



WATAUGA COUNTY BOARD OF EDUCATION

Margaret E. Gragg Education Center
175 Pioneer Trail Boone, NC 28607
(828) 264-7190

WATAUGA COUNTY BOARD OF EDUCATION MEETING AGENDA ***October 13, 2026***

- | | | |
|------------------|---|--------------------------------------|
| 4:30 p.m. | 1. CALL TO ORDER | Board Chair |
| 4:33 p.m. | 2. CLOSED SESSION <ul style="list-style-type: none">A. Approval of the Minutes for 9/14/2026B. Reportable Offenses – N.C.G.S.115C-288(g)C. Student Records - N.C.G.S.143-318.11(a)(1)D. Personnel – N.C.G.S.143-318.11(a)(6)E. Attorney-Client - N.C.G.S. 143-318.11(a)(3) | Board Chair |
| 6:00 p.m. | 3. OPEN SESSION CALL TO ORDER | Board Chair |
| 6:08 p.m. | 4. DISCUSSION AND ADJUSTMENT OF AGENDA | Board Chair |
| 6:10 p.m. | 5. SUPERINTENDENT’S REPORT | Dr. Leslie Alexander |
| 6:15 p.m. | 6. PRINCIPAL APPRECIATION VIDEO | Bailey Little |
| 6:25 p.m. | 7. STUDENTS’ REPORT | Brayden Howard
Rosalyn Rabinowitz |
| 6:30 p.m. | 8. PUBLIC COMMENT | Board Chair |
| 6:35 p.m. | 9. CONSENT AGENDA <ul style="list-style-type: none">A. Approval of the Minutes for 9/14/2026 and 9/25/2026B. Declaration of SurplusC. 2026-27 Budget Amendment #1D. Activity Bus Quote | Board Chair |

- E. 2026-27 Classified Salary Scales
- F. Personnel Report

6:38 p.m.	10. CONSIDERATION OF ACTION REGARDING NATIONWIDE SOCIAL MEDIA LITIGATION	Board Chair
6:43 p.m.	11. CONCEPT DRAWING FOR PROPOSED WRESTLING FACILITY	Terreyl Williams, John Grasinger, Savva Kostis, & Bobby Plemons
6:55 p.m.	12. 2025-26 AUDIT REPORT	Mr. Ben Johnson
7:10 p.m.	13. ACTION ITEM: ASU PARTNERSHIP FOR EARLY CHILDHOOD EDUCATION	Dr. Leslie Alexander
7:20 p.m.	14. WCS DATA AND ACCOUNTABILITY UPDATE	Dr. Tierra Stark
7:35 p.m.	15. POLICIES: SUBSTANTIVE FOR SECOND READ ● 7325 (New): Video and Audio Recordings by Employees ● 3200: Selection of Instructional and Supplementary Materials ● 3210: Inspection of and Objection to Instructional and Supplementary Materials ● 3510: Religious-Based Exemptions from School Programs	Dr. Tierra Stark
7:40 p.m.	16. REGULATORY POLICY: <u>FOR REVIEW ONLY</u> ● 7550-R(1): Inclement Weather Leave Regulation	Dr. Tierra Stark
7:45 p.m.	17. BOARD OPERATIONS ➤ November Work Session ➤ Change in Board Meeting Times	Board Chair
7:55 p.m.	18. BOARD COMMENTS	Board Chair
8:00 p.m.	19. ADJOURNMENT	Board Chair



WATAUGA COUNTY BOARD OF EDUCATION

Margaret E. Gragg Education Center
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(828) 264-7190

WATAUGA COUNTY BOARD OF EDUCATION MEETING

DATE: September 14, 2026

TIME: 6:00 p.m.

PLACE: Margaret E. Gragg Education Center

PRESENT:

- Marshall Ashcraft, Gary Childers, Adam Hege, Alison Idol, *BOE Members*
- Dr. Leslie Alexander, *Superintendent*

CALL TO ORDER/WELCOME/MOMENT OF SILENCE

Board Chair Dr. Gary Childers called the open session to order at 6:00 p.m. He extended a special welcome to new Student Board Representative Brayden Howard. He shared that Board member Jay Fenwick was unable to attend due to the recent passing of his mother. Dr. Childers congratulated Dr. Alexander and all school personnel on a great start to the school year. He acknowledged that September marks the 25th anniversary of 9/11 and the second anniversary of Hurricane Helene's impact on the region. He then asked everyone to observe a moment of silence.

DISCUSSION AND ADJUSTMENT OF AGENDA

There were no adjustments to the agenda.

SUPERINTENDENT'S REPORT

- Dr. Leslie Alexander shared that the school year is off to a smooth start, with students and staff seeming to adjust well to the new extended school day.
- September 13–19 is National Arts in Education Week, recognizing the important role of the arts in student education.
- Wednesday, September 23, will be an early release day to allow faculty and staff to participate in professional development.
- She welcomed Rosalyn Rabinowitz back as the Senior Board Representative and officially welcomed Brayden Howard to his first meeting as Junior Board Representative. She expressed enthusiasm about their roles and their opportunity to help keep stakeholders informed.

STUDENTS' REPORT

- Hardin Park will host its annual Fall Festival on October 9 from 5:00-9:00 p.m. The event will feature food trucks, games, and activities for families to enjoy. Proceeds will help support school and community initiatives.
- Watauga is introducing Women's Flag Football as a new fall sport. More than 30 girls participated in summer workouts and tryouts, and head coach Andrew Wilson will lead the inaugural team.
- This year, Watauga High School implemented a new attendance policy after students averaged roughly 20 unexcused absences each during the 2025–2026 school year. The policy introduces stricter consequences for unexcused absences and includes Flex absences in students' total absences. While administrators hope the changes will reduce chronic absenteeism, they also plan to introduce more positive attendance incentives and encourage students to share their ideas with the Student Council.
- Watauga High School's Homecoming game will take place Friday, September 18, with the tailgate beginning at 5:00 p.m. and the game at 7:30 p.m. The dance will follow Saturday, September 19, at 7:00 p.m. Throughout the week, Student Council is hosting themed dress-up days and activities, including a Spikeball tournament and field night.
- As the school year begins, schools across the county continue to emphasize responsible and ethical AI use through classroom posters, advisory reminders, and consequences for AI-assisted cheating or plagiarism. While some teachers have restricted AI use due to concerns about its impact on students' reading and writing skills, AI-generated graphics and promotional materials are also being used by some faculty throughout the high school. These varying approaches reflect the ongoing conversation about how AI can be used appropriately and effectively in an educational setting.
- Watauga County Schools are known for the wide range of opportunities offered through Career and Technical Education (CTE), with the RISE program providing students a chance to "learn while they earn." Through paid internships and apprenticeships, RISE gives students hands-on experience in fields such as welding, drafting, health science, and cosmetology. The program combines classroom instruction with real-world experience, helping students build skills and explore potential careers after graduation. Now in its third year, RISE has its largest cohort of students yet.

PUBLIC COMMENT

Ryan Abrams raised the issue of athletic equality in connection with the planned turf installation and noted that, in his view, the outdoor track at WHS is in need of resurfacing.

EDUCATION TECHNOLOGY IN THE CLASSROOM

Dr. Brian Bettis provided an overview of educational technology in Watauga County Schools and highlighted several resources WCS uses to support curriculum and assessment, including i-Ready, Amplify, Stile, Learning.com, and NCTest. The most-used programs on school laptops include productivity applications such as Google Docs, presentation delivery platforms, learning management systems like Canvas, and research resources. He discussed the digital skills students develop and emphasized the importance of student safety and partnering with families.

Dr. Bettis reviewed data from the first three weeks of school collected through GoGuardian, a platform used by K–12 schools to monitor, filter, and manage student internet activity on school-issued devices. Students in grades K–2 averaged approximately 30 minutes of screen time per day, while students in grades 3–5 averaged one hour, grades 6–8 averaged 1.5 hours, and high school students averaged two hours per day. He noted that these levels are appropriate for the respective grade levels and reflect a

balanced approach to incorporating technology into instruction. Dr. Bettis emphasized that WCS uses these resources intentionally to enhance learning, build students' digital skills, and promote safe and responsible practices.

EARLY LITERACY UPDATES

Chief Academic Officer Dr. Brian Bettis provided an update on the Watauga County Schools Literacy Intervention Plan, which includes components related to core literacy instruction, universal screening, data analysis, intervention guidance, progress monitoring, PRC 085 funds, and summer reading camp. The plan is designed to provide a consistent framework for identifying students who need additional support and guiding appropriate interventions based on student data.

Assessment and screening tools, including mCLASS and i-Ready, will be used to identify areas of need and monitor student progress. Data will be reviewed by school-level Multi-Tiered System of Supports (MTSS) teams to guide interventions and adjust support as needed. With the 25-minute extension of the school day for K–5 students beginning in 2026–2027, daily literacy blocks can be expanded to approximately 90–120 minutes, providing additional time for core instruction and targeted interventions. Once approved by NCDPI, the plan will be shared with the Curriculum and Instruction Team, administrators, teachers during grade-level meetings, and the Board of Education.

CONSENT AGENDA

- A. Approval of the Minutes for 8/10/2026
- B. Declaration of Surplus
- C. 2026-27 Title I Budget
- D. Synthetic Turf Field Contract with GeoSurfaces Southeast
- E. Kindergarten Report Card
- F. Personnel Report

Marshall Ashcraft moved to approve the Consent Agenda. Dr. Adam Hege seconded the motion, which all Board members approved.

2026-27 BUDGET RESOLUTION

Chief Financial Officer Joseph Nash provided an executive summary of the 2026-27 Budget Resolution, reviewing the following:

- **Fund 1 – State Budget:** WCS's ADM decreased by 118 students from the previous year to 4,447 in 2026-27, resulting in the loss of six teacher positions and one school health position. Despite funding fewer positions, state-mandated salary increases resulted in total state funding that was similar to or greater than the prior year.
- **Fund 2 – Local Budget:** Local payroll costs increased significantly, including average raises of more than 10% for approximately 75 locally funded certified positions. A new classified salary scale was implemented, beginning with Teacher Assistants and Technology staff. Local supplements increased 7.75%, completing the three-year plan to increase supplements by 25%.
- **Fund 3 – Federal Budget:** The budget is generally consistent with the prior year.
- **Fund 4 – Capital Budget:** Insurance proceeds related to the former Valle Crucis School increased the fund balance. Funds will support a turf flag football and baseball field and a slope failure project.

Significant architectural fees are anticipated in 2026–27 for the FEMA project at the former Valle Crucis School, with these costs expected to be reimbursed by FEMA.

- **Fund 5 – School Nutrition Budget:** School Nutrition continues to operate at a deficit and is expected to use fund balance to balance the 2026-27 budget. Mr. Nash noted that this is a nationwide issue, as participation and reimbursement rates have not kept pace with rising labor and food costs.
- **Fund 6 – Extended Learning Centers Budget (After School):** The budget is similar to prior years, although the availability of Hurricane Helene-related grants that have helped offset summer camp losses remains uncertain.
- **Fund 8 – Special Revenues Budget:** Restricted funds support designated programs, including GEAR UP, NC Pre-K, SRO pay, and Medicaid, while other revenues provide flexibility for unforeseen costs.

A summary budget for all funds is:

Fund 1 – State Budget: \$37,395,459

Fund 2 – Local Budget: \$17,412,822

Fund 3 – Federal Budget: \$2,686,739

Fund 4 – Capital Budget: \$4,533,299

Fund 5 – School Nutrition Budget: \$2,794,300

Fund 6 – Extended Learning Centers Budget (After School): \$663,315

Fund 8 – Special Revenues Budget: \$2,719,672

TOTAL: \$68,205,606

Mr. Nash will provide monthly budget amendments and analysis throughout the year. Alison Idol made a motion to approve the 2026-27 Budget Resolution. Dr. Adam Hege seconded, and the motion carried unanimously.

POLICY: SUBSTANTIVE FOR SECOND READ

- 4318: Use of Wireless Communication Devices

Alison Idol made a motion to approve the policies on second read. Marshall Ashcraft seconded the motion, and all Board members approved.

POLICIES: REPEAL/RESCIND

- 6402: Participation by Historically Underutilized Businesses
- 9125: Participation by Minority Businesses

Dr. Adam Hege made a motion to repeal/rescind the policies. Alison Idol seconded the motion, and all Board members were in agreement.

POLICIES: SUBSTANTIVE FOR FIRST READ

- 6442: Vendor Lists
- 9115: Prequalification of Bidders for Construction Products
- 9120: Bidding for Construction Work
- 7325 (New): Video and Audio Recordings by Employees
- 3200: Selection of Instructional and Supplementary Materials
- 3210: Inspection of and Objection to Instructional and Supplementary Materials
- 3510: Religious-Based Exemptions from School Programs
- 5150/7313: Reporting to External Agencies

- 6220: Operation of School Nutrition Services
- 6420: Contracts with the Board

Alison Idol made a motion to approve policies 6442, 9115, 9120, 5150/7313 on first read. Marshall Ashcraft seconded the motion, and all Board members voted in favor.

Marshall Ashcraft moved to approve policies 6220 and 6420 on first read. Dr. Adam Hege seconded, and it was approved by all Board members.

Policies 7325, 3200, 3210, and 3510 will be heard for second read at the October Board of Education meeting.

BOARD OPERATIONS

- The Board will hold a work session prior to the regular BOE meeting on November 9.
- Alison Idol proposed moving Board meetings to an earlier start time, with a possible schedule of a 3:00 p.m. closed session, 4:30 p.m. dinner, and 5:00 p.m. open session. One of the Student Board Representatives mentioned a scheduling conflict with an earlier start time. Board members were open to considering a revised meeting schedule and agreed to give further thought to the possibilities before revisiting the discussion at next month's meeting.
- Dr. Hege has a scheduling conflict on the regularly scheduled BOE meeting date of October 12, so the Board agreed to move the October meeting to Tuesday, October 13.

BOARD COMMENTS

Dr. Childers shared that the LEAD meeting he attended was beneficial.

ADJOURNMENT

Alison Idol made a motion to adjourn the meeting, seconded by Dr. Adam Hege. The motion was approved by all members, and the meeting adjourned at 7:56 p.m.

Dr. Gary Childers, *Board of Education Chair*

Dr. Leslie Alexander, *Superintendent*



WATAUGA COUNTY BOARD OF EDUCATION

Margaret E. Gragg Education Center
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WATAUGA COUNTY BOARD OF EDUCATION MEETING

DATE: September 25, 2026

TIME: 8:30 a.m.

PLACE: Margaret E. Gragg Education Center

PRESENT:

- Marshall Ashcraft, Gary Childers, Adam Hege (virtual), Alison Idol, *BOE Members*
- Dr. Leslie Alexander, *Superintendent*
- Dr. Chris Blanton, *Assistant Superintendent*
- Mr. Eric Bolick, *Director of Maintenance & Facilities*

CALL TO ORDER

Dr. Gary Childers called the meeting to order at 8:39 a.m.

VALLE CRUCIS SCHEME SELECTION

Dr. Alexander revisited the goals for the future use of the former Valle Crucis School. The goals include utilizing as much of the existing building as possible; creating a large multipurpose training room that can accommodate staff training and also serve as a Board room; relocating Central Office operations to the new location; and, once the Central Office programs are in place, accommodating the ALP classroom and as many 0–3 Child Development Center classrooms as possible.

After reviewing the overall existing floor plan, Dr. Alexander presented the Board with three design schemes developed by ClarkNexsen. The 28,000 square feet being utilized has never been flooded, and the project will be constructed at an elevation above any potential floodplain. Board members discussed the pros and cons of each configuration and reached consensus that “Scheme 3” was their preferred design due to its integrated layout and energy efficiency. The next step will be for Dr. Alexander to communicate the preferred scheme to ClarkNexsen so they can develop a more detailed cost analysis. Chad Roberson of ClarkNexsen will present the plan to the Board at the November 9 work session, after which the project can move into Phase 2.

Alison Idol emphasized the importance of communicating a comprehensive capital plan to the public to provide transparency regarding how funds will be spent, including air conditioning plans for each school.

BOARD OPERATIONS

- Dr. Childers pointed out that the plaque placed at the new Valle Crucis School did not include “Dr.” before Jay Fenwick’s name. The Board reached consensus for Dr. Alexander to pursue having the plaque replaced to read *Dr. Jay Fenwick*.
- Dr. Childers raised the idea of developing a special way to recognize individuals who grew up and attended school in Watauga County and later taught and retired from Watauga County Schools. Board members agreed that it was a nice idea but had questions about the parameters and logistics, including the administrative time required from HR staff and the outreach needed to ensure no one is missed. The Board agreed to table the idea for now.
- Dr. Blanton shared with the Board that grant applications are being submitted through the Needs-Based Public School Capital Fund to address facility needs, specifically air conditioning. The funds are available to support construction, repairs, and renovations of school facilities. If awarded, WCS would be required to provide local matching funds equal to 25% of the grant amount.
- Dr. Alexander and Dr. Blanton shared that the turf company noted that part of the chain-link fence at Watauga High School is buried. They suggested replacing the fence, which would also make the turf installation easier. The cost would be split between Watauga County Schools and Watauga High School, with another company subcontracted to replace the fence.
- Marshall Ashcraft said he would be interested in knowing how the time the Watauga County BOE spends handling reassignment appeals compares with that of other districts. The Board discussed adding a statement requiring a student’s lunch debt to be paid by the end of May as a condition of remaining in good standing and continuing to attend another school to which the student has been approved for reassignment. There was consensus for Dr. Alexander to determine whether a change to the policy regulation would be sufficient to add this condition.

BOARD COMMENTS

There were no additional Board comments.

ADJOURNMENT

Alison Idol made a motion to adjourn the meeting, seconded by Marshall Ashcraft. The motion was approved by all members, and the meeting adjourned at 10:04 a.m.

Dr. Gary Childers, *Board of Education Chair*

Dr. Leslie Alexander, *Superintendent*

Declaration of Surplus Items -

October 2026

Date Approved: _____

Bethel

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
36599	1	CHROMEBOOK HP		1
34982	1	DOC CAMERA		1
2			0	2

Blowing Rock

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
NONE	1	LOVESEAT		1
1			0	1

Cove Creek

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
34568	1	VIEW SONIC		1
NONE	1	PROJECTOR SCREEN PULL DOWN		1
NONE	1	BOOKSHELF- WOODEN		1
800235	1	DOC CAMERA- ELMO		1
NONE	1	MONITOR DELL		1
5			0	5

Green Valley

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
400494	1	LAPTOP- DELL		1
NONE	2	CHAIR- WOODEN	2	
NONE	1	CABINET- FILING	1	
NONE	1	CABINET- WOODEN FILING		1

5

3

2

Hardin Park

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
37536	1	CHROMEBOOK		1
33522	1	CHROMEBOOK		1
37921	1	CHROMEBOOK		1
37862	1	CHROMEBOOK		1
37844	1	CHROMEBOOK		1
NONE	1	SECURITY CAMERAS- ALIBI		1
35092	1	LAPTOP- ELITEBOOK		1
33513	1	CHROMEBOOK		1

808

Mabel

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
600719	1	GRINDER- BENCH	1	
600683	1	TABLE SAW	1	
601199	1	SANDER	1	
600682	1	BAN SAW	1	
601197	1	ROUTER	1	
NONE	1	TABLE SAW	1	

660

Parkway

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
700591	1	REFRIDGERATOR		1
700219	1	DOC CAMERA		1

202

Valle Crucis

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
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36887	1 CHROMEBOOK
36917	1 CHROMEBOOK
2	

	1
	1
0	2

Watauga High School

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
905945	1 TV			1
33903	1 CAMERA			1
905944	1 TV			1
3			0	3

Central Office

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
0			0	0

Technology Department

<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
25105	1 IPAD AIR		1
1		0	1

Transportation Department

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
0			0	0

Maintenance Department

<u>Asset #</u>	<u>Quantity</u>	<u>Description</u>	<u>Usable</u>	<u>Unusable</u>
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51492

1 COMPRESSOR- AIR

1

1

0

1

Child Nutrition

Asset #

Quantity

Description

Usable

Unusable

0

0

0



WATAUGA COUNTY
BOARD OF EDUCATION

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

MEMORANDUM

TO: Members, Watauga County Board of Education
Dr. Leslie Alexander, Superintendent

FROM: Joseph Nash, Finance Officer

DATE: October 13, 2026

RE: 2026-27 Budget Amendment #1 / September Budget Update

Be it resolved that the following amendments be made to the Budget Resolution of Watauga County Schools for the fiscal year ending June 30, 2027.

