ASHEVILLE CITY BOARD OF EDUCATION

REGULAR BOARD MEETING

Administrative Offices - Board Room

85 Mountain Street, Asheville, North Carolina

Monday, November 16, 2026, 5:00 PM

Board of Education Members:
Sarah Thornburg, Board Chair
Rebecca Strimer, Vice-Chair
Pepi Acebo, Member
Liza Kelly, Member
Amy Ray, Member
George Sieburg, Member
Jesse Warren, Member

Superintendent: Dr. Maggie Fehrman

The Vision of Asheville City Schools is to Empower and Engage every child to Learn, Discover, Thrive.

ASHEVILLE CITY BOARD OF EDUCATION REGULAR MEETING AGENDA

The meeting will be available for viewing via the
Asheville City Schools YouTube page.
Information about Public Comments can be found below.

Page

1. REGULAR MEETING

1.1 CALL TO ORDER - Board Chair, Sarah Thornburg
Equity Statement:*In Asheville City Schools we are committed to equity and anti-racist policies for all students and staff to learn and thrive. We recognize that our positions come with power, responsibility, and public service for the entire ACS community. We will model our commitment to equity through our practices and decisions. During this meeting, we invite a pause if harm has taken place, a moment to name the harm, and space to practice repair.*

1.2 QUORUM DETERMINATION - Board Chair, Sarah Thornburg

1.3 PLEDGE OF ALLEGIANCE - Board Chair, Sarah Thornburg

1.4 APPROVAL OF AGENDA - Board Chair, Sarah Thornburg
Motion to approve the agenda.

2. GOOD NEWS - Marilee Woodard, Director of Communications

3. CONTRACT - Blair Johnston, Principal, Asheville Middle School 4
AMS Trip-Young Transportation contract 2026.pdf

4. PUBLIC COMMENTS - Board Chair, Sarah Thornburg

Public Comment Guidelines

In-Person and Virtual Public Comment Guidelines can be found by clicking the link above.

The Board of Education greatly appreciates your interest in the Asheville City Schools (ACS) and we welcome your comments to the Board. Please be mindful of the following guidelines (per policy 2310):

Personnel and student matters are confidential and are therefore not appropriate for public comment. If you have a concern about an employee or a student matter, please contact or see the superintendent after the meeting.

4.1 In-Person Public Comment

5. CONSENT ITEMS - Board Chair, Sarah Thornburg

5.1 Draft Minutes
WORK SESSION - Oct 05 2026 - Minutes

Closed Session Minutes - October 5, 2026

REGULAR MEETING - Oct 12 2026 - Minutes

5.2 Asheville City Schools FY26 Audit Presentation - Heidi Kerns, Chief Finance Officer, and Anderson Smith & Wike PLLC, Certified Public Accountants 9
25-26 ACS Audit Draft.pdf

Letter to board - CN Cash - DRAFT.pdf

5.3 Student Releases to Buncombe County Schools - Tanya Presha, Special Assistant to the Superintendent

5.4 Contract and MOUs - Dr. Kim Dechant, Chief of Staff
T.P. Howard's Plumbing Co

5.5 Personnel Report - November

5.6 Employee matter: Retention of Adam Mitchell, Esq., to serve as panel legal counsel for a confidential employee matter.

5.7 Low Performing School - Hall Fletcher - Shawn Benfield, Principal
Hall Fletcher Elementary Data Presentation

5.8 Contract - Blair Johnston, Principal, Asheville Middle School
AMS Trip-Young Transportation contract 2026.pdf

Motion to approve the Consent Items as presented.

6. ACTION ITEMS - Board Chair, Sarah Thornburg

6.1 Employee matter - Appointment of Ms. Ray, Mr. Warren, and Mr. Sieburg to serve as a hearing panel for a confidential employee matter.
Motion on action item

7. SUPERINTENDENT'S REPORT - Dr. Maggie Fehrman

8. BOARD CHAIR COMMENTS

9. ANNOUNCEMENTS/FUTURE MEETINGS -
Board Chair, Sarah Thornburg
Holiday - Thanksgiving

Wednesday, November 25, 2026: No school for students and annual leave for staff

Thursday, November, 26 and Friday, 27, 2026: No School for Students or Staff

Work Session Meeting and Swearing-In Ceremony for newly elected Board Members

Monday, December 7, 2026

Administrative Offices - Board Room

Regular Meeting

Monday, December 14, 2026

Administrative Offices - Board Room

2026-2027 ACS Board of Education Meeting Schedule

10. ADJOURNMENT - Board Chair, Sarah Thornburg

Motion to adjourn the meeting.

Subscribe to receive notifications about upcoming meetings

ASHEVILLE CITY SCHOOLS

Learn. Discover. Thrive.

Contract Cover Sheet

Board of Education

Sarah Thornburg, *Chair*
Rebecca Strimer, *Vice Chair*
Amy Ray
Jesse Warren
George Sieburg
Liza Kelly
Pepi Acebo

Office of the Superintendent

Dr. Maggie Fehrman, *Superintendent*

Kimberly Jones, *Executive Assistant to the Superintendent*

Company/Vendor: Young Transportation
For new vendors, is the vendor debarred? If not, you may proceed.
Unsure? Please contact the Purchasing Specialist.

Contract amount: ~110,000
($90,000 or more requires Board approval)

Please choose one:

____X_____ New Contract _____ Renewal Contract

If a Renewal Contract, is it a change in amount from the previous contract?

_____ No

_____ Yes, prior contract total $_____

Reason for price change: _____

ACS Strategic Plan Focus (select from the following):

_____ 1 - Climate and Culture

____X_____ 2 - Student Outcomes

_____ 3 - Staff Recruitment, Retention, and Development

_____ 4 - Operations and Finance

Legal has reviewed this contract. _____ Yes _____ No

Funding source: _Student Payment & Fundraising_____

Type of contract: _Chartered Transportation Services_____
(*Ex, Independent contractor services, online services, software, licenses, catering, field trip obligations, other*)

Location(s) served: _Asheville Middle School_____

Brief summary of services requested *(100 words or less)*:

Contract requested for Young Transportation to provide transportation and planning services for the 8th Grade Washington, DC Capstone Field Trip.

CONTRACT

Asheville Middle School 8th Grade
Washington, DC
TBN# 8876
April 13-16, 2027

April 13:

6:00 AM	Coaches arrive at the school for loading
6:30 AM	Depart for DC making rest stops and a **fast-food lunch** stop en route *($10.00 cash per person)*
3:30 PM	Visit the **Udvar Hazy Air & Space Museum**
5:30 PM	Depart for dinner
6:00 PM	**Dinner and games at Uptown Alley:** *(Pizza, Salad, dessert and drinks along with 1½ hours of bowling w/shoes, 1 game of laser Tag, and arcade card- All dietary need accommodated)*
8:30 PM	Depart for the hotel
9:00 PM	Check in to the **Wyndham Garden Manassas**
10:00 PM	**Private Security** guard arrives for duty

April 14:

AM	**Hot breakfast** at the hotel in chaperoned shifts
8:00 AM	Depart the hotel for DC
9:00 AM	**White House Photo Opp**
10:00 AM	**Visit the National Zoo with $20.00 cash for lunch**
1:30 PM	Board the buses and depart for Arlington
2:30 PM	**Visit Arlington Cemetery** including the changing of the guard at the Tomb of the Unknowns
4:30 PM	Depart for Dinner
4:45 PM	**Dinner at Pentagon City Mall Food Court** with $15.00 cash per person
5:45 PM	Walk over to the **Pentagon 9/11 Memorial** for the guided cell phone tour
7:15 PM	**Tidal Basin Walk** from MLK, Jr. to FDR to the Jefferson Memorial
9:00 PM	Depart for the hotel and **Private Security guard** arrives for duty at 10 PM

April 15:

AM	**Hot breakfast** at the hotel in chaperoned shifts
8:00 AM	Depart for DC
9:00 AM	**Explore Capitol Hill** where you can explore the Visitor's Center, walk through the tunnel to the Library of Congress and take time for a photo opp. on the Capitol steps. Afterwards the group can walk to the National Archives
11:00 AM	**Visit the Smithsonian Museums** with **$20.00 cash p/p for lunch** in or near the museums
Afternoon	**Timed entry for the NMAAHC** in chaperoned groups *(pending confirmation)*
5:00 PM	Walk over to **Reagan Center for dinner in the food court** with $15.00 cash per person
6:30 PM	**Guided tour of DC** to see the monuments and memorials
9:00 PM	Depart for the hotel and **Private Security** guard arrives for duty at 10 PM

April 16:

AM	**Hot breakfast** at the hotel in chaperoned shifts
8:30 AM	Load luggage, teachers check rooms and group checks out of the hotel
9:00 AM	Depart for home making rest stops and a **fast-food lunch stop** with $10.00 cash en route
6:00 PM	Estimated arrival time back to the school

Price Per Person Includes:

- Round-trip transportation aboard luxury coaches
- Three nights' accommodation and room taxes at the Wyndham Garden Hotel
- Private security guard at the hotel each night
- All touring and admissions as detailed
- Three breakfasts, four lunches and three dinners
- One complimentary teacher per 10 paying students (double occupancy)

Price Per Person: **(Driver Gratuities NOT included)**

4(56) pass:	Quad	Triple	Double	
180-189 paying:	$591.00	$634.00	$722.00	18 comps in 9 rooms
190-199 paying:	$579.00	$622.00	$709.00	19 comps in 10 rooms
5(56) pass:	**Quad**	**Triple**	**Double**	
200-209 paying:	$616.00	$660.00	$747.00	20 comps in 10 rooms
210-219 paying:	$604.00	$648.00	$735.00	21 comps in 11 rooms
220-229 paying:	$590.00	$634.00	$721.00	22 comps in 11 rooms
230-239 paying:	$579.00	$623.00	$710.00	23 comps in 12 rooms

Quad = 4 persons to a room with 2 beds
Triple = 3 persons to a room with 2 beds
Double = 2 persons to a room with 2 beds

Payment Schedule:

- A deposit of $150.00 per person is due on or before November 20, 2026
- A deposit of $150.00 per person is due on or before January 8, 2027
- A deposit of $150.00 per person **along with the final room list and all food allergy forms** are due on or before February 5, 2027
- The final payment is due on or before March 5, 2027

Cancellation Policies:

- Should a group or individual cancel after November 20, 2026, $75.00 p/p would be forfeited.
- Should a group or individual cancel after January 8, 2027, $150.00 p/person would be forfeited.
- Should a group or individual cancel after February 5, 2027, the amount of the cancellation fee would be determined by deposits Young Transportation has made to suppliers (hotels, attractions, restaurants, etc.) that are non-refundable, administrative fees and other factors that would cause an increase in price to the remaining tour participants. **This amount could range from $200.00 p/person to the full amount of the tour.** Any deposits exceeding the cancellation fee would be refunded to the contracting party to be dispensed to the individual.
- After the rooming list has been received the refunds to a group or individual will be **very minimal, if any**. **No refunds** will be given to individuals that are canceled from the tour by the school after the rooming list has been received for attendance or behavioral issues OR for individuals that are sent home for disciplinary action during the tour.

