DARE COUNTY
BOARD OF EDUCATION
Nags Head, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2025

DARE COUNTY BOARD OF EDUCATION
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A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Dare County Board of Education
Nags Head, North Carolina

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 4 to the financial statements, the Board adopted the provisions of GASB Statement No. 101, Compensated Absences, as of July 1, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liabilities (Assets) and the Schedules of Board Contributions on pages 49 through 54, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025, on our consideration of the Dare County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dare 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 Dare County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

December 10, 2025
Rockingham, North Carolina
(910) 997-1418

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

Financial Highlights

- As discussed in Note 4 to the financial statements, effective July 1, 2024, the Board implemented accounting and financial reporting requirements of GASB Statement 101, Compensated Absences. The statement required the Board to begin recording liabilities for employee sick leave balances that are more likely than not to be used. As a result of implementation of this statement, the Board's governmental and business-type activities net position, as previously reported at June 30, 2024, was reduced by $13.1 million and $397 thousand, respectively.

- For the fiscal year ended June 30, 2025, the Board's total government-wide net position (not including the decrease in net position due to the GASB 101 restatement) decreased by $7.0 million. Governmental activities net position decreased by $6.9 million and business-type activities net position decreased by $96 thousand.
- Total governmental activities restricted net position decreased by $514 thousand from the prior year.

Overview of the Financial Statements

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

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

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements,* which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near-term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting.

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements

provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Dare County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Current Expense Fund and the Federal Grants Fund. The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

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

Financial Analysis of the Board as a Whole

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $24.4 million as of June 30, 2025 as compared to $45.0 million as of June 30, 2024. . As previously discussed, this year-over-year change is due in large part to the implementation of GASB Statement 101 during the year, which had the effect of reducing beginning of year total primary government net position, as previously reported at June 30, 2024, by $13.5 million.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Current and other assets	$ 3,786,775	$ 6,908,355	$ 702,511	$ 1,017,522	$ 4,489,286	$ 7,925,877
Capital assets	112,379,608	115,687,646	286,179	295,992	112,665,787	115,983,638
Total assets	116,166,383	122,596,001	988,690	1,313,514	117,155,073	123,909,515
Deferred outflows of resources	36,958,193	34,974,730	931,597	993,849	37,889,790	35,968,579
Current liabilities	7,631,400	2,374,902	587,281	405,564	8,218,681	2,780,466
Long-term liabilities	107,802,780	91,385,189	2,761,486	2,627,118	110,564,266	94,012,307
Total liabilities	115,434,180	93,760,091	3,348,767	3,032,682	118,782,947	96,792,773
Deferred inflows of resources	11,556,647	17,624,377	291,307	500,818	11,847,954	18,125,195
Net investment in capital assets	112,240,872	115,589,974	286,179	295,992	112,527,051	115,885,966
Restricted net position	1,810,323	2,324,475	2,254	-	1,812,577	2,324,475
Unrestricted net position (deficit)	(87,917,446)	(71,728,186)	(2,008,220)	(1,522,129)	(89,925,666)	(73,250,315)
Total net position (deficit)	$ 26,133,749	$ 46,186,263	$ (1,719,787)	$ (1,226,137)	$ 24,413,962	$ 44,960,126

Net position is an indicator of the fiscal health of the Board. Net of the $13.1 million reduction in beginning of year net position for implementation of GASB 101, the net position of the Board's governmental activities decreased $6.9 million during the year to $26.1 million at June 30, 2025, indicating a decline in the financial condition of the Board. Restricted net position decreased by $514 thousand due primarily to a decline in capital outlay net position. Net investment in capital assets decreased $3.3 million during the year due largely to an excess of depreciation expense over capital additions. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the Board participates in. The Board is required to record its proportionate share of these items along with its proportionate share of the plan liabilities. See Note 2 of the financial statements for more details regarding these plans. In addition to liabilities being significantly impacted by actuarial changes in pension and OPEB plans, liabilities were also significantly impacted due to the recording of sick leave as part of the implementation of GASB 101.

Net of a reduction of $397 thousand to beginning of year net position for implementation of GASB 101, net position of the Board's business-type activities decreased $96 thousand during the year. This is the combined net loss incurred by our school food service and child care operations during the 2025 fiscal year.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Revenues:						
Program revenues:						
Charges for services	$ 1,764,550	$ 1,677,125	$ 844,279	$ 1,158,154	$ 2,608,829	$ 2,835,279
Operating grants and contributions	44,188,054	46,651,384	1,594,789	1,495,867	45,782,843	48,147,251
Capital grants and contributions	62,036	171,163	-	-	62,036	171,163
General revenues:						
County appropriations	32,049,894	30,685,910	-	-	32,049,894	30,685,910
Federal appropriations	104,010	-	-	-	104,010	-
Other revenues	828,918	900,497	41,208	207,927	870,126	1,108,424
Total revenues	78,997,462	80,086,079	2,480,276	2,861,948	81,477,738	82,948,027
Expenses:						
Governmental activities:						
Instructional services	63,575,138	60,843,688	-	-	63,575,138	60,843,688
System-wide support services	17,021,914	18,153,938	-	-	17,021,914	18,153,938
Ancillary services	345,288	157,227	-	-	345,288	157,227
Payments to other governments	123,732	99,256	-	-	123,732	99,256
Unallocated depreciation	4,309,898	4,295,444	-	-	4,309,898	4,295,444
Business-type activities:						
School food service	-	-	2,470,233	2,591,457	2,470,233	2,591,457
Child care	-	-	657,782	720,438	657,782	720,438
Total expenses	85,375,970	83,549,553	3,128,015	3,311,895	88,503,985	86,861,448
Deficiency before transfers	(6,378,508)	(3,463,474)	(647,739)	(449,947)	(7,026,247)	(3,913,421)
Transfers in (out)	(551,527)	(47,476)	551,527	47,476	-	-
Decrease in net position	(6,930,035)	(3,510,950)	(96,212)	(402,471)	(7,026,247)	(3,913,421)
Beginning net position (deficit), as as previously reported	46,186,263	49,697,213	(1,226,137)	(823,666)	44,960,126	48,873,547
Change in accounting principle (Note 4)	(13,122,479)	-	(397,438)	-	(13,519,917)	-
Beginning net position (deficit), restated	33,063,784	49,697,213	(1,623,575)	(823,666)	31,440,209	48,873,547
Ending net position (deficit)	$ 26,133,749	$ 46,186,263	$ (1,719,787)	$ (1,226,137)	$ 24,413,962	$ 44,960,126

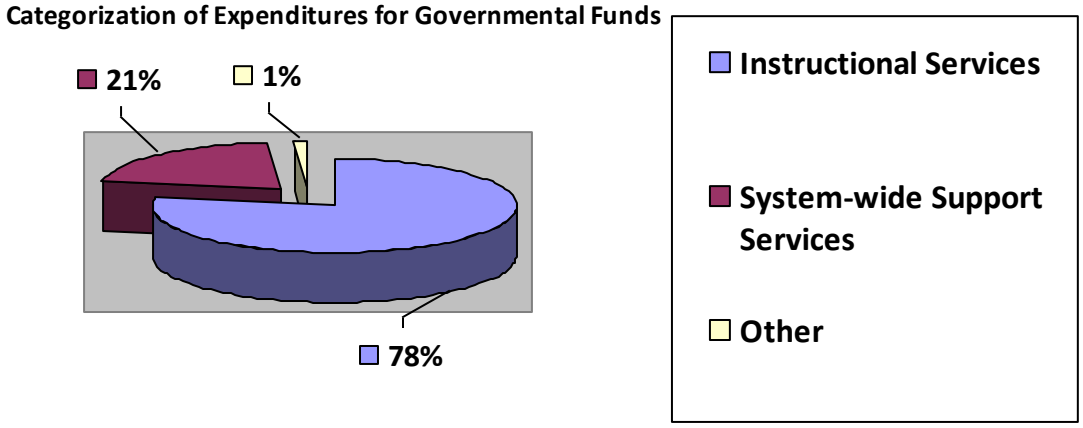
Total governmental activities generated revenues of $79.0 million while expenses in this category totaled $85.4 million for the year ended June 30, 2025, resulting in a decrease in net position of $6.9 million (including transfers out to business-type activities of $552 thousand). Comparatively, revenues were $80.1 million, expenses totaled $83.5 million and transfers out were $47 thousand for the year ended June 30, 2024, resulting in a decrease in net position of $3.5 million. In comparing the two years, revenues decreased $1.1 million, or 1.4%, while expenses increased $1.8 million, or 2.2%. Overall, both revenues and expenses were comparable over the two-year period.