Fund 1 – Additional State Allotments include:

1. PRC 029 – EC Behavioral Support - \$144,449
2. PRC 063 – EC Developmental Day - \$40,500
3. PRC 083 – CTE Credential Program - \$28,420
4. PRC 085 – Literacy Intervention - \$150
5. PRC 089 – EC Special State Reserve - \$41,630
6. PRC 096 – Teacher of the Year Position Allotment – 2 Months - \$17,091

Fund 3 – Federal Changes:

1. Amendments were filed for PRC 017, grant year 6 and 7, which is related to CTE program support. These amendments allocated more funds to instructional services, and took away some funds from indirect costs. No additional funding was received, but rather it was just a shuffling of funds between purpose codes in order to meet program needs.

Fund 4 – Capital Changes:

1. In the prior fiscal year, a lottery project was approved to fund \$100,000 for an oil tank replacement at Cove Creek Elementary. After receiving vendor quotes, it was determined that we actually need \$150,000 for this project, so we are budgeting an additional \$50,000 from our unallocated lottery funds balance.
2. In the current year's budget resolution, we allocated \$22,000 of lottery funds for doors and windows throughout the district. Upon consultation with the Maintenance Director, it was decided to add an additional \$3,000 to this amount for an amount of \$25,000 from our unallocated lottery funds for doors and windows.

Watauga County Schools
BUDGET AMENDMENT #1
October 13, 2026

Fund	1 digit Purp	1 digit Purp Desc	Beginning Budget Resolution	Budget Amend. #1	Current Budget/Balance
1 - STATE	5XXX	Instructional Services	\$33,306,180.22	\$248,872.62	\$33,555,052.84
	6XXX	System-Wide Support Services	\$4,040,781.33	\$23,367.38	\$4,064,148.71
	7XXX	Ancillary Services	\$48,497.91	\$0.00	\$48,497.91
1 Total			\$37,395,459.46	\$272,240.00	\$37,667,699.46
2 - LOCAL	5XXX	Instructional Services	\$10,214,910.49	\$0.00	\$10,214,910.49
	6XXX	System-Wide Support Services	\$6,634,462.99	\$0.00	\$6,634,462.99
	7XXX	Ancillary Services	\$88,448.52	\$0.00	\$88,448.52
	8XXX	Non-Programmed Charges	\$475,000.00	\$0.00	\$475,000.00
2 Total			\$17,412,822.00	\$0.00	\$17,412,822.00
3 - FEDERAL	5XXX	Instructional Services	\$2,192,592.75	\$448.43	\$2,193,041.18
	6XXX	System-Wide Support Services	\$135,198.40	\$0.00	\$135,198.40
	8XXX	Non-Programmed Charges	\$358,947.52	(\$448.43)	\$358,499.09
3 Total			\$2,686,738.67	\$0.00	\$2,686,738.67
4 - CAPITAL	5XXX	Instructional Services	\$1,289,734.18	\$53,000.00	\$1,342,734.18
	6XXX	System-Wide Support Services	\$1,093,564.33	\$0.00	\$1,093,564.33
	9XXX	Capital Outlay	\$2,150,000.00	\$0.00	\$2,150,000.00
4 Total			\$4,533,298.51	\$53,000.00	\$4,586,298.51
5 - NUTRITION	7XXX	Ancillary Services	\$2,794,299.96	\$0.00	\$2,794,299.96
5 Total			\$2,794,299.96	\$0.00	\$2,794,299.96
6 - AFTERSCHOOL	7XXX	Ancillary Services	\$618,315.00	\$0.00	\$618,315.00
	8XXX	Non-Programmed Charges	\$45,000.00	\$0.00	\$45,000.00
6 Total			\$663,315.00	\$0.00	\$663,315.00
8 - SPECIAL REVENUE	5XXX	Instructional Services	\$2,191,736.54	\$0.00	\$2,191,736.54
	6XXX	System-Wide Support Services	\$527,935.73	\$0.00	\$527,935.73
8 Total			\$2,719,672.27	\$0.00	\$2,719,672.27
Grand Total			\$68,205,605.87	\$325,240.00	\$68,530,845.87

Watauga County Schools
 SEPTEMBER BUDGET
 UPDATE
 October 13, 2026

Fund	1 digit Purp	Current Budget/Balance	Year-to-Date Spending	PO's & Encumbrances Outstanding	Remaining Balance	Percent Spent
1 - STATE	5XXX	\$33,555,052.84	\$6,646,827.80	\$57,875.99	\$26,850,349.05	19.98%
	6XXX	\$4,064,148.71	\$1,049,577.18	\$223,011.85	\$2,791,559.68	31.31%
	7XXX	\$48,497.91	\$0.00	\$0.00	\$48,497.91	0.00%
1 Total		\$37,667,699.46	\$7,696,404.98	\$280,887.84	\$29,690,406.64	21.18%
2 - LOCAL	5XXX	\$10,214,910.49	\$2,009,731.48	\$26,700.75	\$8,178,478.26	19.94%
	6XXX	\$6,634,462.99	\$1,921,557.62	\$541,002.67	\$4,171,902.70	37.12%
	7XXX	\$88,448.52	\$8,327.82	\$0.00	\$80,120.70	9.42%
	8XXX	\$475,000.00	\$0.00	\$0.00	\$475,000.00	0.00%
2 Total		\$17,412,822.00	\$3,939,616.92	\$567,703.42	\$12,905,501.66	25.89%
3 - FEDERAL	5XXX	\$2,193,041.18	\$460,481.85	\$30,257.52	\$1,702,301.81	22.38%
	6XXX	\$135,198.40	\$18,853.43	\$0.00	\$116,344.97	13.95%
	8XXX	\$358,499.09	\$321.78	\$0.00	\$358,177.31	0.09%
3 Total		\$2,686,738.67	\$479,657.06	\$30,257.52	\$2,176,824.09	18.98%
4 - CAPITAL	5XXX	\$1,342,734.18	\$486,530.24	\$13,975.22	\$842,228.72	37.28%
	6XXX	\$1,093,564.33	\$61,079.78	\$484,325.92	\$548,158.63	49.87%
	9XXX	\$2,150,000.00	\$0.00	\$0.00	\$2,150,000.00	0.00%
4 Total		\$4,586,298.51	\$547,610.02	\$498,301.14	\$3,540,387.35	22.81%
5 - NUTRITION	7XXX	\$2,794,299.96	\$484,219.19	\$29,114.13	\$2,280,966.64	18.37%
5 Total		\$2,794,299.96	\$484,219.19	\$29,114.13	\$2,280,966.64	18.37%
6 - AFTERSCHOOL	7XXX	\$618,315.00	\$147,415.01	\$0.00	\$470,899.99	23.84%
	8XXX	\$45,000.00	\$0.00	\$0.00	\$45,000.00	0.00%
6 Total		\$663,315.00	\$147,415.01	\$0.00	\$515,899.99	22.22%
8 - SPECIAL REVENUE	5XXX	\$2,191,736.54	\$320,401.93	\$4,895.27	\$1,866,439.34	14.84%
	6XXX	\$527,935.73	\$18,949.85	\$5,922.40	\$503,063.48	4.71%
8 Total		\$2,719,672.27	\$339,351.78	\$10,817.67	\$2,369,502.82	12.88%
Grand Total		\$68,530,845.87	\$13,634,274.96	\$1,417,081.72	\$53,479,489.19	21.96%



WATAUGA COUNTY BOARD OF EDUCATION

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

MEMORANDUM

TO: Members of the Watauga County Board of Education

FROM: Joseph Nash, CFO

SUBJECT: Request Approval for the Purchase of a New Activity Bus

DATE: October 13, 2026

Dear Members of the Board of Education,

In collaboration with the Transportation Department, with Dr. Blanton as Director and Janet Tanner as Manager, we respectfully request your approval to purchase a new activity bus for Watauga County Schools. The attached quote from White's IC Bus reflects the price of \$156,500. Because this amount is over \$90,000, your approval is required. The purchase price is budgeted in the 26-27 Budget Resolution under Fund 4, current capital outlay. The purchase will be made using a NC statewide contract. The current capital outlay budget is funded by the county in 12 equal installments throughout the year. The purpose of this purchase is to replace aging activity buses in the fleet. Thank you for your consideration, and please let me or the Transportation Department know if you have any follow up questions.

Sincerely,

A handwritten signature in black ink that reads "Joseph B. Nash". The signature is written in a cursive, flowing style.

Joseph Nash
Enclosure (1)



2027 IC 72 Pass A/C in Dash Activity Bus

Date: 09/21/2026

Prepared For:	Watauga County Schools
Customer Name:	Janet Tanner
Address:	175 Pioneer Trail, Boone NC
Email	tannerj@wataugaschools.org

2027 IC 72 Pass A/C in Dash Activity Bus

Description:	
2027 IC 72 pass w Activity Bus A/C Dash w/ Drum Brakes	
Cummins Engine/Allison Transmission	
Luggage space underneath outside	
Cummins Integral Engine Exhaust Brake	
Corrosion Package	
Rear Heater	
Painted Rub Rails and Bumper Carolina Blue	
Total Price:	\$156,500.00
**Bus in Stock no wait time for delivery	
**Quote good for 60 days	

If you should have any questions, please contact me at 336-942-6244.
We appreciate the opportunity.

Sincerely,

Jeff Morre
Customer Service Rep
White's IC Bus



Janet Tanner <tannerj@wataugaschools.org>

Request for Quote for Activity Bus

1 message

Jeff Moore <jm@whitetractor.com>

Mon, Sep 21, 2026 at 10:53 PM

To: Janet Tanner <tannerj@wataugaschools.org>

Cc: Jeff Moore <jm@whitetractor.com>

Thank you again for the opportunity to provide White's IC Bus with the opportunity to submit a quote to Watauga County Schools for a 2027 model NextGen72-passenger activity bus.

As noted on our quote, this is a stock unit currently on the ground at our Greensboro dealership. Because the bus is already in inventory, there is no waiting period for the unit to be manufactured and delivered.

If the bus is awarded to White's IC Bus and a purchase order is issued by Watauga County Schools, we will schedule the bus to be painted in our body shop and have the corrosion protection package applied. We anticipate this process will take approximately one to two weeks to complete.

We will keep you updated throughout the process and provide you with a timeline for completion and delivery.

Please let me know if you have any questions or if there is any additional information I can provide.

We appreciate the opportunity to earn your business and look forward to working with Watauga County Schools.

Jeff Moore

Customer Service Rep

Whites IC & Collins Bus

7045 Albert Pick Road

Greensboro, NC 27409

M: 336-942-6244

JM@whitetractor.com

<http://www.whitetractor.com>



WATAUGA COUNTY BOARD OF EDUCATION

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

MEMORANDUM

TO: Members, Watauga County Board of Education
Dr. Leslie Alexander, Superintendent

FROM: Joseph Nash, Finance Officer

DATE: October 13, 2026

RE: Approval of 2026-27 Classified Salary Scales

RECOMMENDATION:

The administration recommends that the Board of Education approve the attached classified salary scales for use in the '26-'27 school year, and until such time as changes to the schedules are necessary, either by state budget mandate, or by administrative necessity.

BACKGROUND & SUMMARY:

The attached classified scale with 3 bands has been used in prior years by the district. Changes made include adding 3% to the scale, in line with the 3% raise approved in the state budget. Additionally, we used to separate out athletic and field trip drivers, but this has now been joined with yellow bus drivers to create the same pay scales for all bus drivers. TA's and Technology Staff were removed from the schedule because they are included on a new scale. The new scale is included as well, and includes multiple grades and steps as recommended by our financial consultants, HIL. For '26-'27, only TA's and Technology Staff are paid on this scale. We intend to transition the rest of the classified staff to this new scale over the next couple years, if possible.

ACTION REQUESTED:

Approval to authorize use of the attached classified salary scales for '26-'27 school year, and until such time as changes are necessary.

26-27 Classified Scales 3% Increase Effective 7.1.26	Entry 0-5 Years		Mid 5-10 years		Advanced 10+ years			
Position	Hourly	Monthly	Hourly	Monthly	Hourly	Monthly		
Custodian	\$16.55	\$2,868.67	\$17.65	\$3,059.91	\$18.76	\$3,251.16		
Head Custodian	\$19.86	\$3,442.40	\$20.96	\$3,633.65	\$22.06	\$3,824.89		
WHS Faculty/Athletic	\$22.62	\$3,920.52	\$23.76	\$4,119.41	\$24.92	\$4,318.31		
School Nutrition Staff	\$16.55		\$17.65		\$18.76			
School Nutrition Managers	\$19.86	\$3,442.40	\$20.96	\$3,633.65	\$22.06	\$3,824.89		
Group Leader	\$16.55		\$17.65		\$18.76			
Program Coordinator/Itinerant	\$18.76		\$19.86		\$20.96			
Program Coordinator/ FT	\$22.06		\$23.18		\$24.28			
Office Clerical Level 1	\$16.55	\$2,868.67	\$17.82	\$3,088.61	\$19.10	\$3,310.45		
Office Clerical Level 2	\$18.46	\$3,199.53	\$19.72	\$3,419.46	\$21.01	\$3,641.31		
Office Clerical Level 3	\$20.36	\$3,530.38	\$21.65	\$3,752.23	\$22.92	\$3,972.15		
Office Clerical Level 4	\$22.28	\$3,861.23	\$23.56	\$4,083.07	\$24.82	\$4,303.01		
Bus Driver	\$19.12		\$20.24		\$21.36			
Bus Monitor	\$16.55		\$17.65		\$18.76			
OT/PT	\$40.16	\$6,961.21	\$41.31	\$7,160.21	\$42.46	\$7,359.10		
COTA/PTA	\$24.28	\$4,207.39	\$26.48	\$4,589.88	\$28.69	\$4,972.37		
Hearing Interpreter	\$18.76	\$3,251.16	\$19.86	\$3,442.40	\$20.96	\$3,633.65		
Safety Officer	\$18.76		\$19.86		\$20.96			
	LEVEL I		LEVEL II		LEVEL III		Lead Mechanic	
Position	Hourly	Monthly	Hourly	Monthly	Hourly	Monthly	Hourly	Monthly
Mechanic	\$21.27	\$3,633.65	\$23.18	\$4,016.15	\$25.93	\$4,494.25	\$29.82	\$5,168.39
	CONTRIBUTING		JOURNEYMAN		ADVANCED			

26-27 Classified Scales 3% Increase Effective 7.1.26	Entry 0-5 Years		Mid 5-10 years		Advanced 10+ years			
Position	Hourly	Monthly	Hourly	Monthly	Hourly	Monthly		
Maintenance	\$19.86	\$3,442.40	\$23.18	\$4,016.15	\$25.93	\$4,494.25		
Courier	\$19.86	\$3,442.44	\$20.96	\$3,633.65	\$22.06	\$3,824.89		
Position	Non Certified	Certified						
Tutor	\$20.00	\$25.00						
	Non Certified		Certified					
Position	Hourly	Daily	Hourly	Daily				
Substitute	\$16.67	\$125.00	\$20.27	\$152.00				
TA Sub		\$223.25		\$223.25				

Pay Grade	NC 01	NC 01	NC 02	NC 02	NC 03	NC 03	NC 04	NC 04	NC 05	NC 05	NC 06	NC 06	NC 07	NC 07	NC 08	NC 08	NC 09	NC 09	NC 10	NC 10
Steps							TA		EC TA								TECH I			
0	2869	16.55	2897	16.71	2926	16.88	2955	17.05	3044	17.56	3135	18.09	3230	18.63	3326	19.19	3426	19.77	3529	20.36
1	2904	16.76	2933	16.92	2963	17.09	2992	17.26	3082	17.78	3175	18.32	3270	18.86	3368	19.43	3469	20.01	3573	20.61
2	2941	16.97	2970	17.14	3000	17.31	3030	17.48	3121	18.00	3214	18.54	3311	19.10	3410	19.67	3512	20.26	3618	20.87
3	2977	17.18	3007	17.35	3037	17.52	3068	17.70	3160	18.23	3255	18.78	3352	19.34	3453	19.92	3556	20.52	3663	21.13
4	3015	17.39	3045	17.57	3075	17.74	3106	17.92	3199	18.46	3295	19.01	3394	19.58	3496	20.17	3601	20.77	3709	21.40
5	3052	17.61	3083	17.79	3114	17.96	3145	18.14	3239	18.69	3336	19.25	3436	19.83	3540	20.42	3646	21.03	3755	21.66
6	3091	17.83	3121	18.01	3153	18.19	3184	18.37	3280	18.92	3378	19.49	3479	20.07	3584	20.68	3691	21.30	3802	21.94
7	3129	18.05	3160	18.23	3192	18.42	3224	18.60	3321	19.16	3420	19.73	3523	20.32	3629	20.93	3737	21.56	3850	22.21
8	3168	18.28	3200	18.46	3232	18.65	3264	18.83	3362	19.40	3463	19.98	3567	20.58	3674	21.20	3784	21.83	3898	22.49
9	3208	18.51	3240	18.69	3272	18.88	3305	19.07	3404	19.64	3506	20.23	3612	20.84	3720	21.46	3831	22.10	3946	22.77
10	3248	18.74	3280	18.93	3313	19.11	3346	19.31	3447	19.89	3550	20.48	3657	21.10	3766	21.73	3879	22.38	3996	23.05
11	3264	18.83	3297	19.02	3330	19.21	3363	19.40	3464	19.98	3568	20.58	3675	21.20	3785	21.84	3899	22.49	4016	23.17
12	3281	18.93	3313	19.12	3346	19.31	3380	19.50	3481	20.08	3586	20.69	3693	21.31	3804	21.95	3918	22.61	4036	23.28
13	3297	19.02	3330	19.21	3363	19.40	3397	19.60	3499	20.19	3604	20.79	3712	21.41	3823	22.06	3938	22.72	4056	23.40
14	3313	19.12	3347	19.31	3380	19.50	3414	19.70	3516	20.29	3622	20.89	3730	21.52	3842	22.17	3958	22.83	4076	23.52
15	3330	19.21	3363	19.40	3397	19.60	3431	19.79	3534	20.39	3640	21.00	3749	21.63	3862	22.28	3977	22.95	4097	23.63
16	3347	19.31	3380	19.50	3414	19.70	3448	19.89	3551	20.49	3658	21.10	3768	21.74	3881	22.39	3997	23.06	4117	23.75
17	3363	19.40	3397	19.60	3431	19.79	3465	19.99	3569	20.59	3676	21.21	3787	21.85	3900	22.50	4017	23.18	4138	23.87
18	3380	19.50	3414	19.70	3448	19.89	3483	20.09	3587	20.69	3695	21.32	3806	21.96	3920	22.61	4037	23.29	4158	23.99
19	3397	19.60	3431	19.79	3465	19.99	3500	20.19	3605	20.80	3713	21.42	3825	22.06	3939	22.73	4057	23.41	4179	24.11
20	3414	19.70	3448	19.89	3483	20.09	3518	20.29	3623	20.90	3732	21.53	3844	22.18	3959	22.84	4078	23.53	4200	24.23
21	3431	19.80	3465	19.99	3500	20.19	3535	20.39	3641	21.01	3750	21.64	3863	22.29	3979	22.95	4098	23.64	4221	24.35
22	3448	19.89	3483	20.09	3518	20.29	3553	20.50	3659	21.11	3769	21.75	3882	22.40	3999	23.07	4119	23.76	4242	24.47
23	3466	19.99	3500	20.19	3535	20.40	3571	20.60	3678	21.22	3788	21.85	3902	22.51	4019	23.18	4139	23.88	4263	24.60
24	3483	20.09	3518	20.29	3553	20.50	3588	20.70	3696	21.32	3807	21.96	3921	22.62	4039	23.30	4160	24.00	4285	24.72
25	3500	20.19	3535	20.40	3571	20.60	3606	20.81	3715	21.43	3826	22.07	3941	22.74	4059	23.42	4181	24.12	4306	24.84
26	3518	20.29	3553	20.50	3588	20.70	3624	20.91	3733	21.54	3845	22.18	3960	22.85	4079	23.53	4202	24.24	4328	24.97
27	3535	20.40	3571	20.60	3606	20.81	3643	21.01	3752	21.64	3864	22.29	3980	22.96	4100	23.65	4223	24.36	4349	25.09
28	3553	20.50	3589	20.70	3624	20.91	3661	21.12	3771	21.75	3884	22.41	4000	23.08	4120	23.77	4244	24.48	4371	25.22
29	3571	20.60	3607	20.81	3643	21.01	3679	21.23	3789	21.86	3903	22.52	4020	23.19	4141	23.89	4265	24.61	4393	25.34
30	3589	20.70	3625	20.91	3661	21.12	3697	21.33	3808	21.97	3923	22.63	4040	23.31	4161	24.01	4286	24.73	4415	25.47