Signature:

I have read the above contract, attachment A (Contract Terms) and attachment B (Motorcoach Policies), and agree to all terms, prices, policies and conditions listed herein concerning the services provided by Young Transportation and Tours.

Susan S. Anderson 10/20/26

Young Transportation Director of Tour & Travel — Date of Signature

Signature of Contracting Party Representative — Date of Signature

Additional Signatures also required on Attachment A

Attachment A – CONTRACT TERMS

Availability, Contract and Reservation Guarantee:

The coaches, rooms, attraction reservations, etc., are based on availability at the time of formal booking which requires a signed contract. **Young Transportation & Tours** will hold your reservations for a period of **14 days from the issue date**. The contract is **not guaranteed** until the signed contract is returned. The payment schedule MUST be kept ensuring the reservations as contracted. **Young Transportation & Tours** will NOT make vendor deposits without receipt of funds from the contracting party and will not be responsible for reservations that cannot be secured due to lack of deposits.

Tour Itinerary and Schedules:

Signature required:

- **Young Transportation** has planned your tour to the best of our ability to have ample travel and tour times to cover the itinerary. In some instances, scheduled times may have to be changed because of road closings, security, traffic, changes in attraction operating hours and other situations that are beyond our control. If it is necessary or advisable to alter the itinerary or arrangements, such alterations will be made without penalties to the tour company.
- By signing and returning the contract, you are accepting the itinerary as stated in the contract. Any changes to the itinerary after the signed contract has been received could result in additional charges or administrative fees being charged to the charter party. Charges will be determined based on the extent of the changes and any charges incurred by **Young Transportation & Tours** from our suppliers.

Incidental Room Charges:

In most cases, **Young Transportation & Tours** arranges for pay services such as long-distance phone calls, safe deposit boxes, pay movies, etc., to be disconnected in the individuals' rooms; however, in some instances hotels cannot provide this service. In these cases, the individuals in the room are responsible for the charges and it is the responsibility of the contracting party to see that they are paid in full to the hotel before departure. Room-to-room phone service cannot be cut off as it is against hotel fire codes and is a safety hazard should there be an emergency.

Rooming List Due Date and Changes:

Signature required:

- The rooming list due date is listed on your contract. Rooming lists are due 45to 60 days prior to the date of departure. It is imperative that we have the rooming list on the due date or room reservations can be lost or the charter party can be charged for unused rooms not released by this date.
- The rooming list is used as a guarantee of final counts for attractions, hotel payments, meal arrangements, etc. **ANY ADDITIONS OF PERSONS, CANCELLATION OF PERSONS OR CHANGES IN THE ROOMING LIST WILL RESULT IN A $10.00 CHARGE PER OCCURRENCE. THIS CHARGE IS NECESSARY TO COVER THE TIME INVOLVED TO RE-CONFIRM OR CHANGE EACH RESERVATION FORTHE TOUR WHEN A CHANGE IS MADE.**

Food Allergies & Lifestyle Choices:

Signature required:

- **Young Transportation & Tours** makes every effort to accommodate all food related issues, at times there are certain scenarios where we cannot provide appropriate accommodations due to the limitations of our food vendors, tour location, etc. We will make the group leader aware so the individual can make alternate arrangements should this occur. **Young Transportation & Tours** cannot be held liable for allergic reactions that can still occur while a traveler is on tour.
- In order to properly address these issues, we **MUST** have all food allergies and preferences received by the due date noted on the contract. We **will not guarantee** any special food accommodations received after the original due date as we have **MANY** groups traveling during the Spring season, and we need adequate time to handle each school's needs properly.
- Food preferences or food lifestyle choices are defined as: Vegetarian, Vegan, Kosher, Pescatarian, etc. – this does not mean preferences such as "prefers no tomato" or "prefers salads" or prefers no cheese."
- Food allergies need to be **detailed carefully on the sheet provided.** For example, if a person is allergic to seafood, is it just ingestion of the food that causes the reaction or can have contact with a surface that the food has touched cause a reaction. There are varying degrees of food allergies, and we need to be able to properly prepare to keep our travelers safe.
- **FOOD ALLERGIES AND LIFESTYLE CHOICES MUSE BE RECEIVED WITH THE ROOMING LIST OR THERE WILL BE A $25.00 CHARGE PER PERSON TO ACCOMMODATE AFTER THIS DATE. NO CHANGES CAN BE MADE WITHIN TWO WEEKS OF THE TOUR DATE.**

Young Transportation:

Young Transportation operates under federal and state DOT regulations; USDOT # 151249, ICC License # MC 128306. In compliance with these regulations, the motorcoach operator cannot drive more than ten (10) hours or be on duty for more than fifteen (15) hours following eight (8) consecutive hours off duty. You must allow for securing of the coach, vehicle inspection, proper logging, etc., before the required 8 hours off duty can begin **Young Transportation & Tours** acts only as an agent for tour participants in arranging touring, meals, accommodations, etc. **Young Transportation** and their representatives are not liable for the faults or defaults of any or all companies and individuals that are utilized in carrying out the tour services. **Young Transportation** is not responsible for the loss or damage to personal property, injuries, expenses, or damages incurred by the tour participant while they are not on the coach, as well as strikes, riots, political unrest, terrorist activities & acts of God and war.

Attachment B – MOTORCOACH POLICIES

Please review these policies with all passengers prior to departure so that everyone is aware of the guidelines that must be followed.

- **Student Behavior and Discipline -** It is the intent of **Young Transportation & Tours** for behavior issues to be addressed by the teachers and chaperones. Please space chaperones throughout the coach and not just in the front seats. If the motorcoach operator sees a problem that is not addressed, they will work with the chaperones to correct it. If a chaperone is not present **Young Transportation & Tours** and our staff reserve the right to address any issues that concern a student's safety. **The motorcoach operator has the ultimate say in all matters of safety while on the motorcoach**.
- **Boarding of the motorcoach** – Students will not be allowed to board the coach until a chaperone is present. At no time are students allowed to be on the coach with the motorcoach operator without a chaperone present. Please make sure that at rest area stops, etc., that you have a chaperone that is responsible for returning to the coach BEFORE the students arrive back to the coach and they can be counted as they board.
- **Tobacco Use -** Federal law prohibits smoking on motorcoaches. **Young Transportation & Tours** does not allow tobacco use, including vaping or smokeless tobacco products on the motorcoaches.
- **Food & Beverages -** Groups are allowed to have snacks aboard the coach provided all trash is placed in the trash containers. **NO GLASS CONTAINERS ALLOWED. Plastic re-sealable bottles are preferred.** In the event trash is continually left in the seats or on the floor, the motorcoach operator reserves the right to revoke this privilege. **Young Transportation & Tours** strives to provide our customers with clean equipment, and we ask for your help in keeping the coach clean during the tour.
- **Insurance/ Personal Property / Injury -** All passengers are insured by **Young Transportation & Tours** while on the motorcoach only. **Young Transportation & Tours** is not responsible for lost, stolen or personal belongings of the passengers. **Young Transportation & Tours** is not responsible for personal property damage or personal injury to passengers when they are not on board the coach.
- **Coach Damages -** The charter party will be issued a statement for any damages to the vehicle or excess cleaning caused by negligence of the charter party. The charter party and individuals involved will be responsible for any damages.
- **Medical Emergencies -** Should a medical emergency occur the motorcoach operator and/or tour director will assist in securing assistance for the emergency. The coach cannot be used for transportation to and from a medical facility. Any expenses incurred in the event of a medical emergency will be the sole responsibility of the individual seeking treatment and the charter party. We suggest that a group have emergency funds set aside to handle expenses in the event of an emergency.
- **Wet Clothing -** In the event your itinerary includes water-related activities, each person in the charter party needs to be prepared with a complete change of clothing as well as a plastic bag to place the wet articles in.
- **Motorcoach Operations, Rest Stops, and Parking Locations -** All decisions pertaining to the operation of the motorcoach will be made by the motorcoach operator based on legal requirements and company policy. Fuel stops will be determined by the operator based on need and company policy. In the event of an emergency, the operator will determine where the coach can be safely stopped and the proper procedure for the safety of the passengers. The operator will work with the group leader to plan sufficient rest stops at safe and accessible areas. The operator will park the coach as close to the designated area as defined by the itinerary, while complying with supplier regulations for parking as well as company policy and safety. In some cases, due to federal regulation all passengers will have to disembark for fueling, or while the operator is away from the coach. The motorcoach operator will instruct the passengers concerning this matter.
- **Motorcoach Operator Gratuities -** Gratuities are appreciated for professional service but are not included in the package pricing. This is at the discretion of the charter party and based on the level of service you receive. If you would like to be invoiced for gratuities as part of your tour package we can certainly do so.
- **Young Transportation & Tours** reserves the right to refuse transportation to any person who conducts themselves in such a manner that disturbs the motorcoach operator or other passengers, has persisting disciplinary problems, causes destruction of property, or presents a safety hazard while on board or around the coach. If a person is barred from the coach, it is the sole responsibility of the individual and their responsible party to arrange for passage home. **Young Transportation & Tours** will in no way be responsible financially, or for the liability of this individual. **Young Transportation & Tours** reserves the right to substitute like motorcoaches from approved carriers, accommodations, attractions, etc., if necessary.