The Board's primary sources of revenues were funding from the State of North Carolina, Dare County, and the United States Government, which respectively comprised 51.8%, 40.5% and 3.4% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 74.5% of our total expenses during the most recent fiscal year. Of the remaining 25.5% of our total expenses, 19.9% was attributable to system-wide support services.

Our business-type activities generated revenues of $2.5 million while expenses in this category totaled $3.1 million for the year ended June 30, 2025. For the year, net position decreased by $96 thousand (including transfers in of $552 thousand). Comparatively, revenues were $2.9 million, expenses totaled $3.3 million and transfers in were $47 thousand for the year ended June 30, 2024, resulting in a decrease in net position of $402 thousand. In comparing the two periods, revenues decreased $382 thousand, or 13.3%, while expenses decreased $184 thousand, or 5.6%. The change in revenues was primarily due to the district allowing all students to eat free breakfast and lunch in the 2025 year which had the effect of reducing food sales revenue by $379 thousand. The change in expenses was largely attributable to a $220 thousand year-over-year decline in pension and OPEB expense due to changes in actuarial valuations and allocation percentages of those plans.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Dare 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.



Expenditures presented on modified accrual basis of accounting.

The Board's governmental funds reported a combined fund balance of $2.9 million at June 30, 2025, a decrease of $3.2 million from the amount reported at June 30, 2024 (including the change in reserve for inventories). The Board's General, Other Current Expense and Capital Outlay funds each reported a decrease in fund balance for the year ended June 30, 2025 of $510 thousand, $2.0 million, and $773 thousand, respectively, while the Individual Schools Fund reported an increase in fund balance of $95 thousand for the year. Total governmental fund revenues decreased from the prior year by $1.3 million, or 1.7%, while expenditures increased by $884 thousand, or 1.1%. Both revenues and expenditures were comparable over the two-year period.

Combined revenues and expenditures in the State Public School Fund and Federal Grants Fund decreased by $2.0 million from the prior year, largely due to the expiration of federal COVID-19 grant funding which had the effect of reducing both revenues and expenditures in the Federal Grants Fund by $2.3 million when comparing 2025 to 2024.

Proprietary Funds: The Board's business-type funds, the School Food Service Fund and the Child Care Fund, reported a combined decrease in net position of $96 thousand for the fiscal year ended June 30, 2025 compared to a decrease of $402 thousand for the same 2024 period. See the discussion above under "*Financial Analysis of the Board as a Whole*" for further details regarding the year-over-year change in operating results for these two funds.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. During the year ended June 30, 2025, the Board amended the budget to appropriate $400 thousand of fund balance to pay for increased instructional services expenditures. For the year, total expenditures were $13 thousand under budget.

Capital Assets

Total primary government capital assets were $112.7 million at June 30, 2025 compared to $116.0 million at June 30, 2024, a decrease of 2.9%. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/25	6/30/24	6/30/25	6/30/24	6/30/25	6/30/24
Land	$ 4,863,116	$ 4,863,116	$ -	$ -	$ 4,863,116	$ 4,863,116
Buildings	99,041,132	102,664,493	-	-	99,041,132	102,664,493
Improvements	5,904,151	5,878,969	-	-	5,904,151	5,878,969
Equipment and furniture	1,346,328	1,071,933	286,179	295,992	1,632,507	1,367,925
Vehicles	1,224,881	1,209,135	-	-	1,224,881	1,209,135
Total	$ 112,379,608	$ 115,687,646	$ 286,179	$ 295,992	$ 112,665,787	$ 115,983,638

Debt Outstanding

During the year, the Board's long-term debt decreased by $62 thousand to a balance of $36 thousand at June 30, 2025. 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 virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in Note 2 to the financial statements.

Economic Factors

State and County funding are major sources of income for the Board; therefore, the State and County's economic outlook directly affects that of the Board's. Traditional economic factors are not necessarily applicable to Dare County due to the County having a tourism-based economy, seasonality of both activities and population that accompanies tourism, and a lack of manufacturing activities. The following factors should be considered when viewing the Board's current economic outlook:

- The Board anticipates student enrollment to remain constant over the next several years with little to no change.
- The unemployment rate in Dare County at both June 30, 2025 and 2024 was 3.3%. The County's unemployment rate is below the June 30, 2025 N.C. statewide and national unemployment rates which were 4.0% and 4.4%, respectively.

Requests for Information

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

Rashad Daniels, Interim Director of Finance
Dare County Board of Education
P.O. Box 1508
Nags Head, NC 27959

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 3,285,584	$ 585,008	$ 3,870,592
Due from other governments	148,939	34,990	183,929
Receivables	96,800	2,438	99,238
Inventories	188,309	78,383	266,692
Net OPEB asset	67,143	1,692	68,835
Capital assets:			
Land	4,863,116	-	4,863,116
Other capital assets, net of depreciation	107,516,492	286,179	107,802,671
Total capital assets	112,379,608	286,179	112,665,787
Total assets	116,166,383	988,690	117,155,073
Deferred Outflows of Resources			
Pension and OPEB plans	36,958,193	931,597	37,889,790
Liabilities			
Accounts payable and accrued expenses	743,556	-	743,556
Due to other governments	32,000	-	32,000
Unearned revenue	14,283	338,059	352,342
Long-term liabilities:			
Due within one year	6,841,561	249,222	7,090,783
Due in more than one year	107,802,780	2,761,486	110,564,266
Total liabilities	115,434,180	3,348,767	118,782,947
Deferred Inflows of Resources			
Pension and OPEB plans	11,556,647	291,307	11,847,954
Net position			
Net investment in capital assets	112,240,872	286,179	112,527,051
Restricted for:			
Stabilization by State statute	186,915	-	186,915
School capital outlay	753,775	-	753,775
Instructional services	20,967	-	20,967
Individual schools activities	759,178	-	759,178
DIPNC OPEB plan	89,488	2,254	91,742
Unrestricted (deficit)	(87,917,446)	(2,008,220)	(89,925,666)
Total net position (deficit)	$ 26,133,749	$ (1,719,787)	$ 24,413,962