Pay Grade
Steps
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NC 11	NC 11	NC 12	NC 12	NC 13	NC 13	NC 14	NC 14	NC 15	NC 15	NC 16	NC 16	NC 17	NC 17	NC 18	NC 18	NC 19	NC 19	NC 20	NC 20	NC 21	NC 21	NC 22
						TECH II						TECH III										WAN Engineer
3705	21.38	3891	22.45	4085	23.57	4290	24.75	4504	25.98	4729	27.28	4966	28.65	5214	30.08	5475	31.58	5748	33.16	6036	34.82	6338
3752	21.64	3939	22.73	4136	23.86	4343	25.06	4560	26.31	4788	27.62	5028	29.01	5279	30.46	5543	31.98	5820	33.58	6111	35.26	6417
3799	21.92	3989	23.01	4188	24.16	4397	25.37	4617	26.64	4848	27.97	5091	29.37	5345	30.84	5612	32.38	5893	34.00	6188	35.70	6497
3846	22.19	4038	23.30	4240	24.46	4452	25.69	4675	26.97	4909	28.32	5154	29.74	5412	31.22	5682	32.78	5967	34.42	6265	36.14	6578
3894	22.47	4089	23.59	4293	24.77	4508	26.01	4733	27.31	4970	28.67	5219	30.11	5480	31.61	5754	33.19	6041	34.85	6343	36.60	6660
3943	22.75	4140	23.88	4347	25.08	4564	26.33	4793	27.65	5032	29.03	5284	30.48	5548	32.01	5825	33.61	6117	35.29	6423	37.05	6744
3992	23.03	4192	24.18	4401	25.39	4621	26.66	4853	28.00	5095	29.40	5350	30.86	5617	32.41	5898	34.03	6193	35.73	6503	37.52	6828
4042	23.32	4244	24.49	4456	25.71	4679	27.00	4913	28.35	5159	29.76	5417	31.25	5688	32.81	5972	34.45	6271	36.18	6584	37.99	6913
4093	23.61	4297	24.79	4512	26.03	4738	27.33	4975	28.70	5223	30.13	5484	31.64	5759	33.22	6047	34.88	6349	36.63	6666	38.46	7000
4144	23.91	4351	25.10	4568	26.36	4797	27.67	5037	29.06	5289	30.51	5553	32.04	5831	33.64	6122	35.32	6428	37.09	6750	38.94	7087
4196	24.21	4405	25.42	4626	26.69	4857	28.02	5100	29.42	5355	30.89	5622	32.44	5904	34.06	6199	35.76	6509	37.55	6834	39.43	7176
4248	24.51	4460	25.73	4683	27.02	4918	28.37	5163	29.79	5422	31.28	5693	32.84	5977	34.48	6276	36.21	6590	38.02	6920	39.92	7266
4301	24.81	4516	26.05	4742	27.36	4979	28.73	5228	30.16	5489	31.67	5764	33.25	6052	34.92	6355	36.66	6672	38.49	7006	40.42	7356
4355	25.12	4573	26.38	4801	27.70	5041	29.08	5293	30.54	5558	32.07	5836	33.67	6128	35.35	6434	37.12	6756	38.98	7094	40.92	7448
4409	25.44	4630	26.71	4861	28.05	5104	29.45	5360	30.92	5628	32.47	5909	34.09	6204	35.79	6515	37.58	6840	39.46	7182	41.44	7541
4464	25.76	4688	27.04	4922	28.40	5168	29.82	5427	31.31	5698	32.87	5983	34.52	6282	36.24	6596	38.05	6926	39.96	7272	41.95	7636
4520	26.08	4746	27.38	4984	28.75	5233	30.19	5494	31.70	5769	33.28	6058	34.95	6360	36.69	6678	38.53	7012	40.46	7363	42.48	7731
4577	26.40	4806	27.72	5046	29.11	5298	30.57	5563	32.09	5841	33.70	6133	35.38	6440	37.15	6762	39.01	7100	40.96	7455	43.01	7828
4634	26.73	4866	28.07	5109	29.47	5364	30.95	5633	32.50	5914	34.12	6210	35.83	6520	37.62	6846	39.50	7189	41.47	7548	43.55	7926
4692	27.07	4926	28.42	5173	29.84	5431	31.34	5703	32.90	5988	34.55	6288	36.27	6602	38.09	6932	39.99	7279	41.99	7643	44.09	8025
4751	27.41	4988	28.78	5237	30.22	5499	31.73	5774	33.31	6063	34.98	6366	36.73	6684	38.56	7019	40.49	7370	42.52	7738	44.64	8125
4810	27.75	5050	29.14	5303	30.59	5568	32.12	5846	33.73	6139	35.42	6446	37.19	6768	39.05	7106	41.00	7462	43.05	7835	45.20	8227
4870	28.10	5114	29.50	5369	30.98	5638	32.52	5920	34.15	6216	35.86	6526	37.65	6853	39.53	7195	41.51	7555	43.59	7933	45.77	8329
4931	28.45	5177	29.87	5436	31.36	5708	32.93	5994	34.58	6293	36.31	6608	38.12	6938	40.03	7285	42.03	7649	44.13	8032	46.34	8433
4993	28.80	5242	30.24	5504	31.76	5779	33.34	6068	35.01	6372	36.76	6690	38.60	7025	40.53	7376	42.56	7745	44.68	8132	46.92	8539
5055	29.16	5308	30.62	5573	32.15	5852	33.76	6144	35.45	6452	37.22	6774	39.08	7113	41.04	7468	43.09	7842	45.24	8234	47.50	8646
5118	29.53	5374	31.00	5643	32.55	5925	34.18	6221	35.89	6532	37.69	6859	39.57	7202	41.55	7562	43.63	7940	45.81	8337	48.10	8754
5182	29.90	5441	31.39	5713	32.96	5999	34.61	6299	36.34	6614	38.16	6944	40.06	7292	42.07	7656	44.17	8039	46.38	8441	48.70	8863
5247	30.27	5509	31.78	5785	33.37	6074	35.04	6378	36.79	6696	38.63	7031	40.57	7383	42.59	7752	44.72	8140	46.96	8547	49.31	8974
5312	30.65	5578	32.18	5857	33.79	6150	35.48	6457	37.25	6780	39.12	7119	41.07	7475	43.13	7849	45.28	8241	47.55	8653	49.92	9086
5379	31.03	5648	32.58	5930	34.21	6227	35.92	6538	37.72	6865	39.61	7208	41.59	7569	43.66	7947	45.85	8344	48.14	8762	50.55	9200

NC 22	NC 23	NC 23
36.56	6654	38.39
37.02	6738	38.87
37.48	6822	39.36
37.95	6907	39.85
38.43	6993	40.35
38.91	7081	40.85
39.39	7169	41.36
39.88	7259	41.88
40.38	7350	42.40
40.89	7442	42.93
41.40	7535	43.47
41.92	7629	44.01
42.44	7724	44.56
42.97	7821	45.12
43.51	7918	45.68
44.05	8017	46.25
44.60	8118	46.83
45.16	8219	47.42
45.72	8322	48.01
46.30	8426	48.61
46.87	8531	49.22
47.46	8638	49.83
48.05	8746	50.46
48.65	8855	51.09
49.26	8966	51.73
49.88	9078	52.37
50.50	9191	53.03
51.13	9306	53.69
51.77	9423	54.36
52.42	9540	55.04
53.08	9660	55.73

Pay Grade	MH 10	MH 10	MH 17	MH 17
Steps				
0	4207	24.27	6961	40.16
1	4249	24.51	7030	40.56
2	4291	24.76	7101	40.97
3	4334	25.00	7172	41.37
4	4377	25.25	7243	41.79
5	4421	25.51	7316	42.21
6	4465	25.76	7389	42.63
7	4510	26.02	7463	43.05
8	4555	26.28	7537	43.49
9	4601	26.54	7613	43.92
10	4647	26.81	7689	44.36
11	4693	27.08	7766	44.80
12	4740	27.35	7844	45.25
13	4787	27.62	7922	45.70
14	4835	27.90	8001	46.16
15	4884	28.17	8081	46.62
16	4932	28.46	8162	47.09
17	4982	28.74	8244	47.56
18	5032	29.03	8326	48.04
19	5082	29.32	8409	48.52
20	5133	29.61	8493	49.00
21	5184	29.91	8578	49.49
22	5236	30.21	8664	49.99
23	5288	30.51	8751	50.49
24	5341	30.81	8838	50.99
25	5395	31.12	8927	51.50
26	5449	31.43	9016	52.02
27	5503	31.75	9106	52.54
28	5558	32.07	9197	53.06
29	5614	32.39	9289	53.59
30	5670	32.71	9382	54.13

**Watauga County
Board of Education**

Financial Statements
For the Year Ended
June 30, 2026

WATAUGA COUNTY BOARD OF EDUCATION

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**ANDERSON SMITH & WIKE PLLC***Certified Public Accountants***INDEPENDENT AUDITORS' REPORT**

Watauga County Board of Education
Boone, North Carolina

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watauga County Board of Education, as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the Watauga County Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Watauga County Board of Education as of June 30, 2026, and the respective changes in financial position, and cash flows, where applicable, 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 General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Watauga County Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 14 and the Schedule of the Proportionate Share of the Net Pension Liability, OPEB Liabilities, the Schedule of Board Contributions, Budgetary Comparison Schedules and related notes on pages 56 to 65, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2026 on our consideration of Watauga County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watauga County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watauga County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

October 13, 2026
Elon, North Carolina
(336) 380-4123

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

This section of the Watauga County Board of Education's (*the Board*) financial report is intended to help readers understand what the financial statements and notes in this financial report say about the Board's financial health and why it changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Board's finances.

If you have questions about this report or require further information, contact the finance department at 175 Pioneer Trail, Boone, NC 28607.

Overview of the Financial Statements

The Board's financial report contains basic financial statements. Those financial statements present the Board's finances at both an overall and a detailed level. The first two – the government-wide financial statements – cover the Board's governmental activities and business-type activities (together, the primary government).

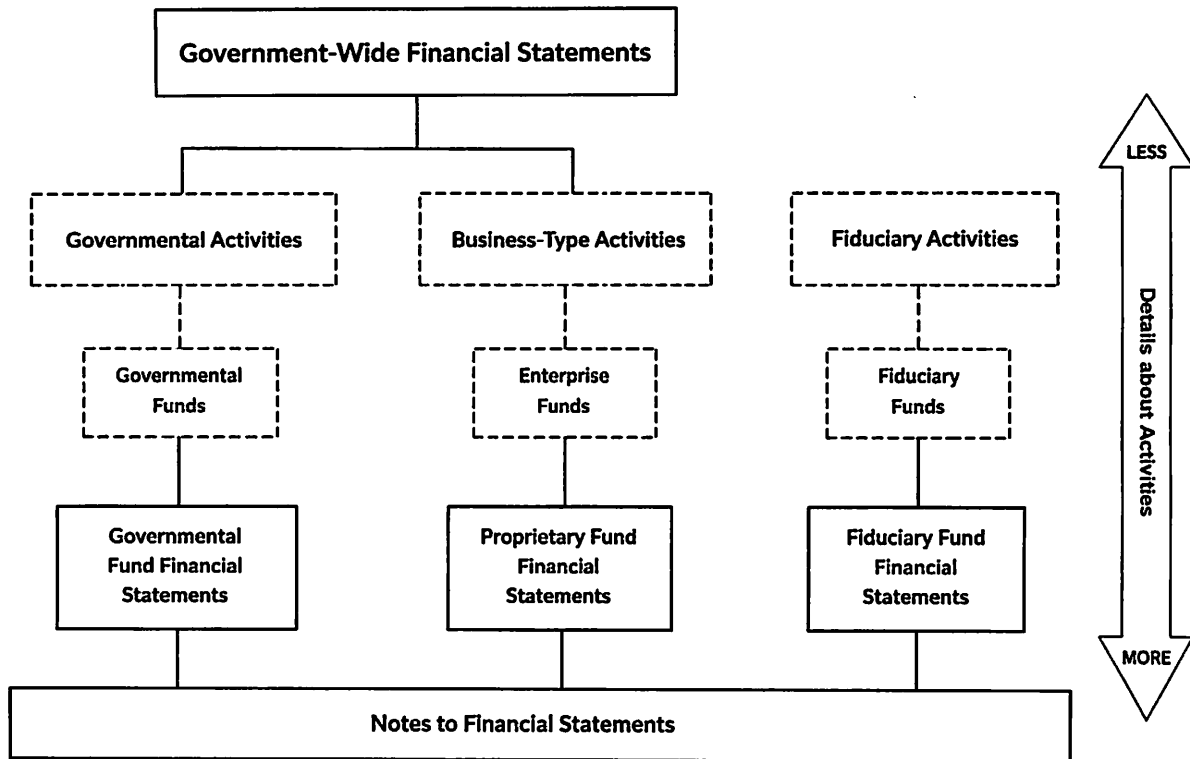
- Governmental activities: Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and State and federal aid finance most of these activities.
- Business-type activities: The Board charges fees to help it cover the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

The remaining basic financial statements present the Board's finances in greater detail and present fiduciary activities. As their name implies, the fund financial statements disaggregate financial information by separate funds to report the specific purposes for which resources are used or for which they are restricted. The Board reports two groups of funds:

- Governmental fund financial statements report the Board's governmental activities and focus on the sources and uses of current financial resources. In addition to the Board's main operating fund, the General Fund, these statements include the State Public School Fund, which accounts for State funding received through the North Carolina Department of Public Instruction; the Federal Grants Fund, which accounts for federal grants passed through the North Carolina Department of Public Instruction; the Individual Schools Fund, which accounts for revenues and expenditures of the individual schools; and the Capital Outlay Fund, which accounts for resources received and used for capital purposes. The governmental fund statements are presented as Exhibits 3, 4, and 5 of this report.
- Proprietary fund financial statements report all of the business-type activities (enterprise funds). The proprietary fund statements are shown as Exhibits 6, 7, and 8 of this report.
- Fiduciary fund financial statements report resources for which the Board acts as a trustee or custodian. The resources in this fund do not belong to the Board and cannot be used to provide services, which is why they are not included in the government-wide financial statements. The fiduciary fund statements are shown as Exhibits 9 and 10 of this report.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

Contents of the Board's basic financial statements:



The next section of this financial report contains notes to financial statements, which delve deeper into the Board's finances as reported in the financial statements. The information in the notes is as important to the understanding of the Board's finances as the information in the financial statements themselves. The Board uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements

All of the Board's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- **Assets** – resources the Board controls, from short-term assets like cash to long-term assets like buildings and equipment.
- **Liabilities** – amounts the Board owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

- Deferred outflows of resources and deferred inflows of resources – flows that occurred during the year or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- Revenues and expenses – inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, but they do report the flows of current financial resources related to those long-term items, for example principal payments on school buses and spending on construction of buildings.

Types of information reported in the Board's financial statements:

	Financial Statements			
	Government-Wide	Proprietary Fund	Fiduciary Fund	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term			Only current financial resources, such as cash, accounts receivable and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received			Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/expenditures	All types of expenses/deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid			Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year			Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to the financial statements, the summary of significant accounting policies.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

Analysis of the Board's Finances

The following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
As of June 30, 2026 and 2025						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2026</u>	<u>6/30/2025</u>	<u>6/30/2026</u>	<u>6/30/2025</u>	<u>6/30/2026</u>	<u>6/30/2025</u>
Current and other assets	\$ 17,236,024	\$ 6,320,268	\$ 1,667,771	\$ 1,867,553	\$ 18,903,795	\$ 8,187,821
Capital assets	<u>65,447,506</u>	<u>15,667,574</u>	<u>576,836</u>	<u>240,333</u>	<u>66,024,342</u>	<u>15,907,907</u>
Total assets	<u>82,683,530</u>	<u>21,987,842</u>	<u>2,244,607</u>	<u>2,107,886</u>	<u>84,928,137</u>	<u>24,095,728</u>
Deferred outflows of resources	<u>24,180,972</u>	<u>37,569,393</u>	<u>827,738</u>	<u>1,164,854</u>	<u>25,008,710</u>	<u>38,734,247</u>
Long-term liabilities	72,112,186	105,904,484	2,399,375	3,283,484	74,511,561	109,187,968
Other liabilities	<u>306,154</u>	<u>688,992</u>	<u>39,286</u>	<u>49,508</u>	<u>345,440</u>	<u>738,500</u>
Total liabilities	<u>72,418,340</u>	<u>106,593,476</u>	<u>2,438,661</u>	<u>3,332,992</u>	<u>74,857,001</u>	<u>109,926,468</u>
Deferred inflows of resources	<u>27,526,028</u>	<u>12,628,976</u>	<u>942,242</u>	<u>391,567</u>	<u>28,468,270</u>	<u>13,020,543</u>
Net investment in capital assets	65,060,260	15,471,018	576,836	240,333	65,637,096	15,711,351
Restricted net position	12,368,357	2,229,449	3,834	1,890	12,372,191	2,231,339
Unrestricted net position	<u>(70,508,483)</u>	<u>(77,365,684)</u>	<u>(889,228)</u>	<u>(694,042)</u>	<u>(71,397,711)</u>	<u>(78,059,726)</u>
Total net position	<u>\$ 6,920,134</u>	<u>\$ (59,665,217)</u>	<u>\$ (308,558)</u>	<u>\$ (451,819)</u>	<u>\$ 6,611,576</u>	<u>\$ (60,117,036)</u>

Table 1 shows that as of June 30, 2026, the Board's total net position – assets and deferred outflows minus liabilities and deferred inflows – was \$6.6 million, an increase of \$66.7 million compared with 2025. This increase is primarily due to a \$49.9 million increase in net investment in capital assets. Most of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental Activities

The net position of governmental activities increased by approximately \$66.6 million during the year, indicating an improvement in the financial condition of the Board. Various events contributed to this increase in net position, however the primary factors affecting the change in net position are as follows:

- Decreases in pension and OPEB liabilities, including impacts of deferred outflows and inflows
- Decreases in compensated absence liabilities
- Capital contributions from Watauga County

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

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

The following table shows the revenues and expenses of the Board's governmental and business-type activities for the fiscal years ended June 30, 2026 and 2025:

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended June 30, 2026 and 2025						
	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2026	6/30/2025	6/30/2026	6/30/2025	6/30/2026	6/30/2025
Revenues:						
Program revenues:						
Charges for services	\$ 2,638,486	\$ 1,974,076	\$ 1,671,941	\$ 1,471,255	\$ 4,310,427	\$ 3,445,331
Operating grants and contributions	41,400,953	41,142,332	1,632,654	1,402,197	43,033,607	42,544,529
Capital grants and contributions	62,415,184	3,764,883	360,682	-	62,775,866	3,764,883
General revenues:						
Unrestricted county appropriations - operating	16,682,228	17,840,022	-	-	16,682,228	17,840,022
Unrestricted county appropriations - capital	950,000	450,000	-	-	950,000	450,000
Investment earnings, unrestricted	550,053	162,268	26,671	9,697	576,724	171,965
Miscellaneous, unrestricted	781,161	1,953,187	962	687	782,123	1,953,874
Total revenues	125,418,065	67,286,768	3,692,910	2,883,836	129,110,975	70,170,604
Expenses:						
Governmental activities:						
Instructional services	47,396,066	55,110,689	-	-	47,396,066	55,110,689
System-wide support services	10,678,946	12,347,359	-	-	10,678,946	12,347,359
Ancillary services	33,598	115,951	-	-	33,598	115,951
Non-programmed charges	465,884	476,761	-	-	465,884	476,761
Depreciation	175,550	174,340	-	-	175,550	174,340
Business-type activities:						
School food service	-	-	2,921,757	2,911,642	2,921,757	2,911,642
Child care	-	-	710,562	763,500	710,562	763,500
Total expenses	58,750,044	68,225,100	3,632,319	3,675,142	62,382,363	71,900,242
Excess (deficiency) before transfers	66,668,021	(938,332)	60,591	(791,306)	66,728,612	(1,729,638)
Transfers in (out)	(82,670)	(98,672)	82,670	98,672	-	-
Increase (decrease) in net position	66,585,351	(1,037,004)	143,261	(692,634)	66,728,612	(1,729,638)
Beginning net position (deficit)	(59,665,217)	(58,628,213)	(451,819)	240,815	(60,117,036)	(58,387,398)
Ending net position (deficit)	\$ 6,920,134	\$ (59,665,217)	\$ (308,558)	\$ (451,819)	\$ 6,611,576	\$ (60,117,036)

Decreases in pension and OPEB liabilities, including impacts of deferred outflows and inflows

The Board recognized decreases in its proportionate shares of the net pension liability associated with the Teachers' and State Employees' Retirement System and the net other postemployment benefits liability associated with the Retiree Health Benefit Fund. These liabilities are determined through actuarial valuations performed at the statewide plan level and are allocated to participating employers based on their proportionate shares of plan contributions. Changes in actuarial assumptions, investment

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

experience, healthcare cost projections, demographic experience, and the funded status of the plans resulted in lower liabilities being allocated to the Board for fiscal year 2026. After considering the related amortization of deferred outflows and deferred inflows of resources, the reductions in these long-term liabilities increased the Board's unrestricted net position. These changes were primarily attributable to statewide plan measurements and actuarial factors rather than changes in the Board's current-year operations.