ASHEVILLE CITY SCHOOLS
Asheville, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2026

ASHEVILLE CITY SCHOOLS
TABLE OF CONTENTS

Exhibit		Page No.
	Independent Auditors' Report	1
	Management's Discussion and Analysis	4
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	16
2	Statement of Activities	17
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	18
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	20
6	Statement of Net Position - Proprietary Fund Types	21
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund Types	22
8	Statement of Cash Flows - Proprietary Fund Types	23
9	Statement of Fiduciary Net Position – Custodial Funds	25
10	Statement of Changes in Fiduciary Net Position – Custodial Funds	26
	Notes to the Financial Statements	27
	Required Supplementary Information:	
	Schedule of the Board's Proportionate Share of the Net Pension Liability – Teachers' and State Employees' Retirement System	55
	Schedule of Board Contributions – Teachers' and State Employees' Retirement System	56
	Schedule of the Board's Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund	57
	Schedule of Board Contributions – Retiree Health Benefit Fund	58
	Schedule of the Board's Proportionate Share of the Net OPEB Liability – Disability Income Plan of North Carolina	59
	Schedule of Board Contributions – Disability Income Plan of North Carolina	60
	Budgetary Comparison Schedules	61
	Notes to Budgetary Comparison Schedules	65
	Combining Fund Financial Statements and Individual Fund Schedules:	
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Outlay Fund	66
	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund	67

Combining Statement of Fiduciary Net Position – Custodial Funds 69
Combining Statement of Changes in Fiduciary Net Position – Custodial Funds 70
Schedule of Revenues and Expenditures - Individual Schools Fund 71

Compliance Section:

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* 72

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 74

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 77

Schedule of findings and questioned costs 80
Corrective action plan 83
Summary schedule of prior audit findings 84
Schedule of expenditures of federal and State awards 85

A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Asheville City Board of Education
Asheville, North Carolina

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Asheville City Board of Education as of June 30, 2026, and the respective changes in financial position, and cash flows, where applicable for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental 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 Asheville City Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Asheville City 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 Asheville City 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 15 and the Schedule of the Proportionate Share of the Net Pension Liability, OPEB Liability and the Schedule of Board Contributions, Budgetary Comparison Schedules and related notes on pages 55 through 65, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2026 on our consideration of Asheville City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Asheville City 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 Asheville City Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

November 2, 2026
Elon, North Carolina
(336) 380-4123

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

If you have questions about this report or require further information, contact the finance department at 85 Mountain St, Asheville, NC 28801.

Overview of the Financial Statements

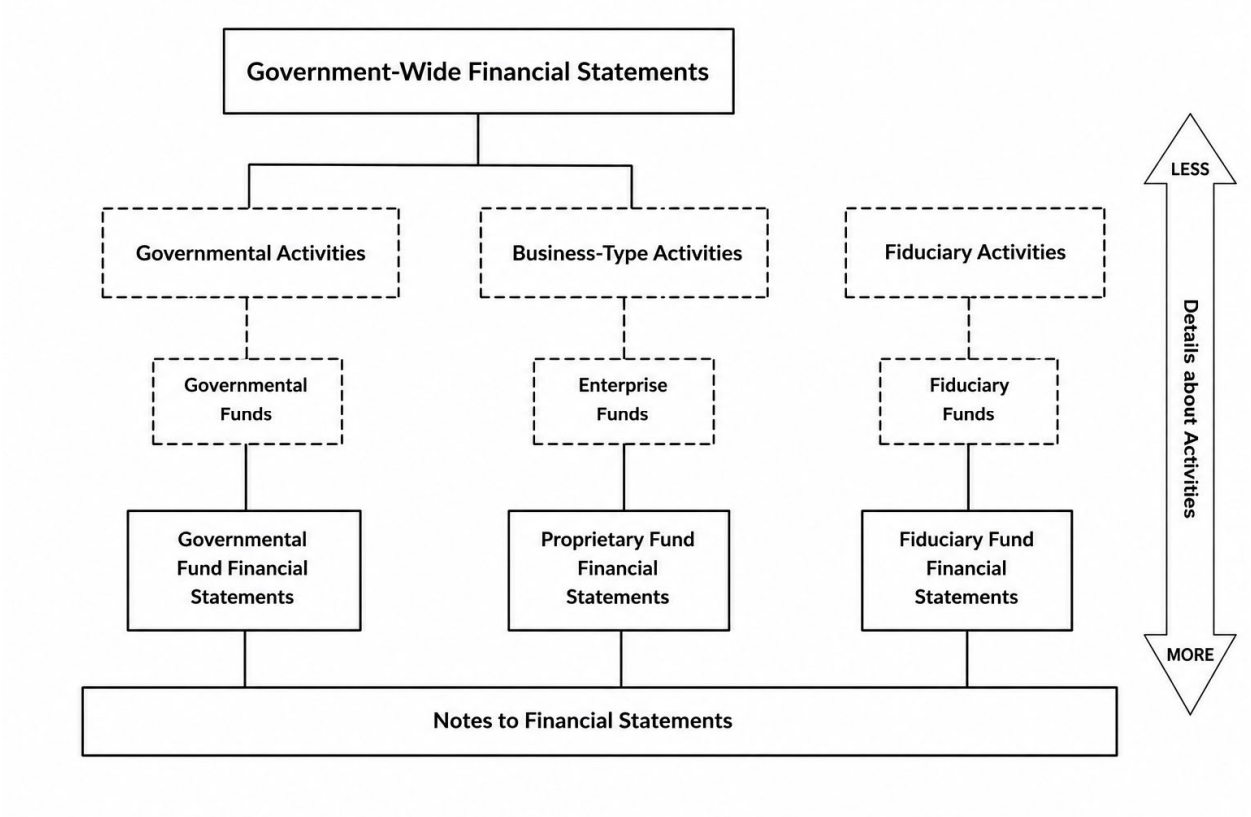
The Board's financial report contains basic financial statements. Those financial statements present the Board's finances at both an overall and a detailed level. The first two – the government-wide financial statements – cover the Board's governmental activities and business-type activities (together,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

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

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

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

Contents of the Board's basic financial statements:



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

Types of Information in the Financial Statements

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

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

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

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

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

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

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

Analysis of the Board's Finances

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

Table 1
Condensed Statement of Net Position
As of June 30, 2026 and 2025

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/26	6/30/25	6/30/26	6/30/25	6/30/26	6/30/25
Current and other assets	$ 26,852,538	$ 26,287,159	$ 89,597	$ 89,561	$ 26,942,135	$ 26,376,720
Capital assets	98,199,425	95,556,727	213,459	280,920	98,412,884	95,837,647
Total assets	125,051,963	121,843,886	303,056	370,481	125,355,019	122,214,367
Deferred outflows of resources	24,044,352	34,228,568	317,459	442,963	24,361,811	34,671,531
Long-term liabilities	75,480,425	107,910,270	997,555	1,459,371	76,477,980	109,369,641
Other liabilities	3,255,106	2,215,733	88,212	100,358	3,343,318	2,316,091
Total liabilities	78,735,531	110,126,003	1,085,767	1,559,729	79,821,298	111,685,732
Deferred inflows of resources	26,530,672	13,212,606	350,286	170,987	26,880,958	13,383,593
Net investment in capital assets	98,199,425	95,556,727	213,459	280,920	98,412,884	95,837,647
Restricted net position	8,193,793	8,027,810	1,587	820	8,195,380	8,028,630
Unrestricted net position (deficit)	(62,563,106)	(70,850,692)	(1,030,584)	(1,199,012)	(63,593,690)	(72,049,704)
Total net position	$ 43,830,112	$ 32,733,845	$ (815,538)	$ (917,272)	$ 43,014,574	$ 31,816,573

Table 1 shows that as of June 30, 2026, the Board's total net position – assets and deferred outflows minus liabilities and deferred inflows – was $43.0 million, an increase of $11.2 million compared with 2025. This increase is primarily due to an $8.5 million or 11.7% decrease in unrestricted net position deficit. Most of the increase in net position was the result of the financial performance of the governmental activities. The following sections of MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental Activities

The net position of governmental activities increased by approximately $11.1 million during the year, indicating an improvement in the financial condition of the Board. Various events contributed to this increase in net position, however the primary factors affecting the change in net position are as follows:

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

- Capital contributions received from the Buncombe School Capital Fund Commission

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

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

Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2026 and 2025

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/26	6/30/25	6/30/26	6/30/25	6/30/26	6/30/25
Revenues:						
Program revenues:						
Charges for services	$ 1,966,758	$ 1,979,933	$ 119,116	$ 421,104	$ 2,085,874	$ 2,401,037
Operating grants and contributions	34,330,881	35,445,221	1,660,042	1,194,654	35,990,923	36,639,875
Capital grants and contributions	5,450,212	18,226,616	-	-	5,450,212	18,226,616
General revenues:						
Unrestricted county appropriations - operating	16,941,377	17,245,850	-	-	16,941,377	17,245,850
Unrestricted county appropriations - capital	3,457,070	3,360,992	-	-	3,457,070	3,360,992
Supplemental city school tax	12,471,945	11,992,922	-		12,471,945	11,992,922
Local option sales tax	4,446,248	4,381,598	-	-	4,446,248	4,381,598
Investment earnings, unrestricted	632,108	664,033	-	-	632,108	664,033
Miscellaneous, unrestricted	2,306,712	1,950,363	355	(7,205)	2,307,067	1,943,158
Total revenues	82,003,311	95,247,528	1,779,513	1,608,553	83,782,824	96,856,081
Expenses:						
Governmental activities:						
Instructional services	49,872,297	56,223,023	-	-	49,872,297	56,223,023
System-wide support services	17,160,385	17,132,123	-	-	17,160,385	17,132,123
Ancillary services	304,810	710,343	-	-	304,810	710,343
Non-programmed charges	2,754,189	2,773,183	-	-	2,754,189	2,773,183
Unallocated depreciation	195,363	188,415	-	-	195,363	188,415
Business-type activities:						
Child Nutrition	-	-	2,297,779	1,905,451	2,297,779	1,905,451
Total expenses	70,287,044	77,027,087	2,297,779	1,905,451	72,584,823	78,932,538
Excess (deficiency) before transfers	11,716,267	18,220,441	(518,266)	(296,898)	11,198,001	17,923,543
Transfers in (out)	(620,000)	(152,116)	620,000	152,116	-	-
Change in net position	11,096,267	18,068,325	101,734	(144,782)	11,198,001	17,923,543
Beginning net position (deficit)	32,733,845	14,665,520	(917,272)	(772,490)	31,816,573	13,893,030
Ending net position (deficit)	$ 43,830,112	$ 32,733,845	$ (815,538)	$ (917,272)	$ 43,014,574	$ 31,816,573

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

The Board recognized decreases in its proportionate shares of the net pension liability associated with the Teachers' and State Employees' Retirement System and the net other postemployment benefits liability associated with the Retiree Health Benefit Fund. These liabilities are determined through actuarial valuations performed at the statewide plan level and are allocated to participating employers based on their proportionate shares of plan contributions. Changes in actuarial assumptions, investment experience, healthcare cost projections, demographic experience, and the funded status of the plans resulted in lower liabilities being allocated to the Board for fiscal year 2026. After considering the related amortization of deferred outflows and deferred inflows of resources, the reductions in these long-term liabilities increased the Board's unrestricted net position. These changes were primarily attributable to statewide plan measurements and actuarial factors rather than changes in the Board's current-year operations.