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	$ 35,883,940	$ -	$ 22,774,383	$ -	$ (13,109,557)	$ -	$ (13,109,557)
Special populations	12,186,956	-	9,378,149	-	(2,808,807)	-	(2,808,807)
Alternative programs	3,672,076	-	2,756,504	-	(915,572)	-	(915,572)
School leadership	4,587,318	-	2,059,522	-	(2,527,796)	-	(2,527,796)
Co-curricular	2,704,350	1,503,299	-	-	(1,201,051)	-	(1,201,051)
School-based support	4,540,498	-	2,867,213	-	(1,673,285)	-	(1,673,285)
System-wide support services:							
Support and development	722,391	-	323,141	-	(399,250)	-	(399,250)
Special population support and development	303,897	-	286,860	-	(17,037)	-	(17,037)
Alternative programs and services support and development	20,449	-	20,643	-	194	-	194
Technology support	1,003,288	-	39,119	-	(964,169)	-	(964,169)
Operational support	10,902,773	261,251	2,843,147	62,036	(7,736,339)	-	(7,736,339)
Financial and human resource services	1,866,722	-	-	-	(1,866,722)	-	(1,866,722)
Accountability	220,396	-	145,754	-	(74,642)	-	(74,642)
System-wide pupil support	401,558	-	124,409	-	(277,149)	-	(277,149)
Policy, leadership and public relations	1,580,440	-	468,978	-	(1,111,462)	-	(1,111,462)
Ancillary services	345,288	-	16,665	-	(328,623)	-	(328,623)
Payments to other governments	123,732	-	83,567	-	(40,165)	-	(40,165)
Unallocated depreciation expense**	4,309,898	-	-	-	(4,309,898)	-	(4,309,898)
Total governmental activities	85,375,970	1,764,550	44,188,054	62,036	(39,361,330)	-	(39,361,330)
Business-type activities:							
School food service	2,470,233	231,773	1,594,789	-	-	(643,671)	(643,671)
Child care	657,782	612,506	-	-	-	(45,276)	(45,276)
Total business-type activities	3,128,015	844,279	1,594,789	-	-	(688,947)	(688,947)
Total primary government	$ 88,503,985	$ 2,608,829	$ 45,782,843	$ 62,036	(39,361,330)	(688,947)	(40,050,277)
		General revenues:					
		Unrestricted county appropriations - operating			29,807,661	-	29,807,661
		Unrestricted county appropriations - capital			2,242,233	-	2,242,233
		Unrestricted Federal appropriations - operating			104,010	-	104,010
		Investment earnings, unrestricted			13,715	869	14,584
		Miscellaneous, unrestricted			815,203	40,339	855,542
		Transfers			(551,527)	551,527	-
		Total general revenues and transfers			32,431,295	592,735	33,024,030
		Change in net position			(6,930,035)	(96,212)	(7,026,247)
		Net position (deficit) - beginning, as previously reported			46,186,263	(1,226,137)	44,960,126
		Change in accounting principle (Note 4)			(13,122,479)	(397,438)	(13,519,917)
		Net position (deficit) - beginning, as restated			33,063,784	(1,623,575)	31,440,209
		Net position (deficit) - ending			$ 26,133,749	$ (1,719,787)	$ 24,413,962

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

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

FUND FINANCIAL STATEMENTS

DARE COUNTY BOARD OF EDUCATION ***Exhibit 3***
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	Major Funds						
	General	State Public School	Federal Grants	Other Current Expense	Capital Outlay	Individual Schools	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 1,041,732	$ 13,646	$ 637	$ 716,616	$ 753,775	$ 759,178	$ 3,285,584
Due from other governments	45,839	-	-	-	103,100	-	148,939
Accounts receivable	38,369	-	-	58,431	-	-	96,800
Inventories	188,309	-	-	-	-	-	188,309
Total assets	$ 1,314,249	$ 13,646	$ 637	$ 775,047	$ 856,875	$ 759,178	$ 3,719,632
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 608,322	$ -	$ -	$ 32,134	$ 103,100	$ -	$ 743,556
Due to other governments	32,000	-	-	-	-	-	32,000
Unearned revenue	-	13,646	637	-	-	-	14,283
Total liabilities	640,322	13,646	637	32,134	103,100	-	789,839
Fund balances:							
Nonspendable:							
Inventories	188,309	-	-	-	-	-	188,309
Restricted:							
Stabilization by State statute	102,428	-	-	84,487	-	-	186,915
School capital outlay	-	-	-	-	753,775	-	753,775
Instructional services	-	-	-	20,967	-	-	20,967
Individual schools	-	-	-	-	-	759,178	759,178
Assigned:							
Subsequent year's expenditures	-	-	-	500,000	-	-	500,000
Special revenues	-	-	-	137,459	-	-	137,459
Unassigned	383,190	-	-	-	-	-	383,190
Total fund balances	673,927	-	-	742,913	753,775	759,178	2,929,793
Total liabilities and fund balances	$ 1,314,249	$ 13,646	$ 637	$ 775,047	$ 856,875	$ 759,178	$ 3,719,632

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

DARE COUNTY BOARD OF EDUCATION ***Exhibit 3 (continued)***
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2025

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

Total fund balances of governmental funds	$ 2,929,793
Net OPEB asset	67,143
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	112,379,608
Deferred outflows of resources related to pensions	16,353,369
Deferred outflows of resources related to OPEB	20,604,824
Some liabilities, including those for compensated absences and installment purchases are not due and payable in the current period and therefore are not reported in the funds.	(16,240,220)
Net pension liability	(34,857,696)
Net OPEB liability	(63,546,425)
Deferred inflows of resources related to pensions	(328,933)
Deferred inflows of resources related to OPEB	(11,227,714)
Net position of governmental activities	$ 26,133,749

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

DARE COUNTY BOARD OF EDUCATION ***Exhibit 4***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

	Major Funds						
	General	State Public School	Federal Grants	Other Current Expense	Capital Outlay	Individual Schools	Total Governmental Funds
Revenues:							
State of North Carolina	$ -	$ 40,188,710	$ -	$ 677,625	$ 62,036	$ -	$ 40,928,371
Dare County:							
Local current expense	29,807,661	-	-	-	-	-	29,807,661
Other	-	-	-	-	2,242,233	-	2,242,233
U.S. Government	-	-	2,605,833	-	104,010	-	2,709,843
Contributions and donations	-	-	-	11,788	-	-	11,788
Other	509,576	-	-	1,359,281	8,977	1,503,299	3,381,133
Total revenues	30,317,237	40,188,710	2,605,833	2,048,694	2,417,256	1,503,299	79,081,029
Expenditures:							
Current:							
Instructional services:							
Regular instructional	11,722,576	22,556,219	194,882	1,095,906	584,003	-	36,153,586
Special populations	2,875,419	7,561,286	1,124,259	556,759	-	-	12,117,723
Alternative programs	403,569	1,086,147	992,732	1,168,242	-	-	3,650,690
School leadership	2,418,796	2,051,655	7,867	59,318	-	-	4,537,636
Co-curricular	650,409	-	-	197,337	464,819	1,408,260	2,720,825
School-based support	1,571,259	2,814,580	52,633	39,854	6,672	-	4,484,998
System-wide support services:							
Support and development	384,187	292,738	30,403	9,949	-	-	717,277
Special population support and development	2,230	286,860	-	-	-	-	289,090
Alternative programs and services support and development	-	-	20,643	-	-	-	20,643
Technology support	734,041	39,119	-	185	230,156	-	1,003,501
Operational support	6,417,517	2,769,146	17,164	370,086	1,760,341	-	11,334,254
Financial and human resource services	1,787,209	-	-	32,751	-	-	1,819,960
Accountability	74,691	145,754	-	190	-	-	220,635
System-wide pupil support	138,579	59,391	65,018	138,995	-	-	401,983
Policy, leadership and public relations	1,025,571	468,978	-	85,773	-	-	1,580,322
Ancillary services	33,355	-	16,665	246,258	82,700	-	378,978
Non-programmed charges	123,732	-	83,567	-	-	-	207,299
Debt service:							
Principal retirement	-	-	-	-	62,036	-	62,036
Total expenditures	30,363,140	40,131,873	2,605,833	4,001,603	3,190,727	1,408,260	81,701,436
Excess (deficiency) of revenues over expenditures	(45,903)	56,837	-	(1,952,909)	(773,471)	95,039	(2,620,407)
Other financing uses:							
Transfers to other funds	(415,000)	(56,837)	-	(46,000)	-	-	(517,837)
Net change in fund balance	(460,903)	-	-	(1,998,909)	(773,471)	95,039	(3,138,244)
Fund balances:							
Beginning of year	1,184,056	-	-	2,741,822	1,527,246	664,139	6,117,263
Change in reserve for inventories	(49,226)	-	-	-	-	-	(49,226)
End of year	$ 673,927	$ -	$ -	$ 742,913	$ 753,775	$ 759,178	$ 2,929,793