Decreases in compensated absence liabilities

The Board's governmental activities liability for compensated absences decreased \$1.2 million during fiscal year 2026 primarily due to changes in employee leave balances, leave usage patterns, and the rates used to measure the liability.

Capital contributions from Watauga County

The Board received \$53.1 million in governmental capital contributions from Watauga County related to the new Valle Crucis Elementary School that opened in October 2025. This is the primary increase in capital assets.

Financial Analysis of the Board's Governmental Funds

Governmental Funds: The focus of Watauga County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements. The Board reports five major funds individually in the governmental fund financial statements. Those funds are the General Fund, State Public School Fund, Individual Schools Fund, Capital Outlay Fund, and Federal Grants Fund. The following table details the revenues, expenditures and changes in fund balance for years ended June 30, 2026 and June 30, 2025.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

Table 3						
Revenues, Expenditures, and Changes in Fund Balances						
	General Fund		State Public School Fund		Individual School Fund	
	6/30/2026	6/30/2025	6/30/2026	6/30/2025	6/30/2026	6/30/2025
Total Revenues	\$ 20,227,386	\$ 20,643,007	\$ 37,055,283	\$ 37,807,911	\$ 2,262,092	\$ 1,898,739
Total Expenditures	18,608,285	19,104,019	37,008,944	37,761,287	2,155,977	1,839,776
Excess (deficiency) of revenues over expenditures	1,619,101	1,538,988	46,339	46,624	106,115	58,963
Other financing sources (uses)	-	255,241	(46,339)	(46,624)	-	-
Net change in fund balances	1,619,101	1,794,229	-	-	106,115	58,963
Fund balances - beginning	3,501,338	1,707,109	-	-	1,229,660	1,170,697
Fund balances - ending	<u>\$ 5,120,439</u>	<u>\$ 3,501,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,335,775</u>	<u>\$ 1,229,660</u>
	Capital Outlay Fund		Federal Grants Fund			
	6/30/2026	6/30/2025	6/30/2026	6/30/2025		
Total Revenues	\$ 2,858,058	\$ 4,795,002	\$ 2,173,015	\$ 2,131,570		
Total Expenditures	2,713,125	4,132,879	2,173,015	2,131,570		
Excess (deficiency) of revenues over expenditures	144,933	662,123	-	-		
Other financing sources (uses)	9,377,367	-	-	-		
Net change in fund balances	9,522,300	662,123	-	-		
Fund balances - beginning	839,335	177,212	-	-		
Fund balances - ending	<u>\$ 10,361,635</u>	<u>\$ 839,335</u>	<u>\$ -</u>	<u>\$ -</u>		

The majority of the Board's governmental fund revenue comes from the State of North Carolina through the NC Department of Public Instruction (NCDPI) to the State Public School Fund. The level of funding the Board receives is heavily impacted by the Board's Average Daily Membership (ADM). Boards are funded in arrears based upon the prior year's best 1st or 2nd month of student enrollment. Funding for Watauga County Schools for the year ended June 30, 2026, was based on average daily membership (ADM) of 4,565, compared to 4,648 in the prior year. In addition to ADM-based funding, State funding included established salary and benefit matching amounts. During the year ended June 30, 2026, the Board received \$37.1 million in State Public School Fund revenue, compared to \$37.8 million in the prior year. The State retirement contribution rate increased from 24.04% to 24.67%, and the annual hospitalization insurance match increased from \$7,557 to \$8,500 per eligible employee. \$46,000 was transferred to support the School Food Service Fund during the year. State allotments are spent or reverted at the end of each fiscal year, so the Board is unable to maintain fund balance in the State Public School Fund.

The next largest source of funding for the Board is from Watauga County in the General Fund and Capital Outlay Fund. In the current year, the County provided \$16.7 million in revenue for the General Fund and \$950,000 for the Capital Outlay Fund. NC General Statutes do not allow the Board to transfer these balances between funds without approval from the Board of Education and County Commissioners. Additionally, the funds can only be used for the purposes authorized for each fund.

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

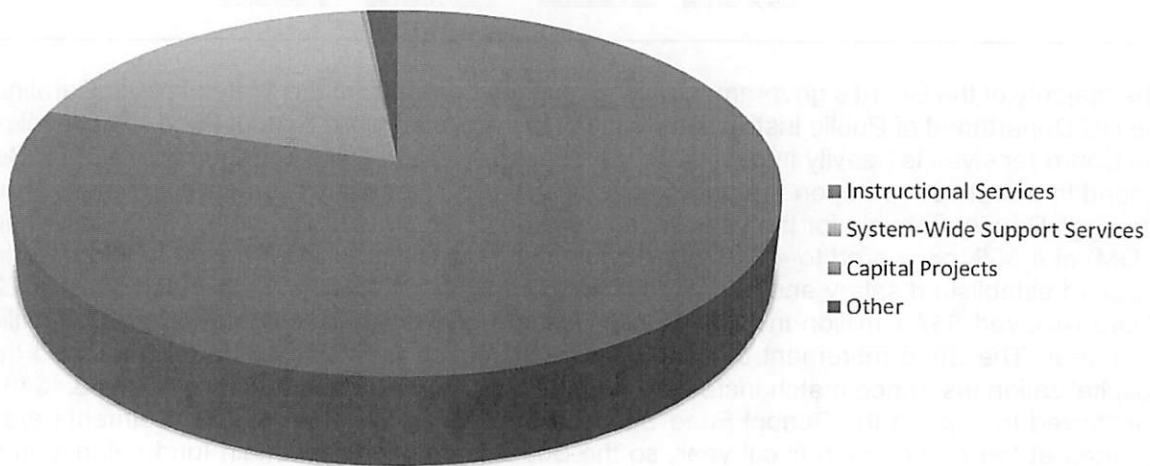
The General Fund experienced an increase in fund balance comparable to the increase they experienced in the prior year. Of the total fund balance \$4.6 million is unassigned. The Capital Outlay Fund experienced an increase in fund balance, primarily due to insurance proceeds in the amount of \$8.9 million being received related to damage at the old Valle Crucis site from Hurricane Helene. See Note 2 for the ongoing capital outlay projects and capital outlay commitments.

Federal Grants Fund revenue is comprised of various grants from the federal government that are passed to the Board through NCDPI. All revenues in this fund are restricted for specific programs or purposes as determined by the federal government. The funds are provided to the district as expenditures are incurred. Therefore, the Board is unable to maintain fund balance in the Federal Grants Fund. During the year ended June 30, 2026, the Board received \$2.2 million in Federal Grants Fund revenue compared to \$2.1 million in the prior year.

The Individual Schools Fund accounts for financial activity maintained at the District's individual schools. Revenues generally consist of student activity fees, fundraising proceeds, athletic receipts, donations, and other amounts generated or collected at the school level. Expenditures are made for student activities, instructional support, athletics, clubs, and other school-related purposes in accordance with applicable laws, Board policies, and restrictions imposed by donors or other external parties. The Individual Schools Fund reported fund balance of \$1.3 million at June 30, 2026, a \$106,000 increase for the year.

The Board's governmental funds reported a combined fund balance of \$16.8 million, a \$11.2 million increase from last year. The following chart summarizes expenditures by category.

Categorization of Expenditures of Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board reports two major funds individually in the proprietary fund financial statements. Those funds are the School Food Service Fund and the Extended Learning Center Fund. The School Food Service Fund reflected an increase of \$54,000 in net position over the last year

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026**

primarily due to increased federal reimbursements, while the Extended Learning Center Fund's net position increased by \$89,000. The following table details the revenues, expenses and changes in net position for year ended June 30, 2026 and June 30, 2025.

Table 4				
Revenues and Expenses				
	School Food Service Fund		Extended Learning Center Fund	
	6/30/2026	6/30/2025	6/30/2026	6/30/2025
Total Operating Revenues	\$ 994,017	\$ 808,197	\$ 678,886	\$ 663,745
Total Operating Expenses	<u>2,921,757</u>	<u>2,911,642</u>	<u>710,562</u>	<u>763,500</u>
Operating income (loss)	(1,927,740)	(2,103,445)	(31,676)	(99,755)
Noncapital Subsidies	<u>1,557,839</u>	<u>1,346,944</u>	<u>121,154</u>	<u>31,799</u>
Operating income (loss) and noncapital subsidies	(369,901)	(756,501)	89,478	(67,956)
Other Nonoperating Revenues (Expenses)	<u>423,684</u>	<u>131,823</u>	<u>-</u>	<u>-</u>
Change in net position	53,783	(624,678)	89,478	(67,956)
Net position (deficit) - beginning	<u>(769,159)</u>	<u>(144,481)</u>	<u>317,340</u>	<u>385,296</u>
Net position (deficit) - ending	<u>\$ (715,376)</u>	<u>\$ (769,159)</u>	<u>\$ 406,818</u>	<u>\$ 317,340</u>

The Board accounts for its child nutrition operations in the School Food Service Fund. The School Food Service Fund is funded primarily through federal meal reimbursements, USDA donated commodities, and food sales. Federal reimbursement is based primarily on number of reimbursable meals and snacks served and the reimbursement rate. During the year the Board was reimbursed for meals provided to students based on individual eligibility for free, reduced-priced or paid meals. For the fiscal year ended June 30, 2026, noncapital subsidies, which include federal and State reimbursements, commodities, transfers, and indirect costs not paid, totaled \$1.6 million, compared to \$1.3 million in the prior year.

The Extended Learning Center Fund accounts for the financial activities of the District's after-school child care program. Revenues are derived primarily from participant fees and are used to support program staffing, supplies, snacks, facilities, and other costs associated with providing supervised care and enrichment activities for students outside of regular school hours. For the fiscal year ended June 30, 2026, net position increased by \$89,000 primarily due to a local grant that the program received.

Significant Capital Asset and Long-Term Financing Activity

The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds the majority of the debt issued for school construction. During the fiscal year ended June 30, 2026, the Board had capital asset additions primarily related to:

- Building construction
- Transportation fleet upgrades
- Equipment refresh

**WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital assets, net of depreciation, increased by approximately \$49.8 million from the previous year. Significant additions for the year include the capital contribution from the County for Valle Crucis Elementary School. Significant disposals for the year include portions of the old Valle Crucis Elementary School.

Long-term financing activity during the fiscal year ended June 30, 2026 included routine payments for the Board's long-term obligations, as well as a new installment purchase obligation related to the acquisition of buses from NCDPI. Management regularly evaluates and monitors other long-term financing arrangements, such as leases and subscription-based information technology arrangements, to align financing with replacement cycles and operational needs.

Long-term financing related to assets, increased by approximately \$191,000 from the previous year.

Currently Known Facts, Decisions, or Conditions

North Carolina school boards operate within a funding structure that is significantly influenced by State appropriations, county/local support, and federal programs. The majority of instructional and personnel-related resources are provided through State allotments, while county appropriations generally support local operating needs and capital-related requirements. Federal funds are typically restricted for specific programs and compliance requirements. Because many revenues are externally determined or restricted as to use, the Board's financial operations are affected by changes in student enrollment, State funding formulas, local economic conditions, federal program requirements, and inflationary pressures on salaries, benefits, utilities, transportation, and instructional supplies. Management continues to monitor these factors in developing the annual budget and maintaining financial stability while supporting the educational needs of students.

The following items are currently known to management and are expected to have a financial impact on the District in the fiscal year ended June 30, 2027:

- **State funding and compensation:** The State of North Carolina adopts its budget on a biennial basis, with annual appropriations and adjustments established for each fiscal year within the two-year budget period. For fiscal year 2026–2027 the State budget provides approximately \$12.5 billion in net General Fund appropriations to the Department of Public Instruction and includes an average salary increase of approximately 8% for teachers and instructional support personnel, with the actual percentage increase varying based on years of experience and placement on the State salary schedule. The revised schedule provides an annual base salary of \$48,000 for beginning teachers and \$59,000 for teachers with 25 or more years of experience. The budget also provides a 3% salary increase for State-funded noncertified personnel and certain central office administrators, as well as a \$1,750 bonus for qualifying school nutrition and custodial personnel. For fiscal year 2026–2027, the TSERS employer contribution rate for retirement, health insurance, and related benefits is 26.10% of covered salaries, up from 24.67% in the 2025–2026 fiscal year. Retirement comprises the majority of the contribution rate at 18.22%, up from 17.14% in the prior year. The annual State Health Plan contribution is \$8,925 per covered employee for fiscal year 2026–2027, up from \$8,500 in the prior year.
- **Enrollment:** Using the best 1 of 2 ADM rates for fiscal year ended June 30, 2026, which will be used to fund the Board for fiscal year ended June 30, 2027, Watauga County Schools has an ADM of 4,447, compared to 4,565 in the prior year.

WATAUGA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026

- Economy: The North Carolina Department of Commerce assigns county economic distress rankings by county based upon the average unemployment rate, median household income, percentage growth of population and adjusted property tax base per capita. Each county is ranked from most distressed (1) to least distressed (100). In 2026, Watauga County is ranked 66th among the 100 counties, which is a decline of 12 in rank from 2025, indicating a declining economic condition year over year, but less distress than the average North Carolina county.
- County taxes and funding: The Watauga County property tax rate for 2026 has been set at \$0.318 per \$100, which is consistent with the tax rate for 2025. Watauga County is funding Watauga County Schools General Fund at \$17.2 million for the fiscal year ended June 30, 2027, compared to \$16.7 million for the fiscal year ended June 30, 2026.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2026

Exhibit 1

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 17,071,804	\$ 1,513,182	\$ 18,584,986
Due from other governments	52,089	9,381	61,470
Receivables (net)	110	-	110
Inventories	-	141,374	141,374
Net OPEB asset	112,021	3,834	115,855
Capital assets:			
Intangible right-to-use lease, net of amortization	153,145	-	153,145
Land, improvements, and construction in progress	1,982,106	-	1,982,106
Other capital assets, net of depreciation	63,312,255	576,836	63,889,091
Total capital assets	65,447,506	576,836	66,024,342
Total assets	82,683,530	2,244,607	84,928,137
DEFERRED OUTFLOWS OF RESOURCES	24,180,972	827,738	25,008,710
LIABILITIES			
Accounts payable and accrued expenses	306,154	10,021	316,175
Unearned revenues	-	29,265	29,265
Long-term liabilities:			
Due within one year			
Installment purchase	117,317	-	117,317
Lease liability	47,238	-	47,238
Compensated absences	1,769,212	54,680	1,823,892
Due in more than one year			
Installment purchase	117,317	-	117,317
Lease liability	105,374	-	105,374
Net pension liability	23,335,753	798,806	24,134,559
Net OPEB liability	39,767,763	1,361,290	41,129,053
Compensated absences	6,852,212	184,599	7,036,811
Total liabilities	72,418,340	2,438,661	74,857,001
DEFERRED INFLOWS OF RESOURCES	27,526,028	942,242	28,468,270
NET POSITION			
Net investment in capital assets	65,060,260	576,836	65,637,096
Restricted for:			
Individual schools	1,335,775	-	1,335,775
Stabilization by State statute	52,199	-	52,199
School capital outlay	10,345,135	-	10,345,135
Instructional services	523,227	-	523,227
DIPNC OPEB plan	112,021	3,834	115,855
Unrestricted	(70,508,483)	(889,228)	(71,397,711)
Total net position	\$ 6,920,134	\$ (308,558)	\$ 6,611,576

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2026

Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Primary Government						
	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	\$ 30,306,660	\$ 44,215	\$ 21,293,443	\$ -	\$ (8,969,002)	\$ -	\$ (8,969,002)
Special populations	7,521,596	-	7,525,978	-	4,382	-	4,382
Alternative programs	2,790,313	330,689	3,615,609	-	1,155,985	-	1,155,985
School leadership	2,599,113	-	1,826,653	-	(772,460)	-	(772,460)
Co-curricular	510,679	2,262,092	-	-	1,751,413	-	1,751,413
School-based support	3,667,705	-	2,499,505	-	(1,168,200)	-	(1,168,200)
System-wide support services:							
Support and development	670,245	-	428,649	-	(241,596)	-	(241,596)
Special populations	268,021	-	293,522	-	25,501	-	25,501
Alternative programs	692	-	692	-	-	-	-
Technology support	1,048,416	-	176,761	-	(871,655)	-	(871,655)
Operational support	6,378,435	1,490	3,187,686	62,415,184	59,225,925	-	59,225,925
Financial and human resource services	1,013,088	-	143,065	-	(870,023)	-	(870,023)
Accountability	6,420	-	530	-	(5,890)	-	(5,890)
System-wide pupil support services	339,290	-	-	-	(339,290)	-	(339,290)
Policy, leadership and public relations	954,339	-	408,860	-	(545,479)	-	(545,479)
Ancillary services	33,598	-	-	-	(33,598)	-	(33,598)
Non-programmed charges	465,884	-	-	-	(465,884)	-	(465,884)
Unallocated depreciation expense*	175,550	-	-	-	(175,550)	-	(175,550)
Total governmental activities	58,750,044	2,638,486	41,400,953	62,415,184	47,704,579	-	47,704,579
Business-type activities:							
School food service	2,921,757	993,055	1,511,500	360,682	-	(56,520)	(56,520)
Child care	710,562	678,886	121,154	-	-	89,478	89,478
Total business-type activities	3,632,319	1,671,941	1,632,654	360,682	-	32,958	32,958
Total primary government	\$ 62,382,363	\$ 4,310,427	\$ 43,033,607	\$ 62,775,866	47,704,579	32,958	47,737,537
General revenues:							
Unrestricted county appropriations - operating					16,682,228	-	16,682,228
Unrestricted county appropriations - capital					950,000	-	950,000
Investment earnings, unrestricted					550,053	26,671	576,724
Miscellaneous, unrestricted					781,161	962	782,123
Transfers					(82,670)	82,670	-
Total general revenues and transfers					18,880,772	110,303	18,991,075
Change in net position					66,585,351	143,261	66,728,612
Net position (deficit) - beginning					(59,665,217)	(451,819)	(60,117,036)
Net position (deficit) - ending					\$ 6,920,134	\$ (308,558)	\$ 6,611,576

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

FUND FINANCIAL STATEMENTS

WATAUGA COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2026

Exhibit 3

	Major Funds					Total Governmental Funds
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	
ASSETS						
Cash and cash equivalents	\$ 5,377,089	\$ -	\$ 1,335,775	\$ 10,358,940	\$ -	\$ 17,071,804
Receivables (net)	110	-	-	-	-	110
Due from other governments	35,589	-	-	16,500	-	52,089
Total assets	<u>\$ 5,412,788</u>	<u>\$ -</u>	<u>\$ 1,335,775</u>	<u>\$ 10,375,440</u>	<u>\$ -</u>	<u>\$ 17,124,003</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 292,349	\$ -	\$ -	\$ 13,805	\$ -	\$ 306,154
Fund balances:						
Restricted:						
Stabilization by State statute	35,699	-	-	16,500	-	52,199
School capital outlay	-	-	-	10,345,135	-	10,345,135
Instructional services	523,227	-	-	-	-	523,227
Individual schools	-	-	1,335,775	-	-	1,335,775
Unassigned	4,561,513	-	-	-	-	4,561,513
Total fund balances	<u>5,120,439</u>	<u>-</u>	<u>1,335,775</u>	<u>10,361,635</u>	<u>-</u>	<u>16,817,849</u>
Total liabilities and fund balances	<u>\$ 5,412,788</u>	<u>\$ -</u>	<u>\$ 1,335,775</u>	<u>\$ 10,375,440</u>	<u>\$ -</u>	

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

Net OPEB asset	112,021
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	65,294,361
Right to leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	153,145
Deferred outflows of resources related to OPEB	15,734,123
Deferred outflows of resources related to pensions	8,446,849
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,856,058)
Lease liability	(152,612)
Net pension liability	(23,335,753)
Net OPEB liability	(39,767,763)
Deferred inflows of resources related to pensions	(2,662,160)
Deferred inflows of resources related to OPEB	(24,863,868)
Net position of governmental activities	<u>\$ 6,920,134</u>