Decreases in compensated absence liabilities

The Board's governmental activities liability for compensated absences decreased $1.4 million during fiscal year 2026 primarily due to changes in employee leave balances, leave usage patterns, and the rates used to measure the liability.

Capital contributions received from the Buncombe School Capital Fund Commission

The Board received $5,214,565 in capital contributions from the Buncombe School Capital Fund Commission related to improvements to existing buildings. During the year, projects were completed at Asheville High School, and Herring Elementary School. Projects are ongoing at Hall Fletcher Elementary, Asheville High School, and Asheville Middle School. Additionally, security upgrades are ongoing at all schools.

Financial Analysis of the Board's Governmental Funds

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

Table 3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund		State Public School Fund		Individual School Fund	
	6/30/2026	6/30/2025	6/30/2026	6/30/2025	6/30/2026	6/30/2025
Total Revenues	$29,580,438	$ 29,360,800	$30,401,106	$ 31,482,276	$ 1,299,730	$ 1,404,943
Total Expenditures	29,262,325	29,117,231	30,356,106	31,330,160	1,271,934	1,143,371
Excess (deficiency) of revenues over expenditures	318,113	243,569	45,000	152,116	27,796	261,572
Other financing sources (uses)	(575,000)	-	(45,000)	(152,116)	-	-
Net change in fund balances	(256,887)	243,569	-	-	27,796	261,572
Fund balances - beginning	12,937,774	12,694,205	-	-	1,125,986	864,414
Fund balances - ending	$12,680,887	$ 12,937,774	$ -	$ -	$ 1,153,782	$ 1,125,986

	Capital Outlay Fund		Federal Grants Fund		Other Special Revenue Fund	
	6/30/2026	6/30/2025	6/30/2026	6/30/2025	6/30/2026	6/30/2025
Total Revenues	$ 3,807,736	$ 4,160,737	$ 3,321,687	$ 3,486,830	$ 8,383,318	$ 7,585,623
Total Expenditures	3,653,596	2,410,335	3,321,687	3,486,830	8,839,234	7,545,032
Net change in fund balances	154,140	1,750,402	-	-	(455,916)	40,591
Fund balances - beginning	5,442,263	3,691,861	-	-	4,502,054	4,461,463
Fund balances - ending	$ 5,596,403	$ 5,442,263	$ -	$ -	$ 4,046,138	$ 4,502,054

The majority of the Board's governmental fund revenue comes from the State of North Carolina through the NC Department of Public Instruction (NCDPI) to the State Public School Fund. The level of funding the Board receives is heavily impacted by the Board's Average Daily Membership (ADM). Boards are funded in arrears based upon the prior year's best 1st or 2nd month of student enrollment. Asheville City Schools funding for year ended June 30, 2026 was based upon an ADM of 3,824, which is a decrease from 3,900 in the prior year. In addition to funding based upon ADM, the state set salary and benefit matching amounts contributed to the State funding received by the board. During the year ended June 30, 2026. The Board received $30.4 million in State Public School Fund revenue compared to $31.5 million in the prior year. $45,000 was transferred to support the School Food Service Fund during the year. State allotments are spent or reverted at the end of each fiscal year, so the Board is unable to maintain fund balance in the State Public School Fund.

The next largest source of funding for the Board is from Buncombe County in the General Fund and Capital Outlay Fund. In the current year, the County provided $16.9 million in revenue for the General Fund and $3.5 million for the Capital Outlay Fund. The General Fund also received supplemental school tax revenue of $12.5 million. NC General Statutes do not allow the Board to transfer these balances between funds without approval from the Board of Education and County Commissioners. Additionally, the funds can only be used for the purposes authorized for each fund. The General Fund experienced a decrease in fund balance primarily due to rising costs of labor and supplies. Of the total fund balance $12.6 million is unassigned. The Capital Outlay Fund experienced an increase in fund balance. See Note 2 for the ongoing capital outlay projects and capital outlay commitments.

Federal Grants Fund revenue is comprised of various grants from the federal government that are passed to the Board through NCDPI. All revenues in this fund are restricted for specific programs or purposes as determined by the federal government. The funds are provided to the district as expenditures are incurred. Therefore, the Board is unable to maintain fund balance in the Federal Grants Fund. During the year ended June 30, 2026, the Board received $3.3 million in Federal Grants Fund revenue compared to $3.5 million in the prior year. The decrease was primarily related to the expiration of ESSER funds related to COVID-19.

The Individual Schools Fund accounts for financial activity maintained at the District's individual schools. Revenues generally consist of student activity fees, fundraising proceeds, athletic receipts, donations, and other amounts generated or collected at the school level. Expenditures are made for student activities, instructional support, athletics, clubs, and other school-related purposes in accordance with applicable laws, Board policies, and restrictions imposed by donors or other external parties. The Individual Schools Fund reported fund balance of $1.2 million at June 30, 2026, a $28,000 increase for the year.

The Other Special Revenue Fund accounts for grants received by the District not accounted for in another fund. Additionally, the Other Special Revenue Fund receives local option sales tax funds. In the current year, $4.4 million in local option sales tax funds were received. The Other Special Revenue Fund reported a fund balance of $4.0 million at June 30, 2026, a $456,000 decrease for the year.

The Board's governmental funds reported a combined fund balance of $23.5 million, a $531,000 decrease from last year. The following chart summarizes expenditures by category.

Fund balances in governmental funds are restricted as follows for the years ended June 30, 2026 and June 30, 2025.

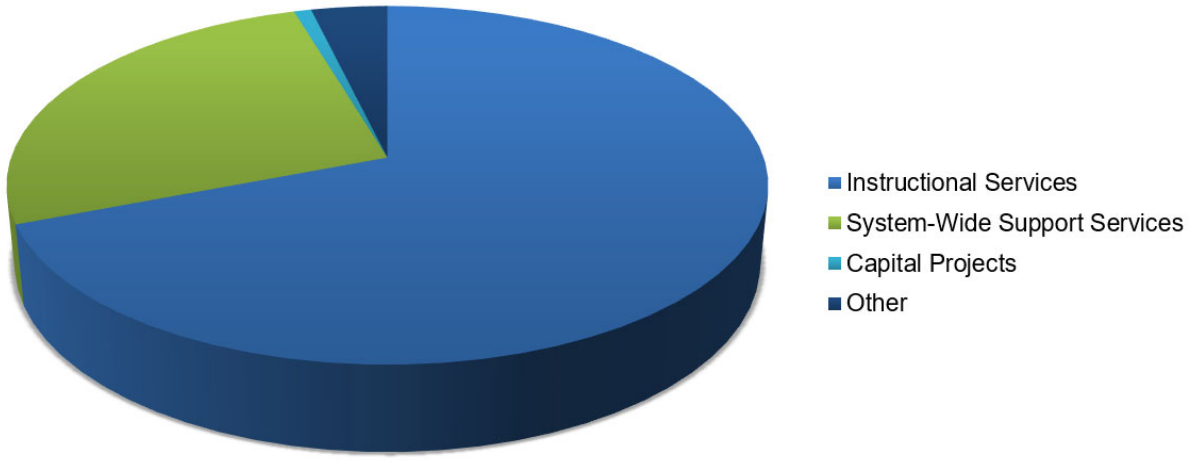
Table 4

Summary of Fund Balances - Governmental Funds
As of June 30, 2026 and 2025

	2026				
	General Fund	Individual Schools Fund	Capital Outlay Fund	Other Special Revenue Fund	Total
Fund balances:					
Restricted	$ 72,269	$ 1,153,782	$ 5,596,403	$ 1,251,117	$ 8,073,571
Assigned	2,000,000	-	-	2,795,021	4,795,021
Unassigned	10,608,618	-	-	-	10,608,618
Total	$ 12,680,887	$ 1,153,782	$ 5,596,403	$ 4,046,138	$ 23,477,210

	2025				
	General Fund	Individual Schools Fund	Capital Outlay Fund	Other Special Revenue Fund	Total
Fund balances:					
Restricted	$ 91,610	$ 1,125,986	$ 5,442,263	$ 1,304,602	$ 7,964,461
Assigned	2,000,000	-	-	3,197,452	5,197,452
Unassigned	10,846,164	-	-	-	10,846,164
Total	$ 12,937,774	$ 1,125,986	$ 5,442,263	$ 4,502,054	$ 24,008,077

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board reports one major fund in the proprietary fund financial statements, the School Food Service Fund. The School Food Service Fund reflected an increase of $102,000 in net position over the last year primarily due to the General Fund transferring $575,000 to the fund for operations, and the State Public School Fund paying operating expenses of $45,000. The below table details the revenues, expenses and changes in net position for year ended June 30, 2026 and June 30, 2025.

Table 5
Revenues and Expenses

	School Food Service Fund	
	6/30/2026	6/30/2025
Total Operating Revenues	$ 119,116	$ 421,104
Total Operating Expenses	2,297,779	1,905,451
Operating income (loss)	(2,178,663)	(1,484,347)
Noncapital Subsidies	2,211,496	1,266,576
Operating income (loss) and noncapital subsidies	32,833	(217,771)
Other Nonoperating Revenues (Expenses)	68,901	72,989
Change in net position	101,734	(144,782)
Net position - beginning	(917,272)	(772,490)
Net position - ending	$ (815,538)	$ (917,272)

The Board accounts for its child nutrition operations in the School Food Service Fund. The School Food Service Fund is funded primarily through federal meal reimbursements, USDA donated commodities, and food sales. Federal reimbursement is based primarily on the number of reimbursable meals and snacks served and the reimbursement rate. During the year the Board participated in the Community Eligibility Provision (CEP) program. Under this program, participating schools serve meals at no cost to all students and receive federal reimbursement for the meals served. For the fiscal year ended June 30, 2026, noncapital subsidies, which includes federal and State reimbursements, commodities, transfers, and indirect costs not paid totaled $2.2 million, compared to $1.3 million in the prior year.

Significant Capital Asset and Long-Term Financing Activity

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

- Building improvements and safety upgrades
- Transportation fleet upgrades
- Technology and equipment refresh

Governmental capital assets, net of depreciation, increased by approximately $2.6 million from the previous year. Significant additions for the year include various construction projects at Hall Fletcher and Herring Elementary Schools as well as HVAC work at Asheville High School.

Long-term financing activity during fiscal year ended June 30, 2026 included routine adjustments for the Board's long-term obligations. Management regularly evaluates and monitors other long-term financing arrangements, such as leases and subscription-based information technology arrangements, to align financing with replacement cycles and operational needs. The Board does not currently hold any installment purchase, lease or subscription-based information technology liabilities.