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

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

For the Fiscal Year Ended June 30, 2025

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

Net changes in fund balances - total governmental funds	$	(3,138,244)
Change in fund balance due to change in reserve for inventory		(49,226)
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 outlays in the current period.		(3,308,038)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		7,184,633
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities		3,046,730
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
OPEB nonemployer contributions		19,333
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		62,036
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Pension (expense) benefit		(9,594,868)
OPEB (expense) benefit		(1,915,173)
Compensated absences		762,782
Total changes in net position of governmental activities	$	(6,930,035)

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Dare County	$ 29,392,661	$ 29,807,661	$ 29,807,661	$ -
Other	583,810	583,810	509,576	(74,234)
Total revenues	29,976,471	30,391,471	30,317,237	(74,234)
Expenditures:				
Current:				
Instructional services	18,898,207	19,640,207	19,642,028	(1,821)
System-wide support services	11,001,890	10,577,390	10,564,025	13,365
Ancillary services	76,374	33,874	33,355	519
Nonprogrammed charges	-	125,000	123,732	1,268
Total expenditures	29,976,471	30,376,471	30,363,140	13,331
Excess (deficiency) of revenues over expenditures	-	15,000	(45,903)	(60,903)
Other financing uses:				
Transfers to other funds	-	(415,000)	(415,000)	-
Fund balance appropriated	-	400,000	-	(400,000)
Net change in fund balance	$ -	$ -	(460,903)	$ (460,903)
Fund balances:				
Beginning of year			1,184,056	
Change in reserve for inventories			(49,226)	
End of year			$ 673,927	

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

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

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ 40,547,481	$ 41,559,471	$ 40,188,710	$ (1,370,761)
Expenditures:				
Current:				
Instructional services	36,625,563	37,280,600	36,069,887	1,210,713
System-wide support services	3,777,327	4,134,280	4,061,986	72,294
Total expenditures	40,402,890	41,414,880	40,131,873	1,283,007
Excess of revenues over expenditures	144,591	144,591	56,837	(87,754)
Other financing uses:				
Transfers to other funds	(144,591)	(144,591)	(56,837)	87,754
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
End of year			$ -	

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

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

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
U.S. Government	$ 1,800,333	$ 3,061,899	$ 2,605,833	$ (456,066)
Expenditures:				
Current:				
Instructional services	1,573,914	2,764,763	2,372,373	392,390
System-wide support services	81,787	136,236	133,228	3,008
Ancillary services	16,665	16,665	16,665	-
Nonprogrammed charges	127,967	144,235	83,567	60,668
Total expenditures	1,800,333	3,061,899	2,605,833	456,066
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
End of year			$ -	

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

	Other Current Expense Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ 678,596	$ 678,596	$ 677,625	$ (971)
Contributions and donations	-	-	11,788	11,788
Other	1,221,404	1,396,404	1,359,281	(37,123)
Total revenues	1,900,000	2,075,000	2,048,694	(26,306)
Expenditures:				
Current:				
Instructional services	2,651,363	3,126,363	3,117,416	8,947
System-wide support services	255,918	662,918	637,929	24,989
Ancillary services	182,756	275,756	246,258	29,498
Total expenditures	3,090,037	4,065,037	4,001,603	63,434
Deficiency of revenues over expenditures	(1,190,037)	(1,990,037)	(1,952,909)	37,128
Other financing uses:				
Transfers to other funds	-	(46,000)	(46,000)	-
Fund balance appropriated	1,190,037	2,036,037	-	(2,036,037)
Net change in fund balance	$ -	$ -	(1,998,909)	$ (1,998,909)
Fund balances:				
Beginning of year			2,741,822	
End of year			$ 742,913	

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

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

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Assets			
Current assets:			
Cash and cash equivalents	$ 74,904	$ 510,104	$ 585,008
Due from other governments	32,102	2,888	34,990
Receivables	2,438	-	2,438
Inventories	78,383	-	78,383
Total current assets	187,827	512,992	700,819
Noncurrent assets:			
Net OPEB asset	1,226	466	1,692
Capital assets:			
Furniture and equipment, net	245,475	40,704	286,179
Total noncurrent assets	246,701	41,170	287,871
Total assets	434,528	554,162	988,690
Deferred Outflows of Resources			
Pension and OPEB plans	674,970	256,627	931,597
Liabilities			
Current liabilities:			
Compensated absences	209,956	39,266	249,222
Unearned revenue	59,067	278,992	338,059
Total current liabilities	269,023	318,258	587,281
Noncurrent liabilities:			
Net pension liability	636,608	242,042	878,650
Net OPEB liability	1,160,550	441,249	1,601,799
Compensated absences	236,758	44,279	281,037
Total noncurrent liabilities	2,033,916	727,570	2,761,486
Total liabilities	2,302,939	1,045,828	3,348,767
Deferred Inflows of Resources			
Pension and OPEB plans	211,060	80,247	291,307
Net position			
Investment in capital assets	245,475	40,704	286,179
Restricted for DIPNC OPEB plan	1,632	622	2,254
Unrestricted (deficit)	(1,651,608)	(356,612)	(2,008,220)
Total net position (deficit)	$ (1,404,501)	$ (315,286)	$ (1,719,787)

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

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

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Operating revenues:			
Food sales	$ 231,773	$ -	$ 231,773
Child care fees	-	612,506	612,506
Other	-	1,069	1,069
Total operating revenues	231,773	613,575	845,348
Operating expenses:			
Food cost:			
Purchase of food	902,831	37,087	939,918
Donated commodities	171,363	-	171,363
Salaries and benefits	1,246,743	614,620	1,861,363
Materials and supplies	74,424	2,825	77,249
Repairs and maintenance	806	-	806
Depreciation	41,262	2,241	43,503
Contracted services	17,855	-	17,855
Other	14,949	1,009	15,958
Total operating expenses	2,470,233	657,782	3,128,015
Operating loss	(2,238,460)	(44,207)	(2,282,667)
Nonoperating revenues:			
Federal grants and reimbursements	1,375,127	-	1,375,127
Federal commodities	171,363	-	171,363
State reimbursements and grants	42,674	-	42,674
Contracted service revenue	-	39,270	39,270
Interest earned	869	-	869
Contributions and donations	5,625	-	5,625
Total nonoperating revenues	1,595,658	39,270	1,634,928
Loss before transfers and contributions	(642,802)	(4,937)	(647,739)
Transfers from other funds	517,837	-	517,837
Capital contributions	33,690	-	33,690
Change in net position	(91,275)	(4,937)	(96,212)
Net position (deficit), beginning, as previously reported	(968,974)	(257,163)	(1,226,137)
Change in accounting principle (Note 4)	(344,252)	(53,186)	(397,438)
Net position (deficit), beginning, as restated	(1,313,226)	(310,349)	(1,623,575)
Net position (deficit), ending	$ (1,404,501)	$ (315,286)	$ (1,719,787)