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

	Major Funds					Exhibit 4
	General	State Public School	Individual Schools	Capital Outlay	Federal Grants Fund	Total Governmental Funds
REVENUES						
State of North Carolina	\$ 618,944	\$ 37,055,283	\$ -	\$ 1,172,948	\$ -	\$ 38,847,175
Watauga County	16,682,228	-	-	950,000	-	17,632,228
U.S. Government	1,105,208	-	-	400,005	2,173,015	3,678,228
Other	1,821,006	-	2,262,092	335,105	-	4,418,203
Total revenues	20,227,386	37,055,283	2,262,092	2,858,058	2,173,015	64,575,834
EXPENDITURES						
Current:						
Instructional services:						
Regular instructional	6,128,636	20,952,235	2,155,977	1,431,449	209,853	30,878,150
Special populations	921,619	6,397,566	-	-	1,064,182	8,383,367
Alternative programs	1,169,982	1,246,805	-	-	672,367	3,089,154
School leadership	1,111,977	1,826,653	-	-	-	2,938,630
Co-curricular	535,112	-	-	10,929	-	546,041
School-based support	1,575,641	2,490,856	-	-	8,157	4,074,654
System-wide support services:						
Support and development	334,457	428,649	-	-	-	763,106
Special populations	10,418	193,728	-	-	94,114	298,260
Alternative programs	-	-	-	-	653	653
Technology support	952,392	176,761	-	-	-	1,129,153
Operational support	3,743,060	2,743,236	-	803,321	-	7,289,617
Financial and human resource services	939,191	143,065	-	-	-	1,082,256
Accountability	5,890	530	-	-	-	6,420
Policy, leadership and public relations	576,148	408,860	-	33,253	-	1,018,261
Ancillary services	79,192	-	-	-	-	79,192
Non-programmed charges	465,884	-	-	-	123,689	589,573
Capital outlay	-	-	-	199,540	-	199,540
Debt service						
Principal	43,944	-	-	234,633	-	278,577
Interest	14,742	-	-	-	-	14,742
Total expenditures	18,608,285	37,008,944	2,155,977	2,713,125	2,173,015	62,659,346
Revenues over (under) expenditures	1,619,101	46,339	106,115	144,933	-	1,916,488
OTHER FINANCING SOURCES (USES)						
Transfers to other funds	-	(46,339)	-	-	-	(46,339)
Installment purchase obligations issued	-	-	-	469,267	-	469,267
Insurance recovery	-	-	-	8,908,100	-	8,908,100
Total other financing sources (uses)	-	(46,339)	-	9,377,367	-	9,331,028
Net change in fund balances	1,619,101	-	106,115	9,522,300	-	11,247,516
Fund balances-beginning	3,501,338	-	1,229,660	839,335	-	5,570,333
Fund balances-ending	\$ 5,120,439	\$ -	\$ 1,335,775	\$ 10,361,635	\$ -	\$ 16,817,849

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

WATAUGA COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 11,247,516
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 depreciation exceeded capital outlay expense in the current period.	(2,103,151)
Governmental funds report leased assets as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the life of the lease and reported as amortization expense. This is the amount by which the leased asset expenditures exceeded amortization expense in the current period.	(51,048)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	5,680,687
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	2,452,572
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	532
Capital contributions	53,090,961
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(190,690)
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	(4,773,038)
Net OPEB expense	1,215,037
Compensated absences	1,172,803
Loss on disposal of assets	(1,156,830)
Total changes in net position of governmental activities	<u>\$ 66,585,351</u>

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2026

Exhibit 6

	Major Fund		
	School Food Service	Extended Learning Center	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 666,145	\$ 847,037	\$ 1,513,182
Due from other governments	9,381	-	9,381
Inventories	141,374	-	141,374
Total current assets	<u>816,900</u>	<u>847,037</u>	<u>1,663,937</u>
Noncurrent assets:			
OPEB asset	3,145	689	3,834
Capital assets, net	<u>576,836</u>	<u>-</u>	<u>576,836</u>
Total noncurrent assets	<u>579,981</u>	<u>689</u>	<u>580,670</u>
Total assets	<u>1,396,881</u>	<u>847,726</u>	<u>2,244,607</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>678,937</u>	<u>148,801</u>	<u>827,738</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,270	1,751	10,021
Compensated absences	46,141	8,539	54,680
Unearned revenues	<u>29,265</u>	<u>-</u>	<u>29,265</u>
Total current liabilities	<u>83,676</u>	<u>10,290</u>	<u>93,966</u>
Noncurrent liabilities:			
Net pension liability	655,205	143,601	798,806
Net OPEB liability	1,116,572	244,718	1,361,290
Compensated absences	<u>162,885</u>	<u>21,714</u>	<u>184,599</u>
Total noncurrent liabilities	<u>1,934,662</u>	<u>410,033</u>	<u>2,344,695</u>
Total liabilities	<u>2,018,338</u>	<u>420,323</u>	<u>2,438,661</u>
DEFERRED INFLOWS OF RESOURCES	<u>772,856</u>	<u>169,386</u>	<u>942,242</u>
NET POSITION			
Net investment in capital assets	576,836	-	576,836
Restricted for DIPNC OPEB plan	3,145	689	3,834
Unrestricted	<u>(1,295,357)</u>	<u>406,129</u>	<u>(889,228)</u>
Total net position	<u>\$ (715,376)</u>	<u>\$ 406,818</u>	<u>\$ (308,558)</u>

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2026

Exhibit 7

	Major Fund		
	School Food Service	Extended Learning Center	Total
OPERATING REVENUES			
Food sales	\$ 993,055	\$ -	\$ 993,055
Child care fees	-	678,886	678,886
Other	962	-	962
Total operating revenues	994,017	678,886	1,672,903
OPERATING EXPENSES			
Food cost:			
Purchase of food	993,807	26,485	1,020,292
Donated commodities	169,932	-	169,932
Salaries and benefits	1,558,839	589,649	2,148,488
Supplies and materials	2,373	30,606	32,979
Repairs and maintenance	4,043	-	4,043
Indirect costs	125,886	45,051	170,937
Depreciation	60,510	-	60,510
Other	6,367	18,771	25,138
Total operating expenses	2,921,757	710,562	3,632,319
Operating loss	(1,927,740)	(31,676)	(1,959,416)
NONCAPITAL SUBSIDIES			
Federal reimbursements	1,203,184	-	1,203,184
Federal commodities	169,932	-	169,932
State reimbursements	12,498	-	12,498
Local grants	-	121,154	121,154
Indirect costs not paid	125,886	-	125,886
Transfers from other funds	46,339	-	46,339
Total noncapital subsidies	1,557,839	121,154	1,678,993
Operating loss and noncapital subsidies	(369,901)	89,478	(280,423)
NONOPERATING REVENUES			
Capital contributions	397,013	-	397,013
Interest earned	26,671	-	26,671
Total nonoperating revenues	423,684	-	423,684
Change in net position	53,783	89,478	143,261
Total net position (deficit) - beginning	(769,159)	317,340	(451,819)
Total net position (deficit) - ending	\$ (715,376)	\$ 406,818	\$ (308,558)

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2026

Exhibit 8

	Major Fund		
	School Food Service	Extended Learning Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 972,812	\$ 678,886	\$ 1,651,698
Cash paid for goods and services	(1,017,063)	(119,162)	(1,136,225)
Cash paid to employees for services	(1,502,301)	(598,110)	(2,100,411)
Other operating revenues	962	-	962
Net cash provided (used) by operating activities	<u>(1,545,590)</u>	<u>(38,386)</u>	<u>(1,583,976)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal and State reimbursements	1,254,934	-	1,254,934
Local grants	-	121,154	121,154
Net cash provided from noncapital financing activities	<u>1,254,934</u>	<u>121,154</u>	<u>1,376,088</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>26,671</u>	<u>-</u>	<u>26,671</u>
Net increase (decrease) in cash and cash equivalents	(263,985)	82,768	(181,217)
Balances-beginning of the year	<u>930,130</u>	<u>764,269</u>	<u>1,694,399</u>
Balances-end of the year	<u>\$ 666,145</u>	<u>\$ 847,037</u>	<u>\$ 1,513,182</u>

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2026

Exhibit 8
(Continued)

Reconciliation of operating loss to net cash used by operating activities

Operating loss	\$ (1,927,740)	\$ (31,676)	\$ (1,959,416)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	60,510	-	60,510
Expenses paid by other funds	46,339	-	46,339
Donated commodities consumed	169,932	-	169,932
Indirect costs not paid	125,886	-	125,886
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in net OPEB asset	(1,610)	(334)	(1,944)
(Increase) decrease in inventories	(18,743)	-	(18,743)
Increase (decrease) in accounts payable	8,270	1,751	10,021
(Increase) decrease in deferred outflows	267,146	69,970	337,116
Increase (decrease) in net pension liability	(135,939)	(39,342)	(175,281)
Increase (decrease) in net OPEB liability	(507,613)	(130,856)	(638,469)
Increase (decrease) in deferred inflows	454,829	95,846	550,675
Increase (decrease) in unearned revenues	(20,243)	-	(20,243)
Increase (decrease) in compensated absences	(66,614)	(3,745)	(70,359)
Total adjustments	382,150	(6,710)	375,440
Net cash provided (used) by operating activities	\$ (1,545,590)	\$ (38,386)	\$ (1,583,976)

Noncash investing, capital, and financing activities:

Indirect costs of \$125,886 that would be due to the General Fund were not paid. These unpaid costs are reflected as a noncapital subsidy and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of \$169,932 during the fiscal year. The receipt of the commodities is recognized as a noncapital subsidy and an operating expense on Exhibit 7.

The School Food Service Fund received \$36,331 of capital assets as a contribution from the Capital Outlay Fund. The receipt of the assets are recognized as a capital contribution on Exhibit 7.

The School Food Service Fund received \$360,682 of capital assets as a contribution from Watauga County. The receipt of the assets are recognized as a capital contribution on Exhibit 7.

The State Public School Fund contributed \$46,339 to the School Food Service Fund during the fiscal year to provide assistance with the payment of wages. This payment is reflected as a noncapital subsidy transfer in and an operating expense on Exhibit 7.

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
June 30, 2026

Exhibit 9

	<u>Private-Purpose Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 127,546</u>
NET POSITION	
Assets held in trust for private purpose	<u>\$ 127,546</u>

WATAUGA COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
For the Year Ended June 30, 2026

Exhibit 10

	Private-Purpose Trust Fund
Additions:	
Contributions and other revenue	\$ 16,124
Interest income	5,239
Total additions	21,363
Deductions:	
Instructional costs	23,012
Change in net position	(1,649)
Total net position - beginning	129,195
Total net position - ending	\$ 127,546

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Noncapital subsidies and nonoperating revenues, such as State and federal reimbursements and investment earnings, result

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

from nonexchange transactions or ancillary activities. All expenses are considered to be operating expenses.

The Board reports the following major governmental funds:

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

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

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

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

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

The Board reports the following major enterprise fund:

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

Extended Learning Center Fund. The Extended Learning Center Fund is used to account for the after school care program.

The Board reports the following fiduciary fund:

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

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.

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. Currently, the Board does not have a formal policy pertaining to the use of net position; however, it has been the Board's practice to first apply cost-reimbursement grant resources to such programs and then general revenues.

Budgetary Data

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

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

because the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances at June 30, 2026.

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

Inventories

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

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

Capital Assets

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

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

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

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

	<u>Years</u>
Buildings and Improvements	50
Equipment and Furniture	10
Computer Equipment	5
Buses	15
Vehicles	6

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

Right to use assets

The Board reports right to use assets initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

Deferred outflows and inflows of resources

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

Long-term obligations

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

Compensated Absences

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

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

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

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for 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 fundraising activities for which they were collected.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(9,897,715) consists of several elements as follows:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

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)	\$ 105,658,650
Less Accumulated Depreciation	<u>40,364,289</u>
Net capital assets	65,294,361
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds (total right to use lease at historical cost on government-wide statement in governmental activities column)	255,241
Less Accumulated Amortization	<u>102,096</u>
Right to use leased assets, net	153,145
Net OPEB asset	112,021
Pension related deferred outflows of resources	8,446,849
OPEB related deferred outflows of resources	15,734,123
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Lease liability	(152,612)
Compensated absences	(8,621,424)
Installment purchases	(234,634)
Net pension liability	(23,335,753)
Net OPEB liability	(39,767,763)
Deferred inflows of resources related to pensions	(2,662,160)
Deferred inflows of resources related to OPEB	<u>(24,863,868)</u>
Total adjustment	<u>\$ (9,897,715)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$55,337,835 as follows:

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 759,741
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.	(2,862,892)
Amortization expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(51,048)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	5,680,687
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	2,452,572
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	532
Capital contributions	53,090,961
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	(4,773,038)
Net OPEB expense	1,215,037
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	1,172,803
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	(190,690)
Loss on disposal of capital assets	(1,156,830)
Total adjustment	<u>\$ 55,337,835</u>

Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

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, 2026, the Board had deposits with banks and savings and loans with a carrying amount of \$18,712,532 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$19,271,901 and \$527,840, respectively. Of these balances, \$638,679 was covered by federal depository insurance and \$19,161,062 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

Accounts Receivable

Receivables at the government-wide level at June 30, 2026, were as follows:

	<u>Due from other governments</u>	<u>Other</u>
Governmental activities:		
General Fund	\$ 35,589	\$ 110
Other governmental activities	16,500	-
Total	<u>\$ 52,089</u>	<u>\$ 110</u>
Business-type activities:		
School Food Service	<u>\$ 9,381</u>	<u>\$ -</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 18,628	Appalachian State University
General Fund	16,961	Watauga County
Capital Outlay Fund	16,500	Watauga County
Total	<u>\$ 52,089</u>	
Business-type activities:		
School Food Service	<u>\$ 9,381</u>	USDA Grant reimbursement

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Capital Assets

Capital asset activity for the year ended June 30, 2026, was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,982,106	\$ -	\$ -	\$ 1,982,106
Capital assets being depreciated:				
Buildings/improvements	45,927,581	53,090,961	4,034,156	94,984,386
Equipment and furniture	2,831,704	26,821	42,018	2,816,507
Vehicles	5,142,731	732,920	-	5,875,651
Total capital assets being depreciated	53,902,016	53,850,702	4,076,174	103,676,544
Less accumulated depreciation for:				
Buildings/improvements	35,335,071	2,348,052	2,877,326	34,805,797
Equipment and furniture	1,519,917	175,550	42,018	1,653,449
Vehicles	3,565,753	339,290	-	3,905,043
Total accumulated depreciation	40,420,741	2,862,892	2,919,344	40,364,289
Total capital assets being depreciated, net	13,481,275			63,312,255
Capital assets being amortized:				
Equipment	255,241	-	-	255,241
Less accumulated amortization for:				
Equipment	51,048	51,048	-	102,096
Total capital assets being amortized, net	204,193			153,145
Governmental activity capital assets, net	\$ 15,667,574			\$ 65,447,506

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Furniture and office equipment	\$ 584,008	\$ 397,013	\$ 9,985	\$ 971,036
Less accumulated depreciation for:				
Furniture and office equipment	<u>343,675</u>	<u>60,510</u>	<u>9,985</u>	<u>394,200</u>
School Food Service capital assets, net:	<u>\$ 240,333</u>			<u>\$ 576,836</u>

Depreciation and amortization were charged to governmental functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>
Regular instructional services	\$ 2,348,052	\$ -
System-wide support services	339,290	51,048
Unallocated depreciation	<u>175,550</u>	<u>-</u>
Total	<u>\$ 2,862,892</u>	<u>\$ 51,048</u>

Liabilities

Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2026 was 17.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by the employees during the year. Contributions to the pension plan from the Board were \$5,875,143 for the year ended June 30, 2026.

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 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, 2026, the Board reported a liability of \$24,134,559 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025. The total pension

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liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions. The Board's proportionate share of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2025 and at June 30, 2024, the Board's proportion was 0.21% and 0.22%, respectively.

For the year ended June 30, 2026, the Board recognized pension expense of \$4,995,963. At June 30, 2026, the Board reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,860,850	\$ -
Net difference between projected and actual earnings on pension plan investments	-	776,260
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	1,977,028
Board contributions subsequent to the measurement date	<u>5,875,143</u>	<u>-</u>
Total	<u>\$ 8,735,993</u>	<u>\$ 2,753,288</u>

\$5,875,143 reported as deferred outflows of resources related to pensions resulted from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2027	\$ 4,256,004
2028	(1,223,428)
2029	(1,730,898)
2030	(1,194,116)
2031	-
Thereafter	-
Total	<u>\$ 107,562</u>

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Actuarial Assumptions. The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2024 actuarial valuation were based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurements.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	2.4%
Global Equity	42%	6.8%
Real Estate	8%	6.1%
Alternatives	8%	7.9%
Opportunistic Fixed Income	7%	5.1%
Inflation Sensitive	6%	4.2%
Total	100%	

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The information above is based on 30 year expectations developed with the consulting actuary for the 2025 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 2.38%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability reported at June 30, 2026 and 2025 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 liability to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension 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)	\$ 50,508,300	\$ 24,134,559	\$ 2,389,713

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

b. Other Post-employment Benefits

Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed

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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.

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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 7.33% of covered payroll which amounted to \$2,512,532. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$0.3 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$550.

At June 30, 2026, the Board reported a liability of \$41,129,053 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. The total OPEB liability was then rolled forward to the measurement date of June 30, 2025 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 Board's proportion was 0.19% and 0.20%, respectively.

\$2,512,532 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 ended June 30, 2027. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2027	\$ (2,939,753)
2028	(1,787,120)
2029	(2,023,615)
2030	(5,184,058)
2031	-
Thereafter	-
Total	<u>\$ (11,934,546)</u>

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

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

Healthcare cost trend rates:

Medical	5.00% - 6.50%
Prescription drug	(6.59%) - 9.77%
Medicare	5.00%
Administrative costs	(7.90%) - 3.00%
Post-retirement mortality rates	Pub-2010 Health Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors by participant group, and projected for mortality improvements using Scale MP-2019

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF at June 30, 2026 and 2025 was 5.20% and 3.93%, 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 5.20% was used as the discount rate used to measure the total OPEB liability. The 5.20% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2025.

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 (4.20 percent) or 1-percentage point higher (6.20 percent) than the current discount rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Net OPEB liability	\$ 48,390,859	\$ 41,129,053	\$ 35,184,776

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:

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		(5.00-6.50% Medical, (6.59)-9.77% Rx, 5.00% Medicare, (7.90%)-3.00% Administrative Expenses)	
	<u>1% Decrease in Trend Rates</u>		<u>1% Increase in Trend Rates</u>
Net OPEB liability	\$ 34,278,616	\$ 41,129,053	\$ 49,770,015

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.

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 provided 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.

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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, 2026, employers made a statutory contribution of 0.07% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$23,994 for the year ended June 30, 2026.

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, 2026, the Board reported an OPEB asset of \$115,855 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2025, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2024. The total OPEB asset was then rolled forward to the measurement date of June 30, 2025 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 Board's proportion was 0.18% and 0.19%, respectively.

\$23,994 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2027. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2027	\$	(35,696)
2028		(11,026)
2029		1,969
2030		508
2031		-
Thereafter		-
Total	\$	<u>(44,245)</u>

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

Inflation	2.50%
Salary increases	3.25% to 8.05%, including a 3.25% inflation and productivity factor

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Investment rate of return 3.00%, net of OPEB plan investment expense, including inflation

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

	<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
Net OPEB asset	\$ 110,289	\$ 115,855	\$ 121,745

Common actuarial assumptions for both OPEB plans. The total OPEB liability/asset was determined by an actuarial valuation performed as of December 31, 2024 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, 2025. 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, 2025. 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, 2025 is 2.53%.

