
Support and development		188,513	
Special population support		12,600	
Alternative programs and services support		163,596	
Technology support		126,679	
Operational support		1,872,809	
Financial and human resource services		498,001	
Accountability		56,286	
Policy, leadership and public relations		325,061	
Total system-wide support services	3,662,189	3,243,545	418,644
Ancillary services	118,811	24,051	94,760
Non-programmed charges	137,000	113,296	23,704
Total expenditures	7,731,834	6,629,742	1,102,092

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

Exhibit A-1
(Continued)

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	(993,416)	72,352	1,065,768
Other financing sources (uses)			
Transfers to other funds	(68,397)	(68,397)	-
Revenues and other financing sources over (under) expenditures	(1,061,813)	3,955	1,065,768
Appropriated fund balance	1,061,813	-	(1,061,813)
Revenues and appropriated fund balance over (under) expenditures and other financing uses	$ -	3,955	$ 3,955
Fund balances:			
Beginning of year, July 1		3,146,298	
End of year, June 30		$ 3,150,253	

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

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses		$ 33,190	
School capital infrastructure grant		1,586,251	
Public school building repair and renovation		41,267	
Total	$ 332,060	1,660,708	$ 1,328,648
Ashe County:			
County appropriations - general	8,117,072	4,710,172	(3,406,900)
Other			
Interest earned on investments		40,879	
Miscellaneous		5,913	
	-	46,792	46,792
Total revenues	8,449,132	6,417,672	(2,031,460)
Expenditures:			
Current:			
Instructional services	185,028	158,224	26,804
System-wide support services	206,810	159,554	47,256
Capital Outlay	10,583,085	6,242,080	4,341,005
Debt service - principal	33,190	33,190	-
Total expenditures	11,008,113	6,593,048	4,415,065
Revenues over (under) expenditures	(2,558,981)	(175,376)	2,383,605
Other financing sources:			
Installment purchase obligations issued	-	159,554	159,554
Revenues and other financing sources over (under) expenditures	(2,558,981)	(15,822)	2,543,159
Appropriated fund balance	2,558,981	-	(2,558,981)
Revenues, other financing sources and appropriated fund balance over (under) expenditures	$ -	(15,822)	$ (15,822)
Fund balances:			
Beginning of year, July 1		818,949	
End of year, June 30		$ 803,127	

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

Exhibit C-1

	Budget	Actual	Variance Positive (Negative)
Operating revenues			
Food sales	$ 197,100	$ 175,504	$ (21,596)
Operating expenditures:			
Business support services	2,453,597	2,140,103	313,494
Capital outlay	115,000	-	115,000
Total expenditures	2,568,597	2,140,103	428,494
Operating loss	(2,371,497)	(1,964,599)	406,898
Nonoperating revenues:			
Federal reimbursements		1,572,099	
State reimbursements		1,372	
Federal commodities		115,361	
Contributions and donations		1,509	
Interest earned		9,094	
	1,915,904	1,699,435	(216,469)
Revenues over (under) expenditures	(455,593)	(265,164)	190,429
Other financing sources:			
Transfer from other fund	-	227,060	227,060
Revenues and other financing sources over (under) expenditures	(455,593)	(38,104)	417,489
Appropriated fund balance	455,593	-	(455,593)
Revenues, other financing sources and appropriated fund balance over (under) expenditures	$ -	(38,104)	$ (38,104)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(15,032)	
Indirect costs		(100,222)	
Indirect costs not paid		50,222	
(Increase) decrease in compensated absences		(18,179)	
Increase (decrease) in inventories		(6,020)	
Net pension liability		133,110	
Net OPEB liabiltiy		(161,790)	
Deferred outflows		(22,193)	
Deferred inflows		145,265	
Change in net position - full accrual		$ (32,943)	

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 Ashe County Board of Education
Jefferson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, and each major fund of the Ashe 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 Ashe County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated December 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ashe 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ashe 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 3, 2025
Elon, North Carolina

Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

To the Ashe County Board of Education
Jefferson, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ashe 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 Ashe County Board of Education's major federal programs for the year ended June 30, 2025. Ashe 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, Ashe 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 Ashe 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 Ashe 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 Ashe 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 Ashe 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 Ashe 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 Ashe County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circum- stances.
- Obtain an understanding of Ashe 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 Ashe 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 3, 2025
Elon, North Carolina

Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

INDEPENDENT AUDITORS' REPORT

To the Ashe County Board of Education
Jefferson, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Ashe 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 Ashe County Board of Education's major state programs for the year ended June 30, 2025. The Ashe 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, Ashe 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 and 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 Ashe 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 Ashe 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 Ashe 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 Ashe 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 Ashe 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 Ashe County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circum- stances.
- Obtain an understanding of Ashe 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 Ashe 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 3, 2025
Elon, North Carolina

ASHE 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(ies) 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(ies) identified that are not considered to be material weaknesses: ___yes _X_none reported

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

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

Identification of major federal programs:

Assistance Listing Numbers	Names of Federal Program or Cluster
84.010	Title 1
	Special Education Cluster
84.027	IDEA Title VI-B Handicapped
84.027	Children with Disabilities – Risk Pool
84.027	Special Needs Targeted Assistance
84.173	Targeted Assistance for Preschool
84.173	IDEA Title VI-B Pre-School Handicapped

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

Auditee qualified as low-risk auditee? _X_yes ___no

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

State Awards

Internal control over major State program:

- Material weakness(es) identified? ___yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: ___yes _X_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ___yes _X_ no

Identification of major State program:

Program Name

State Public School Fund

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

Auditee qualified as low-risk auditee? _X_ yes ___no

ASHE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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

ASHE COUNTY BOARD OF EDUCATION
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 Cost

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

ASHE COUNTY BOARD OF EDUCATION
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

No findings reported in the prior year.