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

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

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Cash flows from operating activities:			
Cash received from customers	$ 248,663	$ 609,618	$ 858,281
Cash paid for goods and services	(966,943)	(40,921)	(1,007,864)
Cash paid to employees for services	(1,360,930)	(657,637)	(2,018,567)
Other operating revenue	-	1,069	1,069
Net cash used by operating activities	(2,079,210)	(87,871)	(2,167,081)
Cash flows from noncapital financing activities:			
Transfers from other funds	461,000	-	461,000
Due from other funds	24,318	-	24,318
Federal grants and reimbursements	1,410,430	-	1,410,430
Contracted service revenue	-	15,000	15,000
Contributions and donations	5,625	-	5,625
Net cash provided by noncapital financing activities	1,901,373	15,000	1,916,373
Cash flows from investing activities:			
Interest earned on investments	869	-	869
Net decrease in cash and cash equivalents	(176,968)	(72,871)	(249,839)
Cash and cash equivalents, beginning of year	251,872	582,975	834,847
Cash and cash equivalents, end of year	$ 74,904	$ 510,104	$ 585,008
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$ (2,238,460)	$ (44,207)	$ (2,282,667)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	41,262	2,241	43,503
Donated commodities	171,363	-	171,363
Salaries and benefits paid by other funds	56,837	-	56,837
Changes in assets, liabilities deferred outflows and deferred inflows of resources:			
Increase in due from other governments	-	(2,888)	(2,888)
Decrease in accounts receivable	3,635	-	3,635
Increase in net OPEB asset	(1,226)	(466)	(1,692)
Decrease in inventories	49,170	-	49,170
Decrease in accounts payable and accrued liabilities	(5,248)	-	(5,248)
Increase in unearned revenue	13,255	-	13,255
Decrease in net pension liability	(166,258)	(56,308)	(222,566)
Increase in net OPEB liability	119,016	54,209	173,225
Decrease in deferred outflows	49,619	12,633	62,252
Decrease in deferred inflows	(154,073)	(55,438)	(209,511)
Increase (decrease) in compensated absences payable	(18,102)	2,353	(15,749)
Total adjustments	159,250	(43,664)	115,586
Net cash used by operating activities	$ (2,079,210)	$ (87,871)	$ (2,167,081)

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

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of $171,363 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of $56,837 to personnel of the School Food Service Fund during the year. These payments are reflected as an operating transfer in and an operating expense on Exhibit 8.

School Food Service Fund capital assets with values of $16,665 and $17,025 were purchased during the year by the Federal Grants Fund and Capital Outlay Fund, respectively. The value of these assets is reflected as a capital contribution on Exhibit 8.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Board reports the following major governmental funds:

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

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

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

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

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

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

The Board reports the following major enterprise funds:

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

Child Care Fund. The Child Care Fund is used to account for the afterschool care program at the elementary schools within the school system. The costs associated with these programs are recovered by user charges.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the

North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to transfer amounts between functions, sub-functions and objects of expenditures within a purpose without limitations and without a report to the Board of Education. Any increases or decreases in purpose levels or transfers between funds will require a budget amendment by the Board of Education. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. The NCCMT is reported at fair value. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is classified as nonspendable. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1987 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in both governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than $5,000 with an estimated useful life of two or more years. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

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

	Years
Land improvements	30
Buildings and building improvements	15 - 50
Equipment and furniture	5 - 20
Vehicles	6 - 12

5. Deferred outflows and inflows of resources

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

6. Long-term Obligations

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

7. Compensated Absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in

cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The Board follows the State's policy for vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements on a FIFO basis. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

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

8. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

> Restricted for Stabilization by State statute – North Carolina G.S. 115C-425(a) prohibits boards of education from budgeting or spending a portion of their fund balance. Restricted by State statute (RSS) is calculated at the end of each fiscal year. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS.
>
> Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay [G.S. 159-18 through 22].

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

Restricted for individual schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they were collected.

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

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

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

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

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

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of $23,203,956 consists of the following elements:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 210,940,792
Less accumulated depreciation	(98,561,184)
Net capital assets	112,379,608
Net OPEB asset	67,143
Deferred outflows of resources related to pensions	16,353,369
Deferred outflows of resources related to OPEB	20,604,824
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(35,636)
Compensated absences	(16,204,584)
Net pension liability	(34,857,696)
Net OPEB liability	(63,546,425)
Deferred inflows of resources related to pensions	(328,933)
Deferred inflows of resources related to OPEB	(11,227,714)
Total adjustment	$ 23,203,956

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of $(3,791,791) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 1,247,379
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(4,555,417)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	62,036
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	7,184,633
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	3,046,730
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	19,333
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(9,594,868)
OPEB (expense) benefit	(1,915,173)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	762,782
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(49,226)
Total adjustment	$ (3,791,791)

10. Defined Benefit Pension Plans

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

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2025, the Board had deposits with banks and savings and loans with a carrying amount of $2,508,029 and a balance with the State Treasurer of $14,283. The bank balances with the financial institutions and the State Treasurer were $3,947,105 and $440,795, respectively. Of these balances, $1,037,647 was covered by federal depository insurance and $3,350,253 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30, 2025, the Board had $1,176,237 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's and is classified in Level 1 of the fair value hierarchy. Additionally, at June 30 2025, the Board had $172,043 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 2.1 years at June 30, 2025. The Board has no policy for managing interest rate risk or credit risk. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

3. Accounts Receivable

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

	Due from other governments	Other	Total
Governmental activities:			
General Fund	$ 45,839	$ 38,369	$ 84,208
Other governmental activities	103,100	58,431	161,531
Total governmental activities	$ 148,939	$ 96,800	$ 245,739
Business-type activities:			
School Food Service Fund	$ 32,102	$ 2,438	$ 34,540
Child Care Fund	2,888	-	2,888
Total business-type activities	$ 34,990	$ 2,438	$ 37,428

Due from other governments consists of the following:

Governmental activities:		
General Fund	$ 45,839	Amounts due from County and towns
Capital Outlay Fund	103,100	Amounts due from County
Total	$ 148,939	
Business-type activities:		
School Food Service Fund	$ 32,102	Federal and State funds
Child Care Fund	2,888	State funds
Total	$ 34,990	

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 4,863,116	$ -	$ -	$ 4,863,116
Capital assets being depreciated:				
Buildings	181,184,578	-	-	181,184,578
Improvements	14,290,298	546,457	-	14,836,755
Equipment and furniture	3,406,706	439,657	-	3,846,363
Vehicles	5,948,715	261,265	-	6,209,980
Total capital assets being depreciated	204,830,297	1,247,379	-	206,077,676
Less accumulated depreciation for:				
Buildings	78,520,085	3,623,361	-	82,143,446
Improvements	8,411,329	521,275	-	8,932,604
Equipment and furniture	2,334,773	165,262	-	2,500,035
Vehicles	4,739,580	245,519	-	4,985,099
Total accumulated depreciation	94,005,767	4,555,417	-	98,561,184
Total capital assets being depreciated, net	110,824,530			107,516,492
Governmental activity capital assets, net	$ 115,687,646			$ 112,379,608
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	$ 1,544,825	$ 33,690	$ -	$ 1,578,515
Less accumulated depreciation for:				
Equipment and furniture	1,291,778	41,262	-	1,333,040
School Food Service capital assets, net	253,047			245,475
Child Care Fund:				
Capital assets being depreciated:				
Equipment and furniture	44,812	-	-	44,812
Less accumulated depreciation for:				
Equipment and furniture	1,867	2,241	-	4,108
Child Care Fund capital assets, net	42,945			40,704
Business-type activities capital assets, net	$ 295,992			$ 286,179

Depreciation was charged to governmental functions as follows:

Operational support services	$ 245,519
Unallocated	4,309,898
Total	$ 4,555,417

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were $7,365,734 for the year ended June 30, 2025.

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

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

At June 30, 2025, the Board reported a liability of $35,736,346 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was 0.2412% and 0.2390%, respectively.