Currently Known Facts, Decisions, or Conditions

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

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

- State funding and compensation: The State of North Carolina adopts its budget on a biennial basis, with annual appropriations and adjustments established for each fiscal year within the two-year budget period. For fiscal year 2026–2027 the State budget provides approximately $12.5 billion in net General Fund appropriations to the Department of Public Instruction and includes an average salary increase of approximately 8% for teachers and instructional support personnel, with the actual percentage increase varying based on years of experience and placement on the State salary schedule. The revised schedule provides an annual base salary of $48,000 for beginning teachers and $59,000 for teachers with 25 or more years of experience. The budget also provides a 3% salary increase for State-funded noncertified personnel and certain central office administrators, as well as a $1,750 bonus for qualifying school nutrition and custodial personnel, and $500-$1,750 to most other permanent state paid employees. The LEA could determine whether to pay these to locally and federally funded staff. For fiscal year 2026–2027, the TSERS employer contribution rate for retirement, health insurance, and related benefits is 26.10% of covered salaries, up from 24.67% in the 2025-2026 fiscal year. Retirement comprises the majority of the contribution rate at 18.22%, up from 17.14% in the prior year. The annual State Health Plan contribution is $8,925 per covered employee for fiscal year 2026-2027, up from $8,500 in the prior year.

- Enrollment: Using the best 1 of 2 ADM rates for fiscal year ended June 30, 2026, which will be used to fund the Board for fiscal year ended June 30, 2027, Asheville City Schools has an ADM of 3,801, compared to 3,824 in the prior year.

- Economy: The North Carolina Department of Commerce assigns county economic distress rankings by county based upon the average unemployment rate, median household income, percentage growth of population and adjusted property tax base per capita. Each county is ranked from most distressed (1) to least distressed (100). In 2026, Buncombe County is ranked 53rd among the 100 counties, which is a decrease in rank of 33 from 2025, indicating a declining economic condition year over year, but less distressed than the average North Carolina county. The drop in ranking is likely attributable to the ongoing recovery efforts from Hurricane Helene that devastated the County in September 2024.

- County taxes and funding: The Buncombe County property tax rate for 2026-2027 has been set at $0.6154 per $100, which is an increase in rate from the $0.5466 tax rate for 2025-2026. The Asheville City Schools local rate is set at $0.1175 per $100 for 2026-2027, which is an increase in rate from the $0.1062 tax rate for 2025-2026. The increase was necessitated to retain level funding subsequent to state legislation passed after the original millage rates were set.

- Buncombe County is funding Asheville City Schools General Fund at $19.2 million for the fiscal year ended June 30, 2027, compared to $16.9 million for the fiscal year ended June 30, 2026. This increased funding was the result of a new cooperative local funding agreement between Buncombe County Commissioners, and the Buncombe and Asheville City Boards of Education.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ASHEVILLE CITY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2026

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 24,583,020	$ 31,197	$ 24,614,217
Due from other governments	2,076,731	56,813	2,133,544
Receivables	72,565	-	72,565
Net OPEB asset	120,222	1,587	121,809
Capital assets:			
Land and construction in progress	4,307,123	-	4,307,123
Other capital assets, net of depreciation	93,892,302	213,459	94,105,761
Total capital assets	98,199,425	213,459	98,412,884
Total assets	125,051,963	303,056	125,355,019
DEFERRED OUTFLOWS OF RESOURCES	24,044,352	317,459	24,361,811
LIABILITIES			
Accounts payable and accrued expenses	1,347,401	14,052	1,361,453
Unearned revenues	1,907,705	46,767	1,954,472
Long-term liabilities:			
Due within one year:			
Liability for compensated absences	1,796,916	27,393	1,824,309
Due in more than one year:			
Net pension liability	25,204,585	332,777	25,537,362
Net OPEB liability	40,908,376	540,115	41,448,491
Liability for compensated absences	7,570,548	124,663	7,695,211
Total liabilities	78,735,531	1,085,767	79,821,298
DEFERRED INFLOWS OF RESOURCES	26,530,672	350,286	26,880,958
NET POSITION			
Net investment in capital assets	98,199,425	213,459	98,412,884
Restricted for:			
Individual school activities	1,153,782	-	1,153,782
Stabilization by State statute	2,209,997	-	2,209,997
School Capital Outlay	4,709,792	-	4,709,792
DIPNC OPEB plan	120,222	1,587	121,809
Unrestricted	(62,563,106)	(1,030,584)	(63,593,690)
Total net position	$ 43,830,112	$ (815,538)	$ 43,014,574

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2026

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental Activities:							
Instructional services:							
Regular instructional	$ 27,269,561	$ 108,876	$ 16,962,895	$ 196,350	$ (10,001,440)	$ -	$ (10,001,440)
Special populations	7,504,897	-	7,161,721	-	(343,176)	-	(343,176)
Alternative programs	4,317,120	532,352	2,889,877	-	(894,891)	-	(894,891)
School leadership	3,505,530	-	1,459,796	-	(2,045,734)	-	(2,045,734)
Co-curricular services	1,701,657	1,299,730	-	122,820	(279,107)	-	(279,107)
School-based support	5,573,532	-	1,923,778	-	(3,649,754)	-	(3,649,754)
System-wide support services							
Support and development	453,968	-	50,493	-	(403,475)	-	(403,475)
Special population support and development	257,123	-	239,981	-	(17,142)	-	(17,142)
Alternative programs	761,689	-	70,149	-	(691,540)	-	(691,540)
Technology support	1,514,209	-	267,583	-	(1,246,626)	-	(1,246,626)
Operational support	9,507,763	-	2,599,715	5,131,042	(1,777,006)	-	(1,777,006)
Financial and human resource services	2,012,877	-	134,424	-	(1,878,453)	-	(1,878,453)
Accountability	117,590	-	-	-	(117,590)	-	(117,590)
System-wide pupil support	540,033	-	-	-	(540,033)	-	(540,033)
Policy, leadership and public relations	1,995,133	-	431,579	-	(1,563,554)	-	(1,563,554)
Ancillary services	304,810	25,800	138,890	-	(140,120)	-	(140,120)
Non-programmed charges	2,754,189	-	-	-	(2,754,189)	-	(2,754,189)
Unallocated depreciation expense**	195,363	-	-	-	(195,363)	-	(195,363)
Total governmental activities	70,287,044	1,966,758	34,330,881	5,450,212	(28,539,193)	-	(28,539,193)
Business-type activities:							
School food service	2,297,779	119,116	1,660,042	-	-	(518,621)	(518,621)
Total primary government	$ 72,584,823	$ 2,085,874	$ 35,990,923	$ 5,450,212	(28,539,193)	(518,621)	(29,057,814)
General revenues:							
Unrestricted county appropriations - operating					16,941,377	-	16,941,377
Unrestricted county appropriations - capital					3,457,070	-	3,457,070
Supplemental city school tax					12,471,945	-	12,471,945
Local option sales tax					4,446,248	-	4,446,248
Investment earnings, unrestricted					632,108	-	632,108
Miscellaneous, unrestricted					2,306,712	355	2,307,067
Transfers					(620,000)	620,000	-
Total general revenues and transfers					39,635,460	620,355	40,255,815
Change in net position					11,096,267	101,734	11,198,001
Net position (deficit) - beginning					32,733,845	(917,272)	31,816,573
Net position (deficit) - ending					$ 43,830,112	$ (815,538)	$ 43,014,574

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

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

FUND FINANCIAL STATEMENTS

ASHEVILLE CITY SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2026

Exhibit 3

	Major Funds						
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue	Federal Grants	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 13,902,253	$ -	$ 1,214,483	$ 4,743,732	$ 4,722,552	$ -	$ 24,583,020
Receivables	802	-	-	111	71,652	-	72,565
Due from other fund	-	-	-	-	60,701	-	60,701
Due from other governments	71,467	-	-	886,500	1,118,764	-	2,076,731
Total assets	$ 13,974,522	$ -	$ 1,214,483	$ 5,630,343	$ 5,973,669	$ -	$ 26,793,017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	$ 1,293,635	$ -	$ -	$ 33,940	$ 19,826	$ -	$ 1,347,401
Due to other fund	-	-	60,701	-	-	-	60,701
Unearned revenues	-	-	-	-	1,907,705	-	1,907,705
Total liabilities	1,293,635	-	60,701	33,940	1,927,531	-	3,315,807
Fund balances:							
Restricted:							
Stabilization by State statute	72,269	-	-	886,611	1,251,117	-	2,209,997
School capital outlay	-	-	-	4,709,792	-	-	4,709,792
Individual schools	-	-	1,153,782	-	-	-	1,153,782
Assigned:							
Special revenues	-	-	-	-	2,795,021	-	2,795,021
Subsequent year's expenditures	2,000,000	-	-	-	-	-	2,000,000
Unassigned	10,608,618	-	-	-	-	-	10,608,618
Total fund balances	12,680,887	-	1,153,782	5,596,403	4,046,138	-	23,477,210
Total liabilities, deferred inflows of resources and fund balances	$ 13,974,522	$ -	$ 1,214,483	$ 5,630,343	$ 5,973,669	$ -	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:							
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.							98,199,425
Net OPEB asset							120,222
Deferred outflows of resources related to pensions.							9,739,613
Deferred outflows of resources related to OPEB							14,304,739
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.							(9,367,464)
Net pension liability							(25,204,585)
Net OPEB liability							(40,908,376)
Deferred inflows of resources related to OPEB							(24,944,701)
Deferred inflows of resources related to pensions							(1,585,971)
Net position of governmental activities							$ 43,830,112