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2026:

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	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (revenue)	\$ 1,086,514	\$ 923	\$ 1,087,437
OPEB liability (asset)	41,129,053	(115,855)	41,013,198
Proportionate share of the net OPEB liability	0.187%	0.177%	
Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ 331,907	\$ 18,096	\$ 350,003
Changes of assumptions	11,005,393	-	11,005,393
Net difference between projected and actual earnings on plan investments	74,689	14,267	88,956
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,291,352	487	2,291,839
Board contributions subsequent to the measurement date	<u>2,512,532</u>	<u>23,994</u>	<u>2,536,526</u>
Total Deferred Outflows of Resources	<u>\$ 16,215,873</u>	<u>\$ 56,844</u>	<u>\$ 16,272,717</u>
Deferred of Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 52,838	\$ 52,838
Changes of assumptions	21,693,580	15,040	21,708,620
Changes in proportion and differences between Board contributions and proportionate share of contributions	<u>3,944,307</u>	<u>9,217</u>	<u>3,953,524</u>
Total Deferred Inflows of Resources	<u>\$ 25,637,887</u>	<u>\$ 77,095</u>	<u>\$ 25,714,982</u>

Accounts Payable

Accounts payable at June 30, 2026, are as follows:

	<u>Vendors</u>
Governmental Activities	
General	\$ 292,349
Other Governmental	13,805
Total - governmental activities	<u>\$ 306,154</u>
Business-type Activities	
School Food Service	\$ 8,270
Child Care	1,751
Total - business-type activities	<u>\$ 10,021</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

Unearned Revenues

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

	<u>Unearned Revenues</u>
Prepaid lunch balances (School Food Service Fund)	\$ <u>29,265</u>

Deferred Outflows and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between Board contributions and proportionate share of contributions	\$ 2,291,839	\$ 5,930,552
Changes in assumptions	11,005,393	21,708,620
Difference between projected and actual earnings on plan investments	88,956	776,260
Board contributions subsequent to the measurement date	8,411,669	-
Difference between expected and actual experience	<u>3,210,853</u>	<u>52,838</u>
Total	<u>\$ 25,008,710</u>	<u>\$ 28,468,270</u>

Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Board Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for general liability of \$3,150,000 and an annual aggregate limit of \$3,150,000 for errors and omissions claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

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

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

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

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

Long-Term Obligations

a. 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 financing arrangements with various companies. The Board had one such contract for the purchase of school buses. The terms of the financing contract are four years, with required annual payments ranging from \$117,317-\$234,634.

The future minimum payments as of June 30, 2026 are as follows:

Year Ending June 30,	<u>Principal</u>
2027	\$ 117,317
2028	117,317
Total	<u>\$ 234,634</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

b. Leases

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

Agreements for radios and repeaters were executed in April 2025 each with a term of 60 months, requiring minimum annual payments of \$20,640 and \$33,045, respectively. There are no variable components to the leases. The lease liabilities were measured using a discount rate of 7.5%. As a result of the leases, the Board has recorded a right to use asset with a net book value of \$153,145 as of June 30, 2026. The right to use assets are discussed in more detail in Note 1.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2026 are as follows:

Year Ending June 30,	Principal	Interest
2027	\$ 47,238	\$ 11,446
2028	50,782	7,903
2029	54,592	4,094
Total	<u>\$ 152,612</u>	<u>\$ 23,443</u>

c. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2026:

	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026	Current Portion
Governmental activities:					
Direct placement					
installment purchases	\$ -	\$ 469,267	\$ 234,633	\$ 234,634	\$ 117,317
Lease liability	196,556	-	43,944	152,612	47,238
Net pension liability	31,416,653	-	8,080,900	23,335,753	-
Net OPEB liability	64,497,048	-	24,729,285	39,767,763	-
Net compensated absences	9,794,227	-	1,172,803	8,621,424	1,769,212
Total	<u>\$ 105,904,484</u>	<u>\$ 469,267</u>	<u>\$ 34,261,565</u>	<u>\$ 72,112,186</u>	<u>\$ 1,933,767</u>
Business-type activities:					
Net pension liability	\$ 974,087	\$ -	\$ 175,281	\$ 798,806	\$ -
Net OPEB liability	1,999,759	-	638,469	1,361,290	-
Net compensated absences	309,638	-	70,359	239,279	54,680
Total	<u>\$ 3,283,484</u>	<u>\$ -</u>	<u>\$ 884,109</u>	<u>\$ 2,399,375</u>	<u>\$ 54,680</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

Compensated absences for governmental activities are typically liquidated by the general and other governmental funds. Business-type activities are liquidated through the proprietary funds.

Transfers to/from other Funds

During the year ended June 30, 2026, the State Public School Fund transferred \$46,339 to the School Food Service Fund to pay for certain wages.

Contributed Capital

During the year ended June 30, 2026, capital assets with the value of \$36,331 were purchased by the Capital Outlay Fund and contributed to the School Food Service Fund. This amount is presented as a transfer between governmental and business-type activities in Exhibit 2 and contributed capital in Exhibit 7.

During the fiscal year, the County contributed capital assets associated with the construction of the new Valle Crucis Elementary School. The Board recognized \$53,090,961 in governmental activities capital assets and \$360,682 in School Food Service Fund capital assets. The total county-contributed capital assets recognized during the year was \$53,451,643.

Fund Balance

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

Total fund balance - General Fund	\$ 5,120,439
Less:	
Stabilization by State statute	35,699
Instructional services	<u>523,227</u>
Unassigned fund balance	<u>\$ 4,561,513</u>

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

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	\$ 65,447,506
Less:	
Installment purchase obligations	234,634
Lease liabilities	<u>152,612</u>
Net investment in capital assets, governmental activities	<u>\$ 65,060,260</u>

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. 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 October 13, 2026, the date on 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 – IMPLEMENTATION OF GASB STATEMENT NO. 103

During the fiscal year ended June 30, 2026, the Board adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, which revises the required content and structure of Management's Discussion and Analysis, replaces "extraordinary items" and "special items" with a single "unusual or infrequent items" classification, changes the presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, including reclassification of certain items between operating and nonoperating revenues and expenses, and changes the presentation and content of the budgetary comparison information, now presented as required supplementary information (RSI). Adoption of this Statement did not result in any restatement of, or adjustment to, beginning net position or fund balance, as the changes were presentation and disclosure in nature only. Adoption of this Statement, where applicable, did result in the reclassification of certain prior period comparative amounts presented in the tables that are included in Management's Discussion and Analysis.

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

NOTE 6 – INSURANCE RECOVERY

During the fiscal year ended June 30, 2026, the District received insurance proceeds totaling \$8.9 million related to the damage from Hurricane Helene.

In the governmental fund financial statements, the insurance proceeds were reported as an other financing source in the Capital Outlay Fund. Expenditures incurred to repair or replace the damaged property are reported separately from the insurance recovery.

In the government-wide financial statements, the insurance recovery was reported as capital grants and contributions associated with the District's instructional facilities. The District recognized a loss of \$1.2 million related to the impairment and disposal of damaged capital assets. Because the impairment loss and related insurance recovery were recognized in the same fiscal year, the impairment loss was reported net of the associated insurance recovery in the government-wide statement of activities.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions
Retiree Health Benefit Fund

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

Schedule of Board Contributions
Disability Income Plan of North Carolina

Budgetary Comparison Schedule
General Fund

Budgetary Comparison Schedule
State Public School Fund

Budgetary Comparison Schedule
Federal Grants Fund

Notes to Budgetary Comparison Schedules

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

	2026	2025	2024	2023	2022
Board's proportion of the net pension liability (asset)	0.205%	0.219%	0.221%	0.234%	0.203%
Board's proportionate share of the net pension liability (asset)	\$ 24,134,559	\$ 32,390,740	\$ 36,871,758	\$ 34,793,174	\$ 9,497,720
Board's covered-employee payroll	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	67.11%	88.27%	101.74%	100.46%	30.12%
Plan fiduciary net position as a percentage of the total pension liability	88.82%	85.35%	82.97%	84.14%	94.86%

	2021	2020	2019	2018	2017
Board's proportion of the net pension liability (asset)	0.206%	0.207%	0.199%	0.197%	0.196%
Board's proportionate share of the net pension liability (asset)	\$ 24,931,201	\$ 21,426,427	\$ 19,869,367	\$ 15,660,206	\$ 7,207,510
Board's covered-employee payroll	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.76%	70.70%	69.88%	56.91%	27.11%
Plan fiduciary net position as a percentage of the total pension liability	85.98%	87.56%	87.61%	89.51%	87.32%

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

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

	2026	2025	2024	2023	2022
Contractually required contribution	\$ 5,875,143	\$ 6,038,179	\$ 6,469,184	\$ 6,298,715	\$ 5,673,035
Contributions in relation to the contractually required contribution	5,875,143	6,038,179	6,469,184	6,298,715	5,673,035
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 34,277,381	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915
Contributions as a percentage of covered-employee payroll	17.14%	16.79%	17.63%	17.38%	16.38%

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 4,661,326	\$ 4,054,074	\$ 3,724,611	\$ 3,065,266	\$ 2,746,143
Contributions in relation to the contractually required contribution	4,661,326	4,054,074	3,724,611	3,065,266	2,746,143
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 31,538,063	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454
Contributions as a percentage of covered-employee payroll	14.78%	12.97%	12.29%	10.78%	9.98%

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

	2026	2025	2024	2023	2022
Board's proportion of the net OPEB liability (asset)	0.187%	0.196%	0.192%	0.201%	0.176%
Board's proportionate share of the net OPEB liability (asset)	\$ 41,129,053	\$ 66,496,807	\$ 51,113,651	\$ 47,671,962	\$ 54,259,244
Board's covered-employee payroll	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	114.37%	181.22%	141.04%	137.65%	172.04%
Plan fiduciary net position as a percentage of the total OPEB liability	16.18%	9.79%	10.73%	10.58%	7.72%
	2021	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.182%	0.181%	0.177%	0.179%	0.199%
Board's proportionate share of the net OPEB liability (asset)	\$ 50,704,690	\$ 57,175,779	\$ 50,695,094	\$ 58,945,383	\$ 75,034,823
Board's covered-employee payroll	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	162.22%	188.66%	178.29%	214.22%	282.20%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	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.

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

	2026	2025	2024	2023	2022
Contractually required contribution	\$ 2,512,532	\$ 2,560,562	\$ 2,619,965	\$ 2,497,016	\$ 2,178,473
Contributions in relation to the contractually required contribution	2,512,532	2,560,562	2,619,965	2,497,016	2,178,473
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 34,277,381	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915
Contributions as a percentage of covered-employee payroll	7.33%	6.99%	7.14%	6.89%	6.29%

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 2,106,743	\$ 2,022,349	\$ 1,900,188	\$ 1,720,302	\$ 1,599,100
Contributions in relation to the contractually required contribution	2,106,743	2,022,349	1,900,188	1,720,302	1,599,100
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 31,538,063	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454
Contributions as a percentage of covered-employee payroll	6.68%	6.47%	6.27%	6.05%	5.81%

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

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Board's proportion of the net OPEB liability/asset	0.177%	0.191%	0.194%	0.207%	0.180%
Board's proportionate share of the net OPEB liability (asset)	\$ (115,855)	\$ (62,833)	\$ 51,732	\$ 61,480	\$ (29,332)
Board's covered payroll	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915	\$ 31,538,063
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.32%	0.17%	0.14%	0.18%	0.09%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	132.29%	114.99%	90.61%	90.34%	105.18%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability/asset	0.183%	0.184%	0.178%	0.175%	0.177%
Board's proportionate share of the net OPEB liability (asset)	\$ (89,445)	\$ (79,336)	\$ (57,628)	\$ (113,739)	\$ (118,321)
Board's covered payroll	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454	\$ 26,589,694
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.29%	0.26%	0.20%	0.41%	0.44%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	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.

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

	2026	2025	2024	2023	2022
Contractually required contribution	\$ 23,994	\$ 46,752	\$ 40,364	\$ 36,241	\$ 31,171
Contributions in relation to the contractually required contribution	23,994	46,752	40,364	36,241	31,171
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 34,277,381	\$ 35,962,949	\$ 36,694,181	\$ 36,241,167	\$ 34,633,915
Contributions as a percentage of covered-employee payroll	0.07%	0.13%	0.11%	0.10%	0.09%

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 28,384	\$ 31,257	\$ 42,463	\$ 39,809	\$ 104,588
Contributions in relation to the contractually required contribution	28,384	31,257	42,463	39,809	104,588
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 31,538,063	\$ 31,257,320	\$ 30,306,029	\$ 28,434,751	\$ 27,516,454
Contributions as a percentage of covered-employee payroll	0.09%	0.10%	0.14%	0.14%	0.38%

WATAUGA COUNTY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2026

	General Fund				
	Budgeted Amounts		Variance	Actual	Variance
	Original	Final	between	Amounts	between Final
			Original and		Budget and
			Final Budget		Actual
Budgetary Revenues:					
State of North Carolina	\$ 626,635	\$ 626,635	\$ -	\$ 618,944	\$ (7,691)
Watauga County	16,686,583	16,686,583	-	16,682,228	(4,355)
U.S. Government	1,086,092	1,086,092	-	1,105,208	19,116
Other	2,448,313	2,448,313	-	1,821,006	(627,307)
Total budgetary revenues	20,847,623	20,847,623	-	20,227,386	(620,237)
Budgetary Expenditures:					
Current:					
Instructional services	11,889,808	12,054,380	164,572	11,442,967	611,413
System-wide support services	8,344,844	8,174,272	(170,572)	6,561,556	1,612,716
Ancillary services	97,735	97,735	-	79,192	18,543
Non-programmed charges	460,000	466,000	6,000	465,884	116
Debt Service					
Principal	43,944	43,944	-	43,944	-
Interest	14,742	14,742	-	14,742	-
Total budgetary expenditures	20,851,073	20,851,073	-	18,608,285	2,242,788
Revenues over (under) expenditures	(3,450)	(3,450)	-	1,619,101	1,622,551
Appropriated budgetary fund balance	3,450	3,450	-	-	(3,450)
Net change in budgetary fund balance	\$ -	\$ -	\$ -	1,619,101	\$ 1,619,101
Budgetary fund balance, beginning of year				3,501,338	
Budgetary fund balance, end of year				<u>\$ 5,120,439</u>	

WATAUGA COUNTY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
STATE PUBLIC SCHOOL FUND
For the Year Ended June 30, 2026

State Public School Fund					
	Budgeted Amounts		Variance between Original and Final Budget	Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final			
Budgetary Revenues:					
State of North Carolina	\$ 36,996,535	\$ 37,619,815	\$ 623,280	\$ 37,055,283	\$ (564,532)
Budgetary Expenditures:					
Current:					
Instructional services	32,983,372	33,471,276	487,904	32,914,115	557,161
System-wide support services	3,966,790	4,102,166	135,376	4,094,829	7,337
Total budgetary expenditures	36,950,162	37,573,442	623,280	37,008,944	564,498
Revenues over (under) expenditures	46,373	46,373	-	46,339	(34)
Budgetary other financing sources (uses):					
Transfers to other funds	(46,373)	(46,373)	-	(46,339)	34
Net change in budgetary fund balance	\$ -	\$ -	\$ -	-	\$ -
Budgetary fund balance, beginning of year				-	
Budgetary fund balance, end of year				\$ -	

WATAUGA COUNTY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL GRANTS FUND
For the Year Ended June 30, 2026

Federal Grants Fund					
	Budgeted Amounts		Variance between Original and Final Budget	Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final			
Budgetary Revenues:					
U.S. Government	\$ 2,593,342	\$ 2,804,798	\$ 211,456	\$ 2,173,015	\$ (631,783)
Budgetary Expenditures:					
Current:					
Instructional services	1,926,590	2,122,715	196,125	1,954,559	168,156
System-wide support services	94,275	105,081	10,806	94,767	10,314
Non-programmed charges	572,477	577,002	4,525	123,689	453,313
Total budgetary expenditures	2,593,342	2,804,798	211,456	2,173,015	631,783
Net change in budgetary fund balance	\$ -	\$ -	\$ -	-	\$ -
Budgetary fund balance, beginning of year				-	
Budgetary fund balance, end of year				\$ -	

WATAUGA COUNTY BOARD OF EDUCATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2026

	<u>General Fund over (under)</u>	<u>State Public School Fund over (under)</u>	<u>Federal Grants Fund over (under)</u>
BUDGETARY REVENUES			
Differences - Original Budget to Final Budget			
The District received increased allotments from various federal grant programs. Because the federal grant year begins in October, these budget amendments reflect updated allocations and carryforward amounts received after the initial budget adoption.	\$ -	\$ -	\$ 211,456
Differences - Final Budget to Actual			
Each year, the District is allotted various federal grant funds that expire over periods that exceed one year. The District budgets these funds in the year received but is allowed to carry unexpended funds over to the following year. This amount represents those unexpended federal grant funds that carry over.	-	-	(631,783)
BUDGETARY EXPENDITURES			
Differences - Original Budget to Final Budget			
The District received increased allotments from various federal grant programs. Because the federal grant year begins in October, these budget amendments reflect updated allocations and carryforward amounts received after the initial budget adoption. The amounts below represent the budgeted increases for the following areas:			
Instructional services	-	-	196,125
Differences - Final Budget to Actual			
Each year, the District is allotted various federal grant funds that expire over periods that exceed one year. The District budgets these funds in the year received but is allowed to carry unexpended funds over to the following year. The below amounts represent amounts budgeted for the following areas that were unexpended and will carry over to the following year:			
Instructional services	-	-	168,156
Non-programmed charges related to indirect costs charged	-	-	453,313
The District budgeted expenditures in excess of anticipated utility costs to provide budgetary flexibility. Actual utility expenditures were lower than the final budget, and the unused appropriation remained in fund balance at year end.	(1,612,716)	-	-

INDIVIDUAL FUND BUDGETARY SCHEDULES

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2026

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses		\$ 234,633	
State appropriations - lottery proceeds		893,870	
FEMA - State match		44,445	
Total State of North Carolina	\$ 2,874,791	1,172,948	\$ (1,701,843)
Watauga County:			
Appropriations - operating	953,153	950,000	(3,153)
U.S. Government:			
FEMA	444,450	400,005	(44,445)
Other:			
Interest	600,248	335,105	(265,143)
Total revenues	4,872,642	2,858,058	(2,014,584)
Expenditures:			
Current:			
Instructional services	2,721,087	1,442,378	1,278,709
System-wide support services	1,302,697	836,574	466,123
Capital Outlay	9,678,325	199,540	9,478,785
Debt Service			
Principal	234,633	234,633	-
Total expenditures	13,936,742	2,713,125	11,223,617
Revenues over (under) expenditures	(9,064,100)	144,933	9,209,033
Other financing sources (uses):			
Insurance proceeds		8,908,100	
Installment purchase obligations issued		469,267	
Total other financing sources (uses)	9,064,100	9,377,367	313,267
Revenues and other sources over (under) expenditures	\$ -	9,522,300	\$ 9,522,300
Fund balance:			
Beginning of year, July 1		839,335	
End of year, June 30		\$ 10,361,635	

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
- SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2026

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 935,100	\$ 994,017	\$ 58,917
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		1,012,550	
Salaries and benefits		1,548,640	
Supplies and materials		2,373	
Repairs and maintenance		4,043	
Other		6,367	
Total operating expenditures	2,649,100	2,573,973	75,127
Operating loss	(1,714,000)	(1,579,956)	134,044
Noncapital subsidies			
Federal reimbursements		1,203,184	
State reimbursements		12,498	
Transfers from other funds		46,339	
Total noncapital subsidies	1,694,000	1,262,021	(431,979)
Operating loss and noncapital subsidies	(20,000)	(317,935)	(297,935)
Nonoperating revenues:			
Interest earned	20,000	26,671	6,671
Revenues and noncapital subsidies over (under) expenditures	\$ -	\$ (291,264)	\$ (291,264)

Reconciliation of modified accrual to full accrual basis:

Revenues and noncapital subsidies under expenditures	\$ (291,264)
Depreciation	(60,510)
Net pension liability	135,939
Net OPEB liability	509,223
Deferred outflows	(267,146)
Deferred inflows	(454,829)
Increase (decrease) in inventories	18,743
Capital contributions	397,013
(Increase) decrease in compensated absences	66,614
Change in net position (full accrual)	\$ 53,783

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-
GAAP) - EXTENDED LEARNING CENTER FUND
For the Year Ended June 30, 2026

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$ 779,868	\$ 678,886	\$ (100,982)
Operating expenditures:			
Business support services:			
Food cost:			
Purchase of food		26,485	
Salaries and benefits		598,110	
Supplies and materials		30,606	
Other		18,771	
Total operating expenditures	779,868	673,972	105,896
Operating income	-	4,914	4,914
Noncapital subsidies			
Local grant	-	121,154	121,154
Revenues and noncapital subsidies over (under) expenditures	\$ -	\$ 126,068	\$ 126,068
Reconciliation of modified accrual to full accrual basis:			
Revenues and noncapital subsidies over (under) expenditures		\$ 126,068	
Net pension liability		39,342	
Net OPEB liability		131,190	
Deferred outflows		(69,970)	
Deferred inflows		(95,846)	
Indirect costs		(45,051)	
(Increase) decrease in compensated absences		3,745	
Change in net position (full accrual)		\$ 89,478	

COMPLIANCE SECTION

**ANDERSON SMITH & WIKE PLLC***Certified Public Accountants*

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watauga County Board of Education, North Carolina, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Watauga County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 13, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson Smith & Wike PLLC

*October 13, 2026
Elon, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watauga County Board of Education's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Watauga County Board of Education's major federal programs for the year ended June 30, 2026. Watauga County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watauga County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

October 13, 2026
Elon, North Carolina

**ANDERSON SMITH & WIKE PLLC***Certified Public Accountants*

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Watauga County Board of Education's compliance with the types of compliance requirements identified as subject to audit in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Watauga County Board of Education's major state programs for the year ended June 30, 2026. The Watauga County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watauga County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2026.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

Anderson Smith & Wike PLLC

October 13, 2026
Elon, North Carolina

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2026**

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

___yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

___yes X no

Identification of major federal programs:

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

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2026**

Dollar threshold used to distinguish
between Type A and Type B Programs:

\$ 1,000,000

Auditee qualified as low-risk auditee?

 yes Xno

State Awards

Internal control over major State programs:

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

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

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

 yes Xno

Identification of major State programs:

Program Name
State Public School Fund

Dollar threshold used to distinguish between
Major State Programs

\$ 1,000,000

Auditee qualified as low-risk auditee?

 yes Xno

**Watauga County Board of Education
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2026**

Section II. Financial Statement Findings

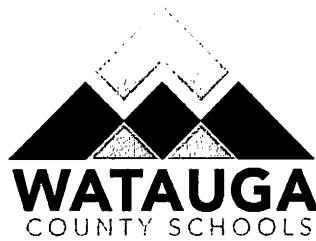
Finding: None

Section III. Federal Award Findings and Questioned Costs

Finding: None

Section IV. State Award Findings and Questioned Costs

Finding: None



WATAUGA COUNTY BOARD OF EDUCATION

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

Corrective Action Plan For the Year Ended June 30, 2026

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

**Watauga County Board of Education
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2026**

No findings reported in the prior year.