For the year ended June 30, 2025, the Board recognized pension expense of $9,784,016. At June 30, 2025, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,220,465	$ 105,641
Net difference between projected and actual earnings on pension plan investments	5,892,754	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	286,631	231,583
Board contributions subsequent to the measurement date	7,365,734	-
Total	$ 16,765,584	$ 337,224

$7,365,734 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 2,867,539
2027	6,978,263
2028	(152,398)
2029	(630,778)
Total	$ 9,062,626

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

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

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

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

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

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

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

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

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability	$ 65,554,364	$ 35,736,346	$ 11,147,020

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

b. Other Postemployment Benefits

1. Healthcare Benefits

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

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

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

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

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

service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the year ended June 30, 2025, the Board contributed 6.99% of covered payroll, which amounted to $3,066,497 for the entire fiscal year. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling $10.3 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled $19,820.

At June 30, 2025, the Board reported a liability of $65,148,224 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was 0.1915% and 0.1938%, respectively.

$3,066,497 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (698,855)
2027	826,713
2028	3,437,766
2029	2,958,448
Total	$ 6,524,072

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

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

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

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

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability	$ 77,509,526	$ 65,148,224	$ 55,223,179

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

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-9.00%, Medicare Advantage - 4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical - 5.00-6.50%, Pharmacy - 5.00-10.00%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% increase (Medical -6.00-7.50%, Pharmacy - 6.00-11.00%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	$ 53,775,181	$ 65,148,224	$ 79,874,099

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

2. Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $57,031 for the year ended June 30, 2025.

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

At June 30, 2025, the Board reported an asset of $68,835 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2024 and 2023, the Board's proportion was 0.2091% and 0.2088%, respectively.

$57,031 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (29,615)
2027	(20,801)
2028	7,685
2029	5,151
2030	3,456
Total	$ (34,124)

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

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

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

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	$ 61,378	$ 68,835	$ 76,673

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

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

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

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

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

	RHBF	DIPNC	Total
OPEB expense (benefit)	$ 1,752,381	$ 33,738	$ 1,786,119
OPEB liability (asset)	$ 65,148,224	$ (68,835)	$ 65,079,389
Proportionate share of the net OPEB liability / asset	0.1915%	0.2091%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 530,996	$ 27,751	$ 558,747
Changes of assumptions	15,690,352	1,026	15,691,378
Net difference between projected and actual earnings on plan investments	279,171	54,040	333,211
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,414,877	2,465	1,417,342
Board contributions subsequent to the measurement date	3,066,497	57,031	3,123,528
Totals	$ 20,981,893	$ 142,313	$ 21,124,206
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 79,175	$ 79,175
Changes of assumptions	8,493,998	32,070	8,526,068
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,897,326	8,161	2,905,487
Totals	$ 11,391,324	$ 119,406	$ 11,510,730

2. Accounts Payable

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

	Vendors and Other	Due to Other Governments	Total
Governmental activities:			
General Fund	$ 608,322	$ 32,000	$ 640,322
Other governmental activities	135,234	-	135,234
Total governmental activities	$ 743,556	$ 32,000	$ 775,556

3. Unearned Revenues

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

Governmental activities:	
State grant funds (State Public School Fund)	$ 13,646
Federal grant funds (Federal Grants Fund)	637
Total governmental activities	$ 14,283
Business-type activities:	
Prepayments of meals (School Food Service Fund)	$ 59,067
Prepayment of contracted service revenue (Child Care Fund)	278,992
Total business-type activities	$ 338,059

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,779,212	$ 184,816
Changes of assumptions	15,691,378	8,526,068
Net difference between projected and actual earnings on pension and OPEB plan investments	6,225,965	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,703,973	3,137,070
Board contributions subsequent to the measurement date	10,489,262	-
Total	$ 37,889,790	$ 11,847,954

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains general liability and errors and omissions coverage of $1 million per claim through a private insurance company. The policy has an annual aggregate limit of $2 million for general liability and an annual aggregate limit of $1 million for errors and omissions. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds.

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

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

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The Finance Director is bonded for $50,000.

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

6. Long-Term Obligations

a. 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 special third-party direct placement financing arrangements. During the 2024 fiscal year, the Board entered into such a contract for the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The original amount of the outstanding installment purchase contract totaled $142,550. The contract requires four equal principal-only payments with the first payment due within ten days of receipt of the buses and the following three payments due on each of the three subsequent November 15th dates.

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

Year Ending June 30:	Governmental Activities Principal
2026	$ 35,636

b. Long-Term Obligation Activity

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

	July 1, 2024 (As restated)	Increases	Decreases	June 30, 2025	Current Portion
Governmental activities:					
Direct placement installment purchases	$ 97,672	$ -	$ 62,036	$ 35,636	$ 35,636
Net pension liability	38,753,159	-	3,895,463	34,857,696	-
Net OPEB liability	50,273,281	13,273,144	-	63,546,425	-
Compensated absences	16,967,366	-	762,782	16,204,584	6,805,925
Total	$ 106,091,478	$ 13,273,144	$ 4,720,281	$ 114,644,341	$ 6,841,561
Business-type activities:					
Net pension liability	$ 1,101,216	$ -	$ 222,566	$ 878,650	$ -
Net OPEB liability	1,428,574	173,225	-	1,601,799	-
Compensated absences	546,008	-	15,749	530,259	249,222
Total	$ 3,075,798	$ 173,225	$ 238,315	$ 3,010,708	$ 249,222

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

C. Interfund Balances and Activity

Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2025 consisted of the following:

From the General Fund to the School Food Service Fund for free meals provided to students	$ 415,000
From the Other Current Expense Fund to the School Food Service Fund for free meals provided to students	$ 46,000
From the State Public School Fund to the School Food Service Fund for administrative salaries and benefits	$ 56,837

The Federal Grants Fund and Capital Outlay Fund purchased $16,665 and $17,025, respectively, of capitalized equipment for the School Food Service Fund during the year. This total amount of $33,690 is presented as a transfer between governmental and business-type activities in Exhibit 2 and as contributed capital in Exhibit 8.

D. Fund Balance

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

Total fund balance - General Fund	$ 673,927
Less:	
Inventories	(188,309)
Stabilization by State statute	(102,428)
Unassigned fund balance	$ 383,190

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances outstanding at June 30, 2025 are as follows:

	Encumbrances
General Fund	$ 18,220
Capital Outlay Fund	2,421,475
Other Currrent Expense Fund	26,056

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 – ACCOUNTING CHANGES

Change in Accounting Principle

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

Adjustments to and Restatements of Beginning Balances

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

	Reporting Units Affected by Restatements of Beginning Balances			
	Proprietary Funds		Government-Wide	
	School Food Service	Child Care	Governmental Activities	Business-Type Activities
June 30, 2024 net position (deficit), as previously reported	$ (968,974)	$ (257,163)	$ 46,186,263	$ (1,226,137)
Change in accounting principle	(344,252)	(53,186)	(13,122,479)	(397,438)
June 30, 2024 net position (deficit), as restated	$ (1,313,226)	$ (310,349)	$ 33,063,784	$ (1,623,575)

NOTE 5 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through December 10, 2025 (the issuance date of the financial statements) and has determined that there were no subsequent events to recognize or disclose in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions
Retiree Health Benefit Fund

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

Schedule of Board Contributions
Disability Income Plan of North Carolina

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

	2025	2024	2023	2022	2021
Board's proportion of the net pension liability	0.241%	0.239%	0.239%	0.223%	0.232%
Board's proportionate share of the net pension liability	$ 35,736,346	$ 39,854,375	$ 35,410,611	$ 10,430,025	$ 28,045,940
Board's covered payroll	$ 41,958,344	$ 39,818,234	$ 37,656,886	$ 34,752,700	$ 35,750,571
Board's proportionate share of the net pension liability as a percentage of its covered payroll	85.17%	100.09%	94.03%	30.01%	78.45%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%