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

Exhibit 4

	Major Funds						
	General	State Public School	Individual Schools	Capital Outlay	Other Special Revenue	Federal Grants	Total Governmental Funds
REVENUES							
State of North Carolina	$ -	$ 30,364,395	$ -	$ 19,894	$ 224,089	$ -	$ 30,608,378
Buncombe County	16,941,377	-	-	3,457,070	612,635	-	21,011,082
U.S. Government	-	36,711	-	179,042	466,883	3,321,687	4,004,323
Supplemental city school tax	12,471,945	-	-	-	-	-	12,471,945
Local option sales tax	-	-	-	-	4,446,248	-	4,446,248
Other	167,116	-	1,299,730	151,730	2,633,463	-	4,252,039
Total revenues	29,580,438	30,401,106	1,299,730	3,807,736	8,383,318	3,321,687	76,794,015
EXPENDITURES							
Current:							
Instructional services:							
Regular instructional	6,718,307	16,834,674	-	48,039	3,592,519	166,729	27,360,268
Special populations	688,644	5,779,487	-	-	872,804	1,330,429	8,671,364
Alternative programs	1,263,194	825,068	-	-	1,510,386	1,315,497	4,914,145
School leadership	2,207,635	1,459,796	-	-	488,734	-	4,156,165
Co-curricular services	469,200	-	1,271,934	-	-	-	1,741,134
School-based support	2,242,731	1,890,244	-	1,605,350	404,473	32,277	6,175,075
System-wide support services:							
Support and development	429,833	50,493	-	-	56,721	-	537,047
Special population support and development	47,569	115,733	-	-	17,018	119,591	299,911
Alternative programs and services	565,551	-	-	-	255,875	67,520	888,946
Technology support	1,294,064	267,583	-	-	101,618	-	1,663,265
Operational support	6,260,350	2,562,559	-	1,346,380	931,952	35,763	11,137,004
Financial and human resource services	1,953,355	-	-	-	185,694	129,386	2,268,435
Accountability	126,649	-	-	-	13,735	-	140,384
System-wide pupil support	568,763	-	-	-	76,078	-	644,841
Policy, leadership and public relations	1,679,551	431,579	-	-	109,720	-	2,220,850
Ancillary services	68,926	138,890	-	-	145,721	-	353,537
Non-programmed charges:							
Payments to charter schools	2,678,003	-	-	-	-	-	2,678,003
Other	-	-	-	-	76,186	124,495	200,681
Capital outlay	-	-	-	653,827	-	-	653,827
Total expenditures	29,262,325	30,356,106	1,271,934	3,653,596	8,839,234	3,321,687	76,704,882
Revenues over (under) expenditures	318,113	45,000	27,796	154,140	(455,916)	-	89,133
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(575,000)	(45,000)	-	-	-	-	(620,000)
Net change in fund balances	(256,887)	-	27,796	154,140	(455,916)	-	(530,867)
Fund balances-beginning	12,937,774	-	1,125,986	5,442,263	4,502,054	-	24,008,077
Fund balances-ending	$ 12,680,887	$ -	$ 1,153,782	$ 5,596,403	$ 4,046,138	$ -	$ 23,477,210

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

ASHEVILLE CITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

Exhibit 5

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

Net changes in fund balances - total governmental funds	$ (530,867)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current period.	(2,566,598)
Capital assets contributed by other governments are not financial resources and, therefore, are not reported in the funds. However, they are reported as capital contributions in the Statement of Activities, resulting in an increase in net position.	5,214,565
Contributions to the OPEB plan in the current fiscal year are not included in the Statement of Activities.	2,915,066
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities.	6,751,924
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	547
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	(5,342,878)
Net OPEB expense	3,280,201
Compensated absences	1,379,576
Loss on disposal of assets	(5,269)
Total changes in net position of governmental activities	$ 11,096,267

ASHEVILLE CITY SCHOOLS
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2026

Exhibit 6

	Enterprise Funds Major Fund School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	$ 31,197
Due from other governments	56,813
Total current assets	88,010
Noncurrent assets:	
OPEB asset	1,587
Capital assets, net	213,459
Total assets	303,056
DEFERRED OUTFLOWS OF RESOURCES	317,459
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	14,052
Compensated absences	27,393
Unearned revenues	46,767
Total current liabilities	88,212
Noncurrent liabilities:	
Net pension liability	332,777
Net OPEB liability	540,115
Compensated absences	124,663
Total liabilities	1,085,767
DEFERRED INFLOWS OF RESOURCES	350,286
NET POSITION	
Net investment in capital assets	213,459
Restricted for DIPNC OPEB plan	1,587
Unrestricted	(1,030,584)
Total net position	$ (815,538)

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2026

Exhibit 7

	Enterprise Fund Major Fund School Food Service
OPERATING REVENUES	
Food sales	$ 119,116
OPERATING EXPENSES	
Food cost:	
Purchase of food	170,389
Salaries and benefits	774,717
Indirect costs	68,546
Materials and supplies	10,082
Contracted services	1,190,166
Depreciation	67,461
Other	16,418
Total operating expenses	2,297,779
Operating loss	(2,178,663)
NONCAPITAL SUBSIDIES	
Federal reimbursements	1,460,593
Federal commodities	130,903
Transfer from other funds	620,000
Total noncapital subsidies	2,211,496
Operating income (loss) and noncapital subsidies	32,833
OTHER NONOPERATING REVENUES	
Indirect costs not paid	68,546
Other	355
Total other nonoperating revenues	68,901
Change in net position	101,734
Total net position (deficit) - beginning	(917,272)
Total net position (deficit) - ending	$ (815,538)

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2026

Exhibit 8

	Enterprise Fund Major Fund School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 111,505
Cash paid for goods and services	(1,211,152)
Cash paid to employees for services	(937,032)
Net cash provided (used) by operating activities	(2,036,679)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	1,431,803
Transfer from other funds	575,000
Net cash provided by noncapital financing activities	2,006,803
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments and other	355
Net increase (decrease) in cash and cash equivalents	(29,521)
Balances-beginning of the year	60,718
Balances-end of the year	$ 31,197

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

ASHEVILLE CITY SCHOOLS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2026

Exhibit 8 (Continued)

Reconciliation of operating loss to net cash used by operating activities	
Operating income (loss)	$ (2,178,663)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation	67,461
Donated commodities consumed	130,903
Transfers from other funds	45,000
Indirect costs not paid	68,546
Changes in assets deferred outflows of resources, and liabilities:	
(Increase) decrease in net OPEB asset	(767)
Increase (decrease) in accounts payable and accrued liabilities	12,486
(Increase) decrease in deferred outflows	125,504
Increase (decrease) in net pension liability	(91,383)
Increase (decrease) in net OPEB liability	(293,148)
Increase (decrease) in deferred inflows	179,299
Increase (decrease) in unearned revenues	(7,611)
Increase (decrease) in compensated absences	(94,306)
Total adjustments	141,984
Net cash provided (used) by operating activities	$ (2,036,679)

Noncash investing, capital, and financing activities:

The State Public School Fund paid operating expenses of $45,000 of the School Food Service Fund during the fiscal year. The payment is reflected as a noncapital subsidy transfer in and an operating expense on Exhibit 7.

Indirect costs of $68,546 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a noncapital subsidy and an operating expense on Exhibit 7.

The School Food Service Fund received donated commodities with a value of $130,903 during the fiscal year. The receipt of the commodities is recognized as a noncapital subsidy and operating expense on Exhibit 7.

ASHEVILLE CITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUNDS
June 30, 2026

Exhibit 9

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 22,512
NET POSITION	
Restricted	$ 22,512

ASHEVILLE CITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUNDS
For the Year Ended June 30, 2026

Exhibit 10

	Custodial Funds
ADDITIONS	
Interest earned	$ 923
DEDUCTIONS	
Supplies	845
Change in net position	78
Total net position - beginning	22,434
Total net position - ending	$ 22,512

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Asheville City Schools conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Asheville City Schools (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 Asheville City, 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.

Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Noncapital subsidies and nonoperating revenues, such as State and federal reimbursements and investment earnings, result 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. This fund is the "Local Current Expense Fund", which is mandated by state law (G.S. 115C-426).

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

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

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

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

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Custodial Fund. The Custodial Fund is used to account for assets held by the Board as an agent for other organizations. The Custodial Fund is used to account for funds deposited with the Board as an agent for the benefit of various scholarship and awards funds and the Educational Access Channel Consortium.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary 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 give (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 capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. Currently, the Board does not have a formal policy pertaining to the use of net position; however, it has been the Board's practice to first apply cost-reimbursement grant resources to such programs and then general revenues.

Budgetary Data

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

Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

The Board's capital assets are recorded at original cost. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Buncombe County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit

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

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

	Years
Buildings	50
Improvements	20
Equipment and furniture	5 - 20
Vehicles	8

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

Deferred Outflows and Inflows of Resources

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

Long-term Obligations

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

Unearned Revenue

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

Compensated Absences

The Board recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The Board follows the State’s policy for vacation and sick

leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements on a FIFO basis. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

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

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets, net of related debt; 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 four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. 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 of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Executive Director of Finance will use resources in the following hierarchy: state funds, federal funds, local non-board of education funds, and board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Executive Director of Finance has the authority to deviate from this policy if it is in the best interest of the Board.

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 $20,352,902 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 179,801,241
Less Accumulated Depreciation	81,601,816
Net capital assets	98,199,425
Net OPEB asset	120,222
Pension related deferred outflows of resources	9,739,613
OPEB related deferred outflows of resources	14,304,739
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:	
Compensated absences	(9,367,464)
Net pension liability	(25,204,585)
Net OPEB liability	(40,908,376)
Deferred inflows of resources related to pensions	(1,585,971)
Deferred inflows of resources related to OPEB	(24,944,701)
Total adjustment	$ 20,352,902

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of $11,627,134 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	$ 1,645,492
Depreciation expenses, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(4,212,090)
Capital assets contributed by other governments are not financial resources and, therefore, are not reported in the funds. However, they are reported as capital contributions in the Statement of Activities, resulting in an increase in net position.	5,214,565
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	6,751,924
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	2,915,066
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
OPEB nonemployer contributions	547
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	(5,342,878)
Net OPEB expense	3,280,201
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	1,379,576
Loss on disposal of capital assets	(5,269)
Total adjustment	$ 11,627,134

Defined Benefit Pension Plan and OPEB Plans

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

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

Assets

Deposits

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

At June 30, 2026, the Board had deposits with banks and savings and loans with a carrying amount of $9,268,182 and with the State Treasurer of $1,500,000. The bank balances with the financial institutions and the State Treasurer were $9,947,107 and $1,801,797, respectively. Of these balances, $902,101 was covered by federal depository insurance and $10,846,803 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

Investments

At June 30, 2026, the Board of Education had $4,567,844 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. There was $9,300,703 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2026. The Board has no policy for managing interest rate risk or credit risk.