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2026

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 169,932
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	250,494
National School Lunch Program	10.555	PRC 035	923,136
Summer Food Service Program for Children	10.559	PRC 035	29,554
Cash Assistance Subtotal			1,203,184
Total Child Nutrition Cluster			1,373,116
Total U.S. Department of Agriculture			1,373,116
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Education Consolidation and Improvement Act of 1981			
Improving America School Act of 1994 (IASA)			
Title I, Grants to Local Educational Agencies			
Title I Cluster			
Educationally Deprived Children	84.010	PRC 050, 115	687,917
Supporting Effective Instruction State Grants	84.367	PRC 103	131,512
Student Support and Academic Enrichment Program	84.424	PRC 108	52,404
Language Acquisition Grant	84.365	PRC 104, 111	48,321
Special Education State Improvement	84.323A	PRC 082	5,000
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	1,070,306
Special Education - Targeted Assistance	84.027	PRC 118	10,231
Special Education - Special Risk Pool	84.027	PRC 114	53,841
Special Education - Targeted Assistance for Preschool	84.173	PRC 119	1,772
Special Education - Preschool Grants	84.173	PRC 049	47,760
Total Special Education Cluster			1,183,910
Office of Vocational and Adult Education			
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	PRC 017	63,951
Passed through Appalachian State University			
Gear Up NC Grant	84.334	PRC 311	128,912

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2026

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Direct Grant			
School Emergency Response to Violence Grant	84.184S		<u>908,000</u>
Total U.S. Department of Education			<u>3,209,927</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
JROTC	12.000	PRC 301	<u>68,296</u>
<u>U.S. Department of Homeland Security</u>			
Passed through N.C. Department of Public Safety			
FEMA Disaster Grants - Public Assistance	97.036		<u>400,005</u>
Total Federal Assistance			<u>5,051,344</u>
State Grants:			
<u>N.C. Department of Public Instruction (cash assistance):</u>			
State Public School Fund			34,593,593
Career and Technical Education			
State Months of Employment		PRC 013	1,870,218
Program Support Funds		PRC 014 & 083	355,076
Driver Training		PRC 012	88,254
School Technology Fund		PRC 015	51,411
Hurricane Helene Relief and Recovery		PRC 230	<u>96,731</u>
Passed-through Watauga County:			
Lottery Capital Funds:			
Public School Building Repair and Renovation Fund			809,287
Public School Capital Fund			<u>84,583</u>
Total Lottery Capital Funds			<u>893,870</u>
Total N.C. Department of Public Instruction (cash assistance)			<u>37,949,153</u>
<u>N.C. Department of Public Instruction (noncash assistance)</u>			
School Buses			<u>234,633</u>
<u>N.C. Department of Agriculture</u>			
State Reduced Breakfast Program			3,153
State Reduced Lunch Program			<u>9,345</u>
Total N.C. Department of Agriculture			<u>12,498</u>
<u>N.C. Department of Health and Human Services</u>			
NC Pre-Kindergarten Program			334,549
School Nurse Funding Initiative			<u>50,000</u>
Total N.C. Department of Health and Human Services			<u>384,549</u>

WATAUGA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2026

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>N.C. State Bureau of Investigation</u>			
N.C. Center for Safer Schools			
School Safety Grant			84,731
School Resource Officer Grant			149,664
Total N.C. State Bureau of Investigation			<u>234,395</u>
<u>N.C. Department of Public Safety/Emergency Management</u>			
FEMA Disaster Grants - Public Assistance - State Match			<u>44,445</u>
Total State Assistance			<u>38,859,673</u>
Total Federal and State Assistance			<u>\$ 43,911,017</u>

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Watauga County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2026. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Watauga County Board of Education, it is not intended to and does not present the financial position, changes in net position or cash flows of Watauga County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

Watauga County Board of Education has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Cluster of Programs

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

Note 4. FEMA Public Assistance

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

Project Proposal: Appalachian State University Partnership for Expanded Early Childhood Education

Purpose

Watauga County Schools has an opportunity to partner with Appalachian State University to expand access to high-quality childcare for children ages birth through five in the eastern portion of Watauga County. The proposed partnership would leverage hurricane recovery funding targeted toward the development of new early childhood opportunities while providing a meaningful future use for the Watauga County Schools Central Office building after the district's administrative offices relocate to the remodeled Valle Crucis site.

Proposed Partnership

Under the proposed partnership, Appalachian State University would apply for available hurricane recovery funding specifically targeted toward the creation or expansion of childcare opportunities for children ages 0–5. This opportunity would expand our current successful 13-year partnership with Appalachian State University and the Lucy Brock program to provide additional high-quality early childhood education.

If the university is successful in securing the funding, Watauga County Schools would commit to the use of its current Central Office building for the development of a childcare facility. The building is expected to become vacant once the school system relocates its administrative offices to the remodeled Valle Crucis site. The university would use the secured funding to renovate and prepare the facility for childcare operations and would provide the staff, programming, and operational resources necessary to establish and maintain the childcare program. Watauga County Schools would provide the physical facility, while the university would provide the funding, staffing, programming, and operational capacity necessary to create and sustain the childcare program.

This arrangement would allow the school system to leverage an existing facility while utilizing outside funding to address a significant community need without requiring the school system to independently finance the renovation or operation of a childcare center.

Allocation of Childcare Opportunities

The proposed childcare facility would serve families throughout the county while also providing a meaningful employee benefit for both partner institutions.

Available childcare slots would be allocated as follows:

- 50% — Residents of Watauga County
- 25% — Employees of the university
- 25% — Employees of Watauga County Schools

This allocation ensures that the majority of available opportunities would directly benefit county residents while reserving a meaningful portion of the capacity for employees of the two institutions participating in the partnership.

Benefits to Watauga County

The availability of quality childcare for children ages 0–5 is an important community need. Establishing a childcare facility in the eastern portion of the county would provide families with an additional childcare option and could help parents remain in or return to the workforce. The partnership would also allow the community to leverage hurricane recovery funding and an existing public facility to create new childcare capacity without requiring the county or school system to independently fund the construction of a new facility.

Benefits to Watauga County Schools

The partnership would provide a meaningful and productive use for the Central Office building once the school system's administrative offices relocate. Rather than maintaining an empty or underutilized facility, Watauga County Schools could leverage the building to support an important community need while having the university assume responsibility for the renovation and operation of the childcare program.

The partnership would also provide an important employee benefit. With 25% of childcare slots designated for Watauga County Schools employees, the facility could provide additional childcare options for teachers, support staff, administrators, and other school-system employees with young children. Access to dependable childcare can be an important consideration when employees are making decisions about where to work and whether they can remain in a position. Consequently, this partnership could become a meaningful component of the school system's broader employee recruitment and retention strategy.

Recommended Board Action

Watauga County Schools recommends that the Board of Education authorize the school system to move forward with the proposed university partnership and commit the use of the current Central Office building for the development of a childcare facility, contingent upon the university successfully securing the applicable hurricane recovery funding.

The commitment of the facility would be subject to the development and approval of mutually acceptable terms governing the use of the property, renovation of the facility, operational responsibilities, maintenance, insurance, licensing, liability, duration of the agreement, and other appropriate legal and financial considerations. This action would allow the university to identify the Central Office building as the proposed site in its funding application and demonstrate the school system's commitment to the partnership while ensuring that the facility is not committed to the project unless the anticipated funding is secured and acceptable final terms are established.

The proposed partnership provides Watauga County Schools with an opportunity to turn a soon-to-be-vacant facility into a valuable community asset, expand childcare opportunities for families, and provide an additional recruitment and retention benefit for school-system employees.

VIDEO AND AUDIO RECORDINGS BY EMPLOYEES

Policy Code:

7325

The board authorizes employees to make video and/or audio recordings of students or other employees at school only in accordance with this policy. For purposes of this policy, the term employee includes all school system employees as well as independent contractors and volunteers. This policy applies to all video and/or audio recordings made by employees in school buildings, on school buses, at school-sponsored activities, or while otherwise acting in their capacity as a school system employee.

A. SECURITY CAMERA RECORDINGS

Security cameras that capture video only, or cameras that capture both video and audio ; but not audio, may be installed on school system property to help maintain a safe learning and working environment. The principal or site supervisor shall identify specific locations for camera placement, subject to the approval of the superintendent or designee. Camera placement will be limited to common areas in buildings (e.g., lobbies, hallways, gymnasiums, and building entrances/exits), parking lots and other exterior areas, and school buses. -The superintendent or designee may also direct the placement of a security camera in one or more classrooms when it is determined the security camera is necessary to maintain a safe learning and working environment. The superintendent or designee will document the operational need before installing any surveillance camera that records audio. Cameras may not be located in any areas where individuals have a reasonable expectation of privacy, such as restrooms, locker rooms, nurses' offices, or lactation rooms.

The superintendent or designee shall provide notification of the use of security cameras on school system property through student and employee handbooks, the school system website, or other means, including announcements in school newsletters, orientation sessions, or other meetings. The principal or site supervisor shall post a sign at the school entrance, and in any area where audio is recorded, in a manner and location that adequately notifies students, employees, and visitors that areas may be subject to video and, when relevant, audio surveillance. If security cameras on a school bus also record audio, the transportation director or designee shall post a sign within the bus that provides adequate notice of video and audio surveillance. Any sign providing notice of audio recording shall, at a minimum, contain the following: "This area is under video and audio surveillance for safety and security purposes."

The superintendent or designee shall establish any procedures necessary for regulating the operation of security cameras and the secure storage, viewing, and destruction of resulting recordings. Surveillance recordings may be used to investigate allegations of employee, student, or visitor misconduct.

B. PUBLIC EVENT RECORDINGS

Generally, employees may record events that are open to the public, such as athletic

competitions, band and choral concerts, assemblies, presentations, and award ceremonies. If recording at an event is restricted for any reason, including due to copyright issues (e.g., a school play), the employees and all other members of the audience will be notified of the recording restrictions before the event begins.

The superintendent or designee shall establish procedures deemed necessary for the recording of official meetings of the board, board committees, or committees appointed by the board.

C. RECORDINGS OF MEETINGS OR HEARINGS

School officials may make an audio recording of student IEP meetings and student discipline hearings. The recordings must be made openly with all parties aware of the recording.

An employee may make an audio recording of a hearing before the board regarding a recommendation for the employee's dismissal, demotion, nonrenewal, disciplinary action, or regarding a grievance filed by the employee pursuant to Policy 1750/7220.~~meeting or hearing addressing that employee's formal grievance, performance evaluation, misconduct, disciplinary action, termination, or nonrenewal.~~ The employee must provide prior notice of the intent to record the ~~meeting or~~ hearing, and the recordings must be made openly with all parties aware of the recording. Any ~~meeting or~~ hearing recorded by the employee also will be recorded by the ~~school official~~superintendent or designee conducting the meeting or hearing.

Employee meetings with supervisory personnel, including meetings to discuss performance evaluations, employee grievances, misconduct, disciplinary action, or personnel investigations, shall not be recorded unless the school official conducting the meeting is aware and expressly consents to the recording. Any meeting recorded by an employee will also be recorded by the school official conducting the meeting.

For any other type of meeting or hearing, the school official conducting the meeting or hearing may make an audio recording if all other parties in attendance consent to the recording. If a party refuses to consent to the recording, the school official may record the meeting or hearing only with the permission of the principal or designee for school-based meetings or the superintendent or designee for system-level meetings. The recording must be made openly with all parties aware of the recording. The school official conducting the meeting or hearing may grant a request by another party in attendance to make an audio recording, in which case the school official shall also make an audio recording of that meeting or hearing.

D. CLASSROOM RECORDINGS By Employees

To make a recording of students or employees in a classroom or at a school-sponsored event (other than those open to the public), an employee must receive prior permission from the principal. When seeking permission to record, the employee shall provide the

principal with the following information: purpose for recording; who will have access to the recording and for what use; any external program requirements to obtain permission to conduct the recording; and how the recording will be retained. The principal may grant an employee permission to record only for a legitimate educational purpose. The principal shall ensure legal compliance with Section G, below. In addition, depending on the nature of the recording and its intended use, the principal may require the employee to obtain written permission from the parents of the students who will be recorded and, if the recording involves other employees or visitors, the adults who will be recorded.

E. CONSENSUAL RECORDINGS OF OTHER EMPLOYEES

In situations not otherwise covered in Sections A through D, above, an employee may make a recording of another employee for legitimate educational purposes (e.g., a training video, a video to be used in a classroom to instruct students) only with the consent of the employee being recorded.

Any recording of another employee for reasons other than legitimate educational purposes must be with the consent of the employee being recorded and must not interfere with employment responsibilities or school operations.

F. SECRET RECORDINGS

Employees are prohibited from making covert or surreptitious recordings of other individuals on school property or during school-sponsored activities [and may be subject to disciplinary action, up to and including dismissal, for violation of this policy.](#)

This policy is not intended to prohibit recordings for whistleblowing purposes or to document illegal discrimination or harassment, financial improprieties, ethical violations, and other illegal practices. Employees with knowledge of illegal practices or who make a recording pursuant to this exception shall immediately notify appropriate school system personnel in accordance with existing procedures and practices.

G. RECORDING STUDENTS

In accordance with G.S. 114A-10, in no instance will a school system employee make a video or voice recording of a student without prior parental consent unless the recording will be used solely for one of the following purposes: a safety demonstration, including one related to security and discipline on educational property; an academic or extracurricular activity; classroom instruction; photo identification cards; security or surveillance of buildings, grounds, or school transportation.

H. MAINTENANCE OF RECORDS

Any recordings made by school system employees will be maintained, released, and disposed of in accordance with all applicable state and federal laws and regulations. See also policies 4700, Student Records; 5070/7350, Public Records – Retention, Release, and

Disposition; 5071/7351, Electronically Stored Information Retention; and 7820, Personnel Files.

I. CONSEQUENCES

Any employee who has been found by the superintendent to have violated this policy may be subject to disciplinary action, up to and including dismissal.

Legal References: Sarbanes-Oxley Act, 18 U.S.C. 1513(e); G.S. 15A-287; 114A-10, 126-84 *et seq.*

Cross References: Student Records (policy 4700), Public Records – Retention, Release, and Disposition (policy 5070/7350), Electronically Stored Information Retention (policy 5071/7351), Staff Responsibilities (policy 7300), Personnel Files (policy 7820)

Adopted:

SELECTION OF INSTRUCTIONAL AND SUPPLEMENTARY MATERIALS

Policy Code:

3200

In order to help fulfill the educational goals and objectives of the school system, the Watauga County Board of Education (the "board") strives to provide instructional and supplementary materials that will enrich and support the curriculum and enhance student learning. Instructional and supplementary materials should be representative of the rich diversity of our nation and appropriate for the maturity levels and abilities of the students.

Instructional and supplementary materials constitute all materials, whether print, non-print, digital, or any combination thereof, used in the instructional program. ~~For purposes of this policy, instructional materials will be divided into two categories: textbooks and supplementary materials.~~

A. SELECTION OF ~~TEXTBOOKS~~INSTRUCTIONAL MATERIALS

~~Textbooks~~Instructional materials are systematically organized materials comprehensive enough to cover the primary objectives outlined in the ~~current statewide instructional standards~~standard course of study for a grade or course. Formats for ~~textbooks~~instructional materials may be print, ~~or non-print or digital media~~, including hardbound books, softbound books, activity-oriented programs, classroom kits, and ~~technology-based programs or materials~~digital resources that require the use of electronic equipment. ~~Technology-based programs may include subscription or web-based materials. in order to be used in the learning process.~~

1. ~~Textbooks~~Selection of Instructional Materials

Current state-approved instructional materials will be used as the primary means to help students meet the goals and objectives of the standard course of study, unless the state-approved materials are no longer current statewide or the board determines that it is otherwise preferable to use alternative instructional standards. Principals may approve materials.

If state-approved instructional materials are no longer current or if the superintendent or a principal believes it would be preferable to use alternative instructional materials, the superintendent shall convene the central curriculum-aligned textbooks in addition to those provided committee to review and recommend alternative instructional materials to the board. The superintendent shall establish procedures for the selection of instructional materials. Recommended instructional materials at a minimum must align with the standard course of study, be accurate, be grade-appropriate, allow for use by the district students with disabilities, and be compatible with existing resources.

2. Procurement Contracts

All contracts for procurement of instructional materials must include a clause granting the board the license to produce braille, large print, audiocassette tape, and other accessible copies of instructional materials for use in the school system.

B. SELECTION OF SUPPLEMENTARY MATERIALS

Supplementary materials are print or nonprint materials used for instruction in classrooms not encompassed by the definition of instructional and learning resources which are selected to complement, enrich or extend the curriculum. Such resources materials. Supplementary materials include, for example, specialized materials selected to meet diverse needs or rapidly changing circumstances supplementary textbooks, library materials, digital resources, the school system's media collection, classroom collections books (see the definition of library books in policy 3210, Inspection of and Objection to Instructional and teacher-selected resources for individual classes Supplementary Materials), periodicals, and audiovisual materials.

1. Objectives for Selection of Supplementary Materials

The procurement of materials must be accomplished in accordance with law, including the First Amendment of the United States Constitution; board educational goals; board purchasing and accounting policies; and established selection guidelines, including the Library Bill of Rights of the American Library Association. The objectives for the selection of supplementary materials are as follows:

- a. to provide a wide range of materials that will enrich and support the curriculum, taking into consideration the individual needs and varied interests, abilities, socio-economic backgrounds, learning styles, and developmental levels of the students served;
- b. to provide materials that will stimulate growth in factual knowledge, literary appreciation, aesthetic values, and ethical standards;
- c. to provide a background of information that will enable students to comprehend their role as citizens in society and to make intelligent judgments in their daily lives;
- d. to provide resources representing various points of view on controversial issues so that students as young citizens may develop, under guidance, the skills of critical thinking and critical analysis;

- e. to provide resources representative of the many religious, ethnic, and cultural groups in our nation and the contributions of these groups to our American heritage; and
- f. to place principle above personal opinion and reason above prejudice in the selection of material of the highest quality in order to ensure a comprehensive collection appropriate for all users.

2. Process and Criteria for Selecting Supplementary Materials

The responsibility for the selection of supplementary materials is delegated to the professional staff under the direction of the superintendent and will be made primarily at the school level with the involvement of a school media and technology advisory committee. The committee shall be appointed by the principal and will include teachers and instructional support personnel representing various subject areas and grade levels, parents, and, if on-staff in the school, the library media coordinator and the technology facilitator. Students also should be involved when feasible. Materials purchased with school funds shall be directly approved by the principal. Additionally, the principal shall have the final say on all instructional materials used in the school. Each school receives an instructional materials and supply allocation based on Average Daily Membership. It is the responsibility of the principal and the committee to develop a budget from the available funds that will provide the school with the materials and supplies necessary to carry out its objectives.