	2020	2019	2018	2017	2016
Board's proportion of the net pension liability	0.232%	0.223%	0.218%	0.220%	0.210%
Board's proportionate share of the net pension liability	$ 24,028,533	$ 22,223,982	$ 17,320,091	$ 19,764,397	$ 7,742,220
Board's covered payroll	$ 36,309,676	$ 34,848,241	$ 29,644,128	$ 32,368,629	$ 32,533,453
Board's proportionate share of the net pension liability as a percentage of its covered payroll	66.18%	63.77%	58.43%	61.06%	23.80%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

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

	2025	2024	2023	2022	2021
Contractually required contribution	$ 7,365,734	$ 7,397,256	$ 6,920,409	$ 6,168,198	$ 5,136,449
Contributions in relation to the contractually required contribution	7,365,734	7,397,256	6,920,409	6,168,198	5,136,449
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 43,869,768	$ 41,958,344	$ 39,818,234	$ 37,656,886	$ 34,752,700
Contributions as a percentage of covered payroll	16.79%	17.63%	17.38%	16.38%	14.78%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 4,636,849	$ 4,462,459	$ 3,756,644	$ 2,958,484	$ 2,972,943
Contributions in relation to the contractually required contribution	4,636,849	4,462,459	3,756,644	2,958,484	2,972,943
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 35,750,571	$ 36,309,676	$ 34,848,241	$ 29,644,128	$ 32,368,629
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability	0.1915%	0.1938%	0.2000%	0.1920%	0.2021%
Board's proportionate share of the net OPEB liability	$ 65,148,224	$ 51,646,315	$ 47,491,103	$ 59,358,397	$ 56,060,699
Board's covered payroll	$ 41,958,344	$ 39,818,234	$ 37,656,886	$ 34,752,700	$ 35,750,571
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	155.27%	129.71%	126.12%	170.80%	156.81%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%

	2020	2019	2018	2017
Board's proportion of the net OPEB liability	0.1984%	0.1950%	0.1889%	0.1807%
Board's proportionate share of the net OPEB liability	$ 62,770,636	$ 55,545,187	$ 61,923,558	$ 78,609,531
Board's covered payroll	$ 36,309,676	$ 34,848,241	$ 29,644,128	$ 32,368,629
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	172.88%	159.39%	208.89%	242.86%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%

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

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

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

	2025	2024	2023	2022	2021
Contractually required contribution	$ 3,066,497	$ 2,995,826	$ 2,743,476	$ 2,368,618	$ 2,321,480
Contributions in relation to the contractually required contribution	3,066,497	2,995,826	2,743,476	2,368,618	2,321,480
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 43,869,768	$ 41,958,344	$ 39,818,234	$ 37,656,886	$ 34,752,700
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%

	2020	2019	2018	2017
Contractually required contribution	$ 2,313,062	$ 2,276,618	$ 2,108,319	$ 1,722,324
Contributions in relation to the contractually required contribution	2,313,062	2,276,618	2,108,319	1,722,324
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Board's covered payroll	$ 35,750,571	$ 36,309,676	$ 34,848,241	$ 29,644,128
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%

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

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

	2025	2024	2023	2022	2021
Board's proportion of the net OPEB liability/asset	0.2091%	0.2088%	0.2089%	0.1962%	0.2027%
Board's proportionate share of the net OPEB liability (asset)	$ (68,835)	$ 55,540	$ 62,155	$ (32,044)	$ (99,697)
Board's covered payroll	$ 41,958,344	$ 39,818,234	$ 37,656,886	$ 34,752,700	$ 35,750,571
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.16%	0.14%	0.17%	0.09%	0.28%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	114.99%	90.61%	90.34%	105.18%	115.57%

	2020	2019	2018	2017
Board's proportion of the net OPEB liability/asset	0.2034%	0.1955%	0.1900%	0.1878%
Board's proportionate share of the net OPEB liability (asset)	$ (87,771)	$ (59,370)	$ (116,140)	$ (116,630)
Board's covered payroll	$ 36,309,676	$ 34,848,241	$ 29,644,128	$ 32,368,629
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	0.24%	0.17%	0.39%	0.36%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	113.00%	108.47%	116.23%	116.06%

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

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

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

	2025	2024	2023	2022	2021
Contractually required contribution	$ 57,031	$ 46,154	$ 39,818	$ 33,891	$ 31,277
Contributions in relation to the contractually required contribution	57,031	46,154	39,818	33,891	31,277
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 43,869,768	$ 41,958,344	$ 39,818,234	$ 37,656,886	$ 34,752,700
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	2020	2019	2018	2017
Contractually required contribution	$ 35,751	$ 50,834	$ 48,788	$ 112,648
Contributions in relation to the contractually required contribution	35,751	50,834	48,788	112,648
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Board's covered payroll	$ 35,750,571	$ 36,309,676	$ 34,848,241	$ 29,644,128
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%

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

INDIVIDUAL FUND BUDGETARY AND OTHER SCHEDULES

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

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Dare County:			
County appropriation	$ 29,807,661	$ 29,807,661	$ -
Other:			
Fines and forfeitures	583,810	496,836	(86,974)
Interest earned on investment	-	11,985	11,985
Miscellaneous	-	755	755
Total other	583,810	509,576	(74,234)
Total revenues	30,391,471	30,317,237	(74,234)
Expenditures:			
Current:			
Instructional services:			
Regular instructional		11,722,576	
Special populations		2,875,419	
Alternative programs		403,569	
School leadership		2,418,796	
Co-curricular		650,409	
School-based support		1,571,259	
Total instructional services	19,640,207	19,642,028	(1,821)
System-wide support services:			
Support and development		384,187	
Special population support and development		2,230	
Technology support		734,041	
Operational support		6,417,517	
Financial and human resource services		1,787,209	
Accountability		74,691	
System-wide pupil support		138,579	
Policy, leadership and public relations		1,025,571	
Total system-wide support services	10,577,390	10,564,025	13,365
Ancillary services:			
Nutrition		33,355	
Total ancillary services	33,874	33,355	519
Non-programmed charges:			
Payments to other governments	125,000	123,732	1,268
Total expenditures	30,376,471	30,363,140	13,331
Excess (deficiency) of revenues over expenditures	15,000	(45,903)	(60,903)

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

	Final Budget	Actual	Variance with Final Budget
Other financing uses:			
Transfers to other funds	(415,000)	(415,000)	-
Fund balance appropriated	400,000	-	(400,000)
Net change in fund balance	$ -	(460,903)	$ (460,903)
Fund balance:			
Beginning of year		1,184,056	
Change in reserve for inventories		(49,226)	
End of year		$ 673,927	

DARE COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2025

	Revenues	Expenditures	Net change in fund balance	Fund balances 6/30/2024	Fund balances 6/30/2025
Cape Hatteras Elementary	$ 49,490	$ 44,994	$ 4,496	$ 21,493	$ 25,989
Kitty Hawk Elementary	53,281	49,777	3,504	47,502	51,006
Manteo Elementary	40,678	42,975	(2,297)	8,299	6,002
First Flight Elementary	27,911	24,657	3,254	12,008	15,262
Nags Head Elementary	43,083	44,855	(1,772)	24,772	23,000
First Flight Middle	151,347	146,376	4,971	58,723	63,694
Manteo Middle	124,418	105,881	18,537	82,921	101,458
Cape Hatteras Secondary	250,461	230,530	19,931	178,568	198,499
Manteo High	244,790	214,378	30,412	70,638	101,050
First Flight High	517,840	503,837	14,003	159,215	173,218
Totals	$ 1,503,299	$ 1,408,260	$ 95,039	$ 664,139	$ 759,178