Accounts Receivable

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

	Due from other governments	Other	Total
Governmental activities:			
General Fund	$ 71,467	$ 802	$ 72,269
Other governmental activities	2,005,264	71,763	2,077,027
Total governmental activities	$ 2,076,731	$ 72,565	$ 2,149,296
Business-type activities:			
School Food Service Fund	$ 56,813	$ -	$ 56,813

Due from other governments consists of the following:

Governmental activities:		
General Fund	$ 71,467	Due from Buncombe County
Other Special Revenue Fund	1,118,764	Due from Buncombe County
Capital Outlay Fund	886,500	Due from Buncombe County
Total	$ 2,076,731	
Business-type activities:		
School Food Service Fund	$ 56,813	Federal grant funds

Capital Assets

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 1,307,576	$ -	$ -	$ -	$ 1,307,576
Construction in progress	307,213	289,993	-	(574,391)	22,815
Construction in progress - Contributed	11,304,902	5,214,565	-	(13,542,735)	2,976,732
Total capital assets not being depreciated	12,919,691	5,504,558	-	(14,117,126)	4,307,123
Capital assets being depreciated:					
Buildings	142,627,482	526,716	-	14,117,126	157,271,324
Equipment and furniture	4,431,786	259,335	82,647	-	4,608,474
Vehicles	4,329,881	134,764	33,942	-	4,430,703
Land improvements	8,748,933	434,684	-	-	9,183,617
Total capital assets being depreciated	160,138,082	1,355,499	116,589	14,117,126	175,494,118
Less accumulated depreciation for:					
Buildings	67,937,877	3,486,506	-	-	71,424,383
Equipment and furniture	2,670,360	195,363	77,378	-	2,788,345
Vehicles	3,383,162	230,297	33,942	-	3,579,517
Land improvements	3,509,647	299,924	-	-	3,809,571
Total accumulated depreciation	77,501,046	4,212,090	111,320	-	81,601,816
Total capital assets being depreciated, net	82,637,036				93,892,302
Governmental activity capital assets, net	$ 95,556,727				$ 98,199,425

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment	$ 1,229,192	$ -	$ -	$ 1,229,192
Less accumulated depreciation for:				
Equipment	948,272	67,461	-	1,015,733
School Food Service capital assets, net	$ 280,920			$ 213,459

Depreciation was charged to governmental functions as follows

Regular Instruction services	$ 3,786,430
System-wide support services	230,297
Unallocated depreciation	195,363
Total	$ 4,212,090

Construction Commitments

Asheville City Schools has active construction projects as of June 30, 2026 for the benefit of Asheville City Schools. At year end, commitments with contractors for school construction and renovations are as follows:

	Spent to date	Remaining Commitment
Central Office Flood Doors	$ 22,815	$ 46,322

Capital Contributions

For the year ended June 30, 2026, Asheville City Schools recognized $5,214,565 in capital contributions. These amounts were contributed by Buncombe County for capital projects selected and managed by the Buncombe School Capital Fund Commission. These amounts increased the District's capital assets and net position in governmental activities but are not reported as revenues or expenditures in the governmental funds, since they do not provide current financial resources.

Liabilities

Pension Plan and Other Postemployment Obligations

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, 2026, was 17.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were $6,841,071 for the year ended June 30, 2026.

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

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

At June 30, 2026, the Board reported a liability of $25,537,362 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of November 21, 2024. The total pension liability was then rolled forward to the

measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2025 and at June 30, 2024, the Board's proportion was 0.22%.

For the year ended June 30, 2026, the Board recognized pension expense of $5,418,252. At June 30, 2026, 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	$ 3,027,135	$ -
Net difference between projected and actual earnings on pension plan investments	-	821,379
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	785,532
Board contributions subsequent to the measurement date	6,841,071	-
Total	$ 9,868,206	$ 1,606,911

$6,841,071 reported as deferred outflows of resources related to pensions resulting from the Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2027.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2027	$ 5,424,577
2028	(909,325)
2029	(1,831,505)
2030	(1,263,523)
2031	-
Thereafter	-
Total	$ 1,420,224

Actuarial Assumptions. The total pension liability in the November 21, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.05%, including a 2.5% inflation and productivity factor
Investment rate of return	6.50%, 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 November 21, 2024 actuarial valuation were based on the actuarial experience study for the plan, prepared as of November 21, 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, 2025 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2025 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of

return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability reported at June 30, 2026 and 2025 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	$ 53,444,056	$ 25,537,362	$ 2,528,614

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.

Other Postemployment Benefits

Healthcare Benefits

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

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the

State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

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

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable.

Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 7.33% of covered payroll which amounted to $2,925,615. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling $0.3 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled $554.

At June 30, 2026, the Board reported a liability of $41,448,491 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of November 21, 2024. The total OPEB liability was then rolled forward to the measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2025 and at June 30, 2024, the Board's proportion was 0.19%.

$2,925,615 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2027. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2027		$ (4,924,061)
2028		(1,634,671)
2029		(2,284,209)
2030		(4,855,205)
2031		-
Thereafter		-
	Total	$ (13,698,146)

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

Inflation	2.50%
Salary increases	3.25% to 8.05%, including a 3.25% inflation and productivity factor
Investment rate of return	6.50%
Healthcare cost trend rates:	
Medical	5.00% - 6.50%
Prescription drug	(6.59%) - 9.77%

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

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF at June 30, 2026 and 2025 were 5.20% and 3.93%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 5.20% was used as the discount rate used to measure the total OPEB liability. The 5.20% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2025.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20 percent) or 1-percentage point higher (6.20 percent) than the current discount rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Net OPEB liability	$ 48,765,822	$ 41,448,491	$ 35,457,409

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

	1% Decrease in Trend Rates	(5.00-6.50% Medical, (6.59)-9.77% Rx, 5.00% Medicare, (7.90%)-3.00% Administrative Expenses)	1% Increase in Trend Rates
Net OPEB liability	$ 34,544,228	$ 41,448,491	$ 50,155,664

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

Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2026, employers made a statutory contribution of 0.07% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $27,939 for the year ended June 30, 2026.

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

At June 30, 2026, the Board reported an OPEB asset of $121,809 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2025, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of November 21, 2024. The total OPEB asset was then rolled forward to the measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2025 and at June 30, 2024, the Board's proportion was 0.19% and 0.20%, respectively.

$27,939 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 asset in the year ended June 30, 2027. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2027	$	(32,148)
2028		(7,027)
2029		2,574
2030		751
2031		-
Thereafter		-
Total	$	(35,850)

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

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

Sensitivity of the Board's proportionate share of the net OPEB 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 (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	$ 115,956	$ 121,809	$ 128,001

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of November 21, 2024 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, 2025. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2015 through November 21, 2019.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2026. 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, 2026 is 2.53%.

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

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

	RHBF	DIPNC	Total
OPEB expense (revenue)	$ 3,311,742	$ (3,313)	$ 3,308,429
OPEB liability (asset)	41,448,491	(121,809)	41,326,682
Proportionate share of the net OPEB liability	0.189%	0.186%	
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 334,485	$ 19,026	$ 353,511
Changes of assumptions	11,090,869	-	11,090,869
Net difference between projected and actual earnings on plan investments	75,269	15,000	90,269
Changes in proportion and defferences between Board contributions and proportionate share of contributions	-	5,402	5,402
Board contributions subsequent to the measurement date	2,925,615	27,939	2,953,554
Total Deferred Outflows of Resources	$ 14,426,238	$ 67,367	$ 14,493,605
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 55,553	$ 55,553
Changes of assumptions	21,862,068	15,812	21,877,880
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,336,701	3,913	3,340,614
Total Deferred Inflows of Resources	$ 25,198,769	$ 75,278	$ 25,274,047

Accounts Payable

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

	Vendors	Charter Schools	Total
Governmental Activities:			
General	$ 1,125,600	$ 168,035	$ 1,293,635
Other Governmental	53,766	-	53,766
Total Governmental Activities	$ 1,179,366	$ 168,035	$ 1,347,401
Business-types Activities			
School Food Service	$ 14,052	$ -	$ 14,052

Deferred Inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Board contributions and proportionate share of contributions	$ 5,402	$ 4,126,146
Changes in assumptions	11,090,869	21,877,880
Difference between projected and actual earnings on plan investments	90,269	821,379
Board contributions subsequent to the measurement date	9,794,625	-
Difference between expected and actual experience	3,380,646	55,553
Total	$ 24,361,811	$ 26,880,958

Unearned Revenues

The balance in unearned revenues at June 30, 2026 is composed of the following:

	Unearned Revenue
Various Grants (Other Special Revenue Fund)	$ 1,907,705
Prepaid lunch sales (School Food Service Fund)	$ 46,767

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. Through the private insurance industry, the Board maintains general liability and errors and omissions coverage of $1 million per claim. The Board has an annual aggregate limit for general liability of $3,000,000 and $1,000,000 each loss and $1,000,000 aggregate for errors and omissions. In addition, the Board carries commercial umbrella for another $2,000,000 of liability coverage. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. For employees not paid from State funds, the Board also carries workers' compensation and employers liability through private insurance of $1,000,000 each accident and $1,000,000 each employee, with a policy limit of $1 million. Directed by the

North Carolina General Assembly, the North Carolina Department of Public Instruction implemented, in 2011, an Excess Educator's Legal Liability policy. This policy is in excess of the Board's insurance policies, covers all employees of the school system, and there is no requirement that employees join any association to receive coverage of $1,000,000 per insured per occurrence with a $1,000,000 aggregate per insured.

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 Aetna. 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 of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for $200,000. The remaining employees that have access to funds are covered under a crime policy with a $100,000 limit for Employee Theft, a limit of $100,000 for Computer and Funds Transfer Fraud, and a limit of $50,000 for Social Engineering.

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.

Long-Term Obligations

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

	July 1, 2025	Increases	Decreases	June 30, 2026	Current Portion
Governmental activities:					
Net pension liability	$ 32,775,570	$ -	$ 7,570,985	$ 25,204,585	$ -
Net OPEB liability	64,387,660	-	23,479,284	40,908,376	-
Net compensated absences	10,747,040	-	1,379,576	9,367,464	1,796,916
Total governmental activities	$ 107,910,270	$ -	$ 32,429,845	$ 75,480,425	$ 1,796,916
Business-type activities:					
Net pension liability	$ 424,160	$ -	$ 91,383	$ 332,777	$ -
Net OPEB liability	833,263	-	293,148	540,115	-
Net compensated absences	246,362	-	94,306	152,056	27,393
Total business activities:	$ 1,503,785	$ -	$ 478,837	$ 1,024,948	$ 27,393

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

Transfers to/from other Funds

Transfers to/from other funds at June 30, 2026 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	$ 45,000
From the General Fund to the School Food Service Fund for operating costs	$ 575,000

Due to/from other Funds

The Individual Schools Fund owes the Other Special Revenue Fund $60,701 for operating expenditures. This is expected to be paid in the next fiscal year.

Fund Balance

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

Total fund balance - General Fund	$ 12,680,887
Less:	
Stabilization by State statute	72,269
Appropriated Fund Balance in 2027 budget	2,000,000
Unassigned fund balance	$ 10,608,618

Supplemental City School Tax

The supplemental city school tax, approved in 1935 by the citizens of Asheville, is currently 10.62¢ per $100 of assessed valuation of taxable property located in the Asheville City School District. The Asheville City School District's boundaries do not coincide with the City of Asheville corporate limits. In compliance with North Carolina state law, the supplemental city school tax is levied, billed and collected by Buncombe County. All property taxes, including the supplemental city school tax, are assessed as of July 1, the beginning of the County's fiscal year, and are based upon 100 percent of the assessed value as of January 1 the same year.