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

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
U. S. Department of Agriculture			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	$ 115,361
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	359,266
National School Lunch Program	10.555	PRC 035	1,046,728
After School Snack Program	10.555	PRC 035	25,683
Summer Food Service Program for Children	10.559	PRC 035	70,198
Cash Assistance Subtotal			1,501,875
Total Child Nutrition Cluster:			1,617,236
Passed through the N.C. Department of Agriculture & Consumer Services			
Fresh Fruit and Vegetable Grant	10.582		66,108
Total School Nutrition Program (Note 3):			1,683,344
Total U.S. Department of Agriculture			1,683,344
U.S. Department of Education			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050	904,732
Rural and Low Income Education	84.658	PRC 109	22,893
Title I, Migrant Education	84.011	PRC 051	72,946
IDEA VI-B Sips	84.323	PRC 082	2,206
21st Century Learning Grant	84.287	PRC 110	546,650
Education for Homeless Children	84.196	PRC 026	37,809
Supporting Effective Instruction State Grants	84.367	PRC 103	161,283
Student Support and Academic Enrichment Program	84.424	PRC 108	30,078
English Language Acquisition Grants	84.365	PRC 104	18,485
COVID-19 - Education Stabilization Fund			
ARP:			
ESSER III - K-12 Emergency Relief Fund	84.425U	PRC 181	747,377
ESSER III - Homeless II	84.425W	PRC 184	14,645
ESSER III - Math Enrichment Programs	84.425U	PRC 189	14,178
ESSER III - Cyberbullying & Suicide Prevention Grant	84.425U	PRC 192	23,000
Total COVID-19 - Education Stabilization Fund			799,200
Direct Funding			
Rural Mental Health	84.184		207,316
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
IDEA Title VI-B Handicapped	84.027	PRC 060	699,597
Children With Disabilities - Risk Pool	84.027	PRC 114	32,244
Special Needs Targeted Assitance	84.027	PRC 118	15,361
Targeted Assistance for Preschool	84.173	PRC 119	6,401
IDEA Title VI-B Pre-School Handicapped	84.173	PRC 049	19,287
Total Special Education Cluster			772,890
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 Improvement	84.048	PRC 017	60,614

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
Passed-through Appalachian State University			
Gear Up NC Grant	84.334	PRC 311	154,320
Total U.S. Department of Education			3,791,422
U.S. Department of Justice			
Direct Program			
STOP School Violence Grant	16.839		135,715
U.S. Department of Defense			
Direct Program:			
JROTC	12.000		39,903
U.S. Department of Health and Human Services			
Center for Disease Control and Prevention			
Passed-through Research Triangle Institute			
What Works in Schools	93.941		14,441
Passed-through Ashe County Health Department			
HRSA Nurse Grant	93.224		65,040
Total U.S. Department of Health and Human Services			79,481
U.S. Department of Homeland Security			
Passed through N.C. Department of Public Safety			
FEMA Disaster Grants - Public Assistance	97.036		29,159
Total federal assistance			5,759,024
State Grants:			
N.C. Department of Public Instruction:			
Cash Assistance:			
State Public School Fund			23,895,942
Driver Training - SPSF		PRC 012	47,369
School Technology Fund - SPSF		PRC 015	46,741
Career and Technical Education			
State Months of Employment		PRC 013	1,272,460
Program Support Funds		PRC 014	127,293
Public School Building Repair and Renovation Fund		PRC 441	41,267
Hurricane Helene Relief and Recovery		PRC 230	256,524
Total N.C. Department of Public Instruction Cash Assistance			25,687,596
Non-Cash Assistance:			
School Bus Appropriation			33,190
N.C. Department of Health and Human Services			
School Nurse Funding Initiative			150,000
NC Pre-Kindergarten Program			667,614
Total N.C. Department of Health and Human Services			817,614
N.C. Department of Public Safety			
FEMA Disaster Grants - Public Assistance - State Match			9,720

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

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Expenditures
N.C. Department of Public Safety			
Juvenile Crime Prevention Council			
Passed-through Ashe County			
Community in Schools			14,838
N.C. Office of State Budget Management			
OSBM State Direct Grant - Turf			1,586,251
Total State assistance			28,149,209
Total federal and State assistance			$ 33,908,233

Notes to the Schedule of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Ashe 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 Ashe County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Ashe 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.

Ashe 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 following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Nutrition Program