The selection process used by the committee will include: (1) an evaluation of the existing collection; (2) an assessment of the available resource and curriculum needs of the school; and (3) consideration of individual teaching and learning styles. In coordinating the selection of resources, the committee should use reputable, unbiased selection tools prepared by professional educators and should arrange, when possible, for firsthand examination of resources to be purchased. When appropriate, the principal or designee shall select representatives to attend state approved textbook-instructional materials presentations. When examining proposed materials, the committee should consider the following factors:

- a. the material's overall purpose, educational significance, and direct relationship to instructional objectives and the curriculum and to the interests of the students;
- b. the material's reliability, including the extent to which it is accurate, authentic, authoritative, up-to-date, unbiased, comprehensive, and well-

balanced;

- c. the material's technical quality, including the extent to which technical components are relevant to content and consistent with state-of-the-art capabilities;
- d. the material's artistic, literary, and physical quality and format, including its durability, manageability, clarity, appropriateness, skillfulness, organization, and attractiveness;
- e. the possible uses of the material, including suitability for individual, small group, large group, introduction, in-depth study, remediation, and/or enrichment;
- f. the contribution the material will make to the collection's breadth and variety of viewpoints;
- g. recommendations of school personnel and students from all relevant departments and grade levels;
- h. the reputation and significance of the material's author, producer, and publisher; and
- i. the price of the material weighed against its value and/or the need for it.

3. Materials Brought in by Teachers

Principals shall establish rules concerning what materials may be brought in by teachers without review. Principals are encouraged to involve teachers in establishing these rules.

C. REMOVAL OF OUTDATED SUPPLEMENTARY MATERIALS

To ensure that the supplementary media collection remains relevant, the school media and technology professionals, assisted by the media and technology advisory committee, shall review materials routinely to determine if any material is obsolete, outdated, or irrelevant. The school media and technology advisory committee should remove materials no longer appropriate and replace lost, damaged ~~and, or~~ worn materials still of educational value. Materials may be removed only for legitimate educational reasons and subject to the limitations of the First Amendment. The superintendent may establish regulations that provide additional standards for removing supplementary materials to meet the educational needs of the school system. Requests by parents to remove supplementary media materials

due to an objection to the materials will be reviewed pursuant to policy 3210, [Parental Inspection of and Objection to Instructional and Supplementary Materials](#).

D. ACCEPTANCE OF GIFT MATERIALS

Supplementary materials offered as a gift will be reviewed pursuant to the criteria outlined in this policy; policy 8220, Gifts and Bequests; and any regulations established by the superintendent. Gift material may be accepted or rejected by the board based upon such criteria.

E. CHALLENGES TO ~~TEXTBOOKS AND OTHER INSTRUCTIONAL~~ [AND SUPPLEMENTARY MATERIALS](#)

Challenges to materials will be addressed pursuant to policy 3210, [Parental Inspection of and Objection to Instructional and Supplementary Materials](#).

Legal References: U.S. Const. amend. I; N.C. Const. art. I, § 14; G.S. 115C art. 8 pt. 1; 115C-45, -47, [-85.1](#), -98, -101; *Board of Education v. Pico*, 457 U.S. 853 (1982); State Board of Education Policy TEXT-000; *Impact: Guidelines for North Carolina Media and Technology Programs*, North Carolina Department of Public Instruction (2005); *The Library Bill of Rights*, The American Library Association (1996)

Cross References: Goals and Objectives of the Educational Program (policy 3000), [Parental Inspection of and Objection to Instructional and Supplementary Materials](#) (policy 3210), Copyright Compliance (policy 3230/7330), School Improvement Plan (policy 3430), Gifts and Bequests (policy 8220)

Adopted: January 28, 2016

Revised: April 9, 2018 (Legal references only); June 11, 2018; [DATE](#)

Replaces: Board policy 4.02.20, Objectives of the Instructional Materials Program, policy 4.02.30, Selection and Adoption of Textbooks, policy 4.02.35, Software Selection, and policy 4.02.40, Selection of Educational Media Resources.

PARENTAL INSPECTION OF AND OBJECTION TO INSTRUCTIONAL AND SUPPLEMENTARY MATERIALS

Policy Code:

3210

~~Though the Watauga County Board of Education (the “board”) strives to provide instructional and supplementary materials that will support and enrich the curriculum and enhance student learning, the board recognizes that~~ The board recognizes that despite the opportunity to participate in the selection of materials, parents, teachers, and community members still may have concerns about certain instructional and supplementary materials used in the school system. ~~Thus, to further involve parents in the education of their children, the board respects the right of parents also provides opportunities for parents to review instructional and supplementary materials as those terms are defined in policy 3200, Selection of Instructional and Supplementary Materials, and provides a process for objecting to the use of specific materials to use when they object to instructional or supplementary materials.~~

For purposes of this policy, all references to “parent” include a parent, legal guardian, legal custodian, or other caregiver adult authorized to enroll a student under policy 4120, Domicile or Residence Requirements.

A. PARENTAL RIGHT TO INSPECT MATERIALS

Parents may review all instructional and supplementary materials, ~~as defined in policy 3200, Selection of Instructional Materials.~~ Instructional and supplementary materials do not include academic tests or assessments. Parents who would like to inspect and review instructional or supplementary materials should make a request in writing to the principal identifying the ~~instructional~~ materials the parent is seeking to inspect. Within 10 business days of receiving the request, the principal shall either (1) provide access to the requested information or (2) provide an extension notice to the parent that, due to the volume or complexity of the request, access to the information will be provided no later than 20 business days from the date of the parent’s request. Access will be provided by supplying the parent with a copy of the materials or by scheduling a mutually agreeable date and time for the parent to come into the school to review the materials. All materials used in reproductive health and safety education shall be available for review as provided in policy 3540, Comprehensive Health Education Program.

B. PARENTAL OBJECTIONS TO MATERIALS

~~Parents may submit an objection in writing to the principal regarding the use of particular instructional materials. The principal may establish a committee to review the objection. While input from the community may be sought, the board believes professional educators are in the best position to determine whether a particular instructional material is appropriate for the age and maturity of the students and for the subject matter being taught.~~

~~If the principal or the committee determines that any material violates constitutional or other legal rights of the parent or student, the principal or the committee shall either remove~~

the material from instructional use or accommodate the particular student and parent. (For religious-based objections, also see policy 3510, Religious-Based Exemptions from School Programs.) Before any material is removed, the principal or the committee shall ensure that the curriculum is still aligned with current statewide instructional standards and articulated from grade to grade. If an objection made by a parent or student is not based upon constitutional or legal rights, the principal or the committee may accommodate the objection after considering the effect on the curriculum; any burden on the school, teacher, or other students that the accommodation would create; and any other relevant factors. Books and other instructional materials may be removed from the school media collection only for legitimate educational reasons and subject to the limitations of the First Amendment. The decision of the committee or principal may be appealed to the superintendent. The decision of the superintendent may be appealed to the board.

1. Objections to School System Use of Materials

a. Informal Resolution of Concerns

The board encourages informal resolution of concerns regarding instructional or supplementary materials used in the school system. Any parent of a student enrolled in a school in the school system, teacher employed by the board, or resident of the geographic area served by the school system who has concerns about an instructional or supplementary material used in a school is encouraged to bring that concern to the principal before submitting a formal challenge. The board believes that many concerns can be resolved promptly through open communication with school administration.

b. Challenges to Materials

A parent of a student enrolled in a school in the school system, a teacher employed by the board, or a resident of the geographic area served by the school system may submit a challenge alleging that a specific instructional or supplementary material is: (1) obscene; (2) inappropriate to the age, maturity, or grade level of the students; or (3) except for library books, not aligned with the standard course of study. The challenge must be submitted in writing to the board. The board will use a community media advisory committee to investigate and evaluate the challenge.

Members of the community media advisory committee will be appointed by the superintendent and include, at minimum: (1) three principals, including a principal from a high school, a middle school, and an elementary school; (2) three teachers, including a teacher from a high school, a middle school, and an elementary school; (3) a parent of a student in high school or middle school and a parent of a student in elementary school; and (4) three school library media coordinators, including a coordinator from a high school, a middle school, and an elementary school.

Within two weeks of the filing of the challenge, the community media advisory committee shall hold a hearing and provide the challengers an opportunity to present their concerns to the committee. The committee may, in the committee's discretion, request additional information on the subject matter at the hearing from experts employed by the school system. Within two weeks of the hearing, the committee shall make a recommendation to the board on whether the challenge has merit and whether the challenged material should be retained or removed as unfit material. The committee's determination will be limited to considerations of whether the material is unfit on the specific grounds of the material being: (1) obscene; (2) inappropriate to the age, maturity, or grade level of the students; or (3) not aligned with the standard course of study.

At the next meeting of the board after the community media advisory committee's recommendation is received, the board will determine whether the challenge has merit and whether the challenged material will be retained or removed as unfit material. The board, at all times, has sole authority and discretion to determine whether a challenge has merit and whether challenged material should be retained or removed. The decision of the board is not appealable.

2. Objections to an Individual Student's Use of Materials

a. Religious-Based Objections

A religious-based objection to an individual student's use of an instructional or supplementary material will be addressed in accordance with policy 3510, Religious-Based Exemptions from School Programs.

b. Objections to Materials Used in Reproductive Health and Safety Education

If a student's parent objects to the student's use of instructional or supplementary materials used in reproductive health and safety education instruction or in separate instruction on the prevention of STDs, including HIV/AIDS, or the avoidance of out-of-wedlock pregnancy, the parent may opt the student out of participation in the instruction in accordance with policy 3540, Comprehensive Health Education Program.

c. Objections to the Use of Certain Library Books

Any request by a student's parent that the student be prohibited from borrowing certain library books will automatically be granted. The request must be made in writing to the principal and identify by title the library book(s) that the student may not borrow. For purposes of this policy, library books are defined as electronic, print, and nonprint resources, excluding

~~instructional materials, all instructional materials, other than textbooks, that are available at a school, whether in the~~ held in a formal school library or in a classroom ~~or other space~~, for independent use by students and school personnel outside of the standard course of study for any grade or course. The titles of all library books at a school may be accessed through a searchable web-based catalog displayed on the homepage of the school's website.

d. Other Objections to an Individual Student's Use of Materials

Even if an instructional or supplementary material is fit for use by most students, a student's parent still may have concerns about that individual student's use of the material. If a student's parent objects to the student using a specific instructional or supplementary material, and the objection does not fall under subsection B.2.a., B.2.b., or B.2.c., above, the parent first should discuss the matter with the student's teacher in an effort to reach a resolution informally. If the parent is not satisfied with the teacher's response, the parent should request an informal review of the matter by the principal. If the parent is not satisfied with the informal review, the parent may file a grievance in accordance with policy 1740/4010, Student and Parent Grievance Procedure. In determining whether to accommodate an objection, school officials shall consider the effect on the curriculum; any burden on the school, teacher, or other students that the accommodation would create; and any other relevant factors.

The superintendent shall develop the necessary administrative procedures to implement this policy.

Legal References: U.S. Const. amend. I; 20 U.S.C. 1232h; N.C. Const. art. I, § 14; *Board of Educ. v. Pico*, 457 U.S. 853 (1982); G.S. 115C art. 8 pt. 1; 115C-45, -47, -76.25(a)(5), -76.35(b), -76.40, ~~-85.1~~, -98, -98.1, ~~-98.5~~, -101

Cross References: Parental Involvement (policy 1310/4002), Goals and Objectives of the Educational Program (policy 3000), Curriculum Development (policy 3100), Selection of Instructional and Supplementary Materials (policy 3200), Religious-Based Exemptions from School Programs (policy 3510), Comprehensive Health Education Program (policy 3540), Student and Parent Grievance Procedure (policy 4010), Domicile or Residence Requirements (policy 4120)

Adopted: April 11, 2016

Revised: April 9, 2018 (Legal references only); November 6, 2023; January 12, 2026: DATE

Replaces: Board policy 4.02.40, Selection of Educational Resources, Sections V and VI

RELIGIOUS-BASED EXEMPTIONS FROM SCHOOL PROGRAMS

Policy Code:

3510

Though students are expected to participate in all required courses and school activities, the Watauga County Board of Education (the "board") supports the free exercise of religion and prohibits discrimination on the basis of religion. The board recognizes that at times a student or a student's parent or guardian may object to a specific classroom discussion, activity, or assigned reading based on religious reasons. The board also recognizes that parents and guardians may want their students excused from school to attend private religious instruction. This policy is designed to provide students, parents, and guardians with a process for seeking religious-based exemptions from school programs.

A. RELIGIOUS OBJECTIONS TO CLASSROOM DISCUSSIONS, ACTIVITIES, OR ASSIGNED READINGS

The curriculum of the school system will be based on the current statewide instructional standards. ~~The Watauga County Board of Education (the "board") and the~~ school administrators, and teachers will exercise their authority to select appropriate materials and teach the curriculum in an effective manner. ~~The board supports the free exercise of religion and prohibits discrimination on the basis of religion. While students are expected to participate in all required courses and school activities, the board recognizes that at times a student or a student's parent or guardian may object to a specific classroom discussion, activity, or assigned reading. This policy is designed to provide students, parents, and guardians with a process for seeking a religious-based exemption for a student from a specific classroom discussion, activity, or assigned reading.~~ To the extent practicable, students, parents, and guardians will be notified in advance of upcoming classroom discussions, activities, and assigned readings.

A student, parent, or guardian may petition to exempt the student from participation in a specific classroom discussion, activity, or assigned reading that the student, parent, or guardian believes would impose a substantial burden on the student's religious beliefs or invade the student's privacy by calling attention to the student's religion. Any request for exemption should be submitted to the superintendent or designee in accordance with the following guidelines.

1. The request must be in writing.
2. The request must specify the discussion, activity, or reading and explain how it would impose a substantial burden on the student's religious beliefs or invade the student's privacy by calling attention to the student's religion.
3. The request may suggest a proposed alternate activity or study.

The superintendent or designee shall review the request in accordance with any constitutional or statutory standards and shall accommodate the request as required by law.

If accommodation is not required by law, the superintendent or designee may choose to accommodate such a request after weighing factors, such as the interest of the child, the impact on other students, and the availability of alternative activities or materials. An appeal of the decision may be made through the student grievance procedure.

If a student is excused from a classroom discussion, activity, or assigned reading, the student will be provided an alternative activity or assignment aligned with the standard course of study.

B. RELEASED TIME RELIGIOUS INSTRUCTION

The principal shall excuse students from school to attend released time religious instruction pursuant to G.S. 115C-407.45 and in accordance with the guidelines described below. For purposes of this policy, released time religious instruction means religious instruction offered by a private entity during the school day. Released time religious instruction is not a part of the school system's educational program or activities and is neither sponsored, supervised, nor controlled by the board. No academic credit will be awarded for a student's participation in released time religious instruction. The school system will not expend state or local funds, excluding any de minimis costs of administering this policy, to facilitate a student attending released time religious instruction.

1. Participation in released time religious instruction is voluntary and may occur only upon the written request of the student's parent or guardian. School system employees shall not encourage or discourage participation.
2. Before a student may participate in released time religious instruction, the student's parent or guardian must provide the principal with a signed copy of the school's consent form. By signing the form, parents and guardians acknowledge that they are responsible for arranging transportation to and from the location where the released time religious instruction will occur. Released time religious instruction by private entities will not be provided on school property except as permitted by policy 5030, Community Use of Facilities.
3. To reduce the amount of instructional time lost and to minimize disruption to school operations, students may be excused for only one hour of released time religious instruction during a school week. Released time religious instruction will not be permitted during: the core classes of mathematics, science, social studies, or English language arts; state-required tests, screenings, or other assessments; or state-required remedial instruction, interventions, or retesting.
4. The student's parent or guardian must provide the principal with written documentation affirming that the student attended religious instruction for each time the student is requesting an excused absence. The student is responsible for making up all missed schoolwork.

Legal References: U.S. Const. amend. I; N.C. Const. art. I, § 14; G.S. 115C-36, -47(33b) and

[\(33d\), -407.45](#)

Cross References: Student and Parent Grievance Procedure (policy 1740/4010), Goals and Objectives of the Educational Program (policy 3000), Curriculum Development (policy 3100) [Attendance \(policy 4400\), Community Use of Facilities \(policy 5030\)](#)

Adopted: August 3, 2015

Revised: January 12, 2026; [DATE](#)

INCLEMENT WEATHER LEAVE - REGULATION*Regulation:* **7550-R(1)**

The purpose of this Administrative Regulation is to clarify the rights and responsibilities of employees when schools are closed or schedules are modified due to hazardous weather conditions, natural disasters, or other emergencies. The safety of students and staff remains the highest priority in all weather-related and emergency decisions.

DEFINITIONS	
Annual Leave	A vacation day or day of leave with pay earned at the rate established by the State Board of Education.
Compensatory Time	Leave with pay granted to a non-exempt employee for working in excess of the regular schedule.
Instructional Personnel	Teachers, counselors, media coordinators, instructional facilitators, and teacher assistants.
Other Appropriate Earned Leave	Includes sick leave (if the employee or eligible family member is ill or has a serious health condition) and compensatory time in lieu of overtime for FLSA non-exempt employees.
Professional Development Day	A calendar day when students are not scheduled to attend school, but employees are expected to report for staff development, planning, record completion, and other professional duties.
School Day	A calendar day when students are scheduled to attend school.
Ten-Month Employee	An employee contracted for no more than ten (10) months of the school year.
Exempt Personnel	Employees exempt from overtime under the Fair Labor Standards Act (FLSA), including certified teachers and administrators.
Non-Exempt Personnel	Employees subject to FLSA overtime requirements and entitled to overtime pay or compensatory time for work exceeding 40 hours per workweek.
Essential Employees	School-based and non-school-based 10- or 12-month employees designated to report to work when school is canceled or delayed due to inclement weather or emergencies.

A. ATTENDANCE REGULATIONS**a. Remote Learning Day (RLD)**

The district will communicate remote day notifications through media outlets, district messaging systems, the district website, and email. Staff who are not

teaching but are permitted to work remotely on a remote learning day under this policy will be required to submit a daily activity log. Employees who should not report to work on a remote learning day under this policy will not be considered to be working. Employees who are expected to report to work, considered essential employees, on a remote learning day should report to work or take applicable and available leave.

- i. Employees Who May Work Remotely on a RLD
 - 1. Classroom teachers
 - 2. Ten-month Instructional Personnel (Anyone involved in delivering or supporting online instruction.)
 - 3. Central office staff (except Superintendent and Assistant Superintendent)
 - 4. Student services personnel and office staff
 - 5. 11-month Assistant Principals
 - ii. Employees Who Should Not Report to Work on a RLD
 - 1. Bus drivers, bus monitors
 - 2. School cafeteria staff (not including Managers)
 - iii. Employees Expected to Report to Work on a RLD
 - 1. Superintendent and Assistant Superintendent
 - 2. Principals and 12-month Assistant Principals
 - 3. Custodial staff
 - 4. Transportation personnel (excluding drivers/monitors)
 - 5. Maintenance and warehouse personnel
 - 6. School Nutrition Managers (unless otherwise directed/approved by SN Director)
 - 7. School Nutrition 12-month personnel
 - 8. Any positions not specifically listed in section A.a.i
- b. Optional Teacher Work Day (OWD) - Due to Inclement Weather

The district will communicate notification of an inclement weather optional teacher work day through media outlets, district messaging systems, the district website, and email.

- i. Bus drivers and school cafeteria staff (not including SN Managers and 12-month SN employees) shall not report to work.
- ii. All other employees are expected to report on an optional workday unless they elect to take annual or other appropriate earned leave.

B. PROCEDURES FOR MAKING UP MISSED DAYS

Pursuant to N.C.G.S. § 115C-84.2, the Board of Education, upon recommendation of the Superintendent, may make up missed days by adding days to the end of the school year.

Employees who choose not to report when expected may use compensatory time (must be

used first), take annual or other appropriate earned leave, or make up time during the same pay period, or take leave without pay.

If a day is not made up, an annual leave day will be deducted or designated unpaid if insufficient leave exists.

C. DELAYS AND EARLY DISMISSALS

On delayed openings, school-based personnel must report at least 30 minutes before students arrive. There are certain positions (i.e., bus drivers, custodians, and school nutrition staff) that are required to report earlier, provided it is safe to do so. If an employee does not feel it is safe, they must contact their immediate supervisor. On early release days, personnel must remain on site at least 30 minutes after dismissal unless released by the Principal.

Twelve-month and non-school-based employees report as scheduled unless otherwise directed or permitted by the Superintendent or designee.

D. RECORD KEEPING AND COMMUNICATION

Principals and supervisors must inform staff of reporting expectations and ensure accurate attendance and leave accounting.

Employees must monitor official communication channels during inclement weather for special instructions.

Legal Ref: N.C.G.S. § 115C-84.2

Adopted: October 2026