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate

expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 4 – SUBSEQUENT EVENT

Management has evaluated subsequent events through November 2, 2026, the date on which the financial statements were available to be issued. Based on this evaluation, management is not aware of any events that occurred subsequent to year-end that would require recognition or disclosure in the accompanying financial statements.

NOTE 5 – IMPLEMENTATION OF GASB STATEMENT NO. 103

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Schedule of Board Contributions
Retiree Health Benefit Fund

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

Schedule of Board Contributions
Disability Income Plan of North Carolina

Budgetary Comparison Schedule
General Fund

Budgetary Comparison Schedule
State Public School Fund

Budgetary Comparison Schedule
Federal Grants Fund

Budgetary Comparison Schedule
Other Special Revenue Fund

Notes to Budgetary Comparison Schedules

ASHEVILLE CITY SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
*Last Ten Fiscal Years**

	2026	2025	2024	2023	2022
Board's proportion of the net pension liability (asset)	0.217%	0.224%	0.224%	0.226%	0.235%
Board's proportionate share of the net pension liability (asset)	$ 25,537,362	$ 33,199,730	$ 37,388,589	$ 33,507,837	$ 11,000,835
Board's covered-employee payroll	$ 39,946,568	$ 39,677,730	$ 37,082,714	$ 37,655,724	$ 35,633,575
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.93%	83.67%	100.82%	88.98%	30.87%
Plan fiduciary net position as a percentage of the total pension liability	88.82%	85.35%	82.97%	84.14%	94.86%

	2021	2020	2019	2018	2017
Board's proportion of the net pension liability (asset)	0.244%	0.250%	0.236%	0.225%	0.230%
Board's proportionate share of the net pension liability (asset)	$ 29,459,533	$ 25,831,347	$ 23,464,511	$ 17,821,548	$ 21,155,920
Board's covered-employee payroll	$ 35,511,680	$ 35,656,444	$ 32,666,048	$ 30,183,001	$ 29,076,240
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	82.96%	72.45%	71.83%	59.04%	72.76%
Plan fiduciary net position as a percentage of the total pension liability	85.98%	87.56%	87.61%	89.51%	87.32%

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

ASHEVILLE CITY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
Last Ten Fiscal Years

	2026	2025	2024	2023	2022
Contractually required contribution	$ 6,841,071	$ 6,707,029	$ 6,995,184	$ 6,444,976	$ 6,168,008
Contributions in relation to the contractually required contribution	6,841,071	6,707,029	6,995,184	6,444,976	6,168,008
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered-employee payroll	$ 39,912,898	$ 39,946,568	$ 39,677,730	$ 37,082,714	$ 37,655,724
Contributions as a percentage of covered-employee payroll	17.14%	16.79%	17.63%	17.38%	16.38%

	2021	2020	2019	2018	2017
Contractually required contribution	$ 5,266,642	$ 4,605,865	$ 4,382,177	$ 3,521,400	$ 3,012,263
Contributions in relation to the contractually required contribution	5,266,642	4,605,865	4,382,177	3,521,400	3,012,263
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered-employee payroll	$ 35,633,575	$ 35,511,680	$ 35,656,444	$ 32,666,048	$ 30,183,001
Contributions as a percentage of covered-employee payroll	14.78%	12.97%	12.29%	10.78%	9.98%

ASHEVILLE CITY SCHOOLS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
*Last Ten Fiscal Years**

	2026	2025	2024	2023	2022
Board's proportion of the net OPEB liability (asset)	0.189%	0.192%	0.199%	0.202%	0.208%
Board's proportionate share of the net OPEB liability (asset)	$ 41,448,491	$ 65,220,923	$ 53,049,376	$ 47,884,123	$ 64,451,920
Board's covered-employee payroll	$ 39,946,568	$ 39,677,730	$ 37,082,714	$ 37,655,724	$ 35,633,575
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	103.76%	164.38%	143.06%	127.16%	180.87%
Plan fiduciary net position as a percentage of the total OPEB liability	16.18%	9.79%	10.73%	10.58%	7.72%

	2021	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.212%	0.214%	0.210%	0.208%	0.202%
Board's proportionate share of the net OPEB liability (asset)	$ 58,902,685	$ 67,627,045	$ 59,740,339	$ 68,139,813	$ 87,886,274
Board's covered-employee payroll	$ 35,511,680	$ 35,656,444	$ 32,666,048	$ 30,183,001	$ 29,076,240
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	165.87%	189.66%	182.88%	225.76%	302.26%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	4.40%	3.52%	0.24%

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

ASHEVILLE CITY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
Last Ten Fiscal Years

	2026	2025	2024	2023	2022
Contractually required contribution	$ 2,925,615	$ 2,844,196	$ 2,832,990	$ 2,554,999	$ 2,368,545
Contributions in relation to the contractually required contribution	2,925,615	2,844,196	2,832,990	2,554,999	2,368,545
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered-employee payroll	$ 39,912,898	$ 39,946,568	$ 39,677,730	$ 37,082,714	$ 37,655,724
Contributions as a percentage of covered-employee payroll	7.33%	6.99%	7.14%	6.89%	6.29%

	2021	2020	2019	2018	2017
Contractually required contribution	$ 2,380,323	$ 2,297,606	$ 2,235,659	$ 1,976,296	$ 1,753,632
Contributions in relation to the contractually required contribution	2,380,323	2,297,606	2,235,659	1,976,296	1,753,632
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered-employee payroll	$ 35,633,575	$ 35,511,680	$ 35,656,444	$ 32,666,048	$ 30,183,001
Contributions as a percentage of covered-employee payroll	6.68%	6.47%	6.27%	6.05%	5.81%

ASHEVILLE CITY SCHOOLS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
DISABILITY INCOME PLAN OF NORTH CAROLINA
*Last Ten Fiscal Years**

	2026	2025	2024	2023	2022
Board's proportion of the net OPEB liability/asset	0.186%	0.195%	0.196%	0.199%	0.209%
Board's proportionate share of the net OPEB liability (asset)	$ (121,809)	$ (64,169)	$ 52,219	$ 59,071	$ (34,208)
Board's covered payroll	$ 39,946,568	$ 39,677,730	$ 37,082,714	$ 37,655,724	$ 35,633,575
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.30%	0.16%	0.14%	0.16%	0.10%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	132.29%	114.99%	90.61%	90.34%	105.18%

	2021	2020	2019	2018	2017
Board's proportion of the net OPEB liability/asset	0.216%	0.222%	0.211%	0.199%	0.207%
Board's proportionate share of the net OPEB liability (asset)	$ (106,136)	$ (95,694)	$ (63,990)	$ (120,830)	$ (128,354)
Board's covered payroll	$ 35,511,680	$ 35,656,444	$ 32,666,048	$ 30,183,001	$ 29,076,240
Board's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	0.30%	0.27%	0.20%	0.40%	0.44%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	113.00%	108.47%	116.23%	116.06%

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

ASHEVILLE CITY SCHOOLS
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
Last Ten Fiscal Years

	2026	2025	2024	2023	2022
Contractually required contribution	$ 27,939	$ 51,931	$ 43,646	$ 37,083	$ 33,890
Contributions in relation to the contractually required contribution	27,939	51,931	43,646	37,083	33,890
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 39,912,898	$ 39,946,568	$ 39,677,730	$ 37,082,714	$ 37,655,724
Contributions as a percentage of covered-employee payroll	0.07%	0.13%	0.11%	0.10%	0.09%

	2021	2020	2019	2018	2017
Contractually required contribution	$ 32,070	$ 35,512	$ 49,959	$ 45,732	$ 114,695
Contributions in relation to the contractually required contribution	32,070	35,512	49,959	45,732	114,695
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 35,633,575	$ 35,511,680	$ 35,656,444	$ 32,666,048	$ 30,183,001
Contributions as a percentage of covered-employee payroll	0.09%	0.10%	0.14%	0.14%	0.38%

ASHEVILLE CITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2026

	General Fund				
	Budgeted Amounts		Variance between Original and Final Budget	Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final			
Budgetary Revenues:					
Buncombe County	$ 17,337,468	$ 16,941,377	$ (396,091)	$ 16,941,377	$ -
Supplemental city school tax	12,325,000	12,325,000	-	12,471,945	146,945
Other	120,000	120,000	-	167,116	47,116
Total budgetary revenues	29,782,468	29,386,377	(396,091)	29,580,438	194,061
Budgetary Expenditures:					
Current:					
Instructional services	12,735,000	13,623,909	888,909	13,589,711	34,198
System-wide support services	14,402,468	13,882,468	(520,000)	12,925,685	956,783
Ancillary services	970,000	305,000	(665,000)	68,926	236,074
Non-programmed charges:					
Payments to charter schools	3,100,000	3,000,000	(100,000)	2,678,003	321,997
Total budgetary expenditures	31,207,468	30,811,377	(396,091)	29,262,325	1,549,052
Budgetary excess of revenues over (under) expenditures	(1,425,000)	(1,425,000)	-	318,113	1,743,113
Budgetary other financing sources (uses):					
Transfers to other funds	(575,000)	(575,000)	-	(575,000)	-
Budgetary revenues over (under) expenditures and other sources (uses)	(2,000,000)	(2,000,000)	-	(256,887)	1,743,113
Appropriated budgetary fund balance	2,000,000	2,000,000	-	-	2,000,000
Net change in budgetary fund balance	$ -	$ -	$ -	(256,887)	$ (256,887)
Budgetary fund balances, beginning of year				12,937,774	
Budgetary fund balances, end of year				$ 12,680,887	

ASHEVILLE CITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
STATE PUBLIC SCHOOL FUND
For the Year Ended June 30, 2026

	State Public School Fund				
	Budgeted Amounts		Variance between Original and Final Budget	Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final			
Budgetary Revenues:					
State of North Carolina	$ 30,012,716	$ 30,821,888	$ 809,172	$ 30,364,395	$ (457,493)
U.S. Government	-	-	-	36,711	36,711
Total budgetary revenues	30,012,716	30,821,888	809,172	30,401,106	(420,782)
Budgetary Expenditures:					
Current:					
Instructional services	26,963,486	27,141,289	177,803	26,789,269	352,020
System-wide support services	2,854,230	3,485,599	631,369	3,427,947	57,652
Ancillary services	150,000	150,000	-	138,890	11,110
Total budgetary