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

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
State appropriations - buses	$ 62,038	$ 62,036	$ (2)
U.S. Government:			
Public Assistance Grants	104,010	104,010	-
Dare County:			
General county appropriations	605,000	610,000	5,000
Construction project funding	3,277,727	1,632,233	(1,645,494)
Total Dare County	3,882,727	2,242,233	(1,640,494)
Other:			
Interest earned on investments	2,000	1,730	(270)
Miscellaneous	-	7,247	7,247
Total other	2,000	8,977	6,977
Total revenues	4,050,775	2,417,256	(1,633,519)
Expenditures:			
Current:			
Instructional services:			
Regular instructional		584,003	
Co-curricular		464,819	
School-based support		6,672	
Total instructional services	1,292,020	1,055,494	236,526
System-wide support services:			
Technology		230,156	
Operational support		1,760,341	
Total system-wide support services	3,866,260	1,990,497	1,875,763
Ancillary services:			
Nutrition	125,000	82,700	42,300
Debt service:			
Principal retirement	62,038	62,036	2
Total expenditures	5,345,318	3,190,727	2,154,591
Deficiency of revenues over expenditures	(1,294,543)	(773,471)	521,072
Other financing sources:			
Installment purchase obligations issued	485,004	-	(485,004)
Fund balance appropriated	809,539	-	(809,539)
Net change in fund balance	$ -	(773,471)	$ (773,471)
Fund balance:			
Beginning of year		1,527,246	
End of year		$ 753,775	

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

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Food sales	$ 327,500	$ 231,773	$ (95,727)
Operating expenditures:			
Business support services:			
Purchase of food		853,661	
Donated commodities		171,363	
Salaries and benefits		1,417,767	
Materials and supplies		74,424	
Repairs and maintenance		806	
Contracted services		17,855	
Other		14,949	
Total operating expenditures	2,685,500	2,550,825	134,675
Operating loss	(2,358,000)	(2,319,052)	38,948
Nonoperating revenues:			
Federal reimbursements	1,500,000	1,375,127	(124,873)
Federal commodities	210,000	171,363	(38,637)
State reimbursements	-	42,674	42,674
Interest earned	2,000	869	(1,131)
Contributions and donations	-	5,625	5,625
Total nonoperating revenues	1,712,000	1,595,658	(116,342)
Deficiency of revenues over expenditures	(646,000)	(723,394)	(77,394)
Other financing sources:			
Transfers from other funds	646,000	517,837	(128,163)
Net change in fund balance	$ -	(205,557)	$ (205,557)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(41,262)	
Capital contributions		33,690	
Net OPEB asset		1,226	
Net pension liability		166,258	
Net OPEB liability		(119,016)	
Deferred outflows - pension and OPEB		(49,619)	
Deferred inflows - pension and OPEB		154,073	
Decrease in compensated absences payable		18,102	
Decrease in inventory		(49,170)	
Change in net position (full accrual)		$ (91,275)	

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

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Child care fees	$ 631,000	$ 612,506	$ (18,494)
Other	-	1,069	1,069
Total operating revenues	631,000	613,575	(17,425)
Operating expenditures:			
Regular community services:			
Purchase of food		37,087	
Salaries and benefits		657,637	
Materials and supplies		2,825	
Other		1,009	
Total operating expenditures	761,000	698,558	62,442
Operating loss	(130,000)	(84,983)	45,017
Nonoperating revenues:			
Contracted service revenue	30,000	39,270	9,270
Deficiency of revenues over expenditures	(100,000)	(45,713)	54,287
Fund balance appropriated	100,000	-	(100,000)
Net change in fund balance	$ -	(45,713)	$ (45,713)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(2,241)	
Net OPEB asset		466	
Net pension liability		56,308	
Net OPEB liability		(54,209)	
Deferred outflows - pension and OPEB		(12,633)	
Deferred inflows - pension and OPEB		55,438	
Increase in compensated absences payable		(2,353)	
Change in net position (full accrual)		$ (4,937)	

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT

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

To the Dare County Board of Education
Nags Head, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Dare County Board of Education, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprises the Dare County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated December 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Dare County Board of Education's internal control over financial reporting (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 Dare County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Anderson Smith & Wike PLLC

December 10, 2025
Rockingham, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

To the Dare County Board of Education
Nags Head, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

Auditor's Responsibilities for the Audit of Compliance

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

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

December 10, 2025
Rockingham, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

To the Dare County Board of Education
Nags Head, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Dare County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Dare 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 Dare 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 Dare 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 Dare 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 Dare 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 Dare 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 Dare County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

December 10, 2025
Rockingham, North Carolina

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major federal programs:

AL Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snack Program
10.559	Summer Food Service Program for Children
10.579	Child Nutrition Discretionary Funds

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

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

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program Name
State Public School Fund

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

Auditee qualified as low-risk auditee? *Yes*

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

Finding 24-01

Status: Corrected.

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
U.S. Department of Agriculture			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	$ 171,363
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	328,031
National School Lunch Program	10.555	PRC 035	991,401
After School Snack Program	10.555	PRC 035	22,378
Summer Food Service Program for Children	10.559	PRC 035	33,317
Child Nutrition Discretionary Funds	10.579	PRC 053	16,665
Cash assistance subtotal			1,391,792
Total Child Nutrition Cluster			1,563,155
Total U.S. Department of Agriculture			1,563,155
U.S. Department of Education			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050/115	817,063
Supporting Effective Instruction State Grant	84.367	PRC 103	171,455
Language Acquisition Grant	84.365	PRC 104/111	55,728
Student Support and Academic Enrichment Program	84.424	PRC 108	77,964
Rural and Low Income Schools	84.358	PRC 109	14,842
COVID-19 - Education Stabilization Fund:			
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	174,707
COVID-19 - ESSER III - Homeless II	84.425W	PRC 184	20,213
COVID-19 - ESSER III - Summer Career Accel. Programs	84.425U	PRC 188	65,102
COVID-19 - ESSER III - Career & Technical Ed. - Hospitality	84.425U	PRC 194	2,066
COVID-19 - ESSER III - School Psychologists Grant Program	84.425U	PRC 204	3,194
Total COVID-19 - Education Stabilization Fund	84.425		265,282
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,079,800
Special Needs Targeted Assistance	84.027	PRC 118	14,702
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	17,722
Preschool Targeted Assistance	84.173	PRC 119	12,417
Total Special Education Cluster			1,124,641

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Career and Technical Education - Basic Grants to States			
Program Development	84.048	PRC 017	62,193
Total U.S. Department of Education			2,589,168
U.S. Department of Homeland Security			
Passed-through the N.C. Department of Public Safety:			
FEMA Disaster Grants - Public Assistance	97.036		104,010
Total Federal Assistance			**4,256,333**
State Grants:			
N.C. Department of Public Instruction:			
Cash Assistance:			
State Public School Fund		Various	37,744,536
Career and Technical Education:			
State Months of Employment		PRC 013	2,169,436
Program Support Funds		PRC 014	127,335
Driver Training		PRC 012	88,606
School Technology Fund		PRC 015	58,797
CEP Meal Program Incentive - Breakfast			11,064
CEP Meal Program Incentive - Lunch			25,026
Cash assistance subtotal			40,224,800
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	62,036
Total N.C. Department of Public Instruction			40,286,836
N.C. Department of Agriculture:			
State Reduced Breakfast Program			1,820
State Reduced Lunch Program			4,764
Total N.C. Department of Agriculture			6,584
N.C. Department of Health and Human Services:			
Division of Child Development			
N.C. Pre-Kindergarten Program			677,625
Total State Assistance			**40,971,045**
Total Federal and State Assistance			**$ 45,227,378**

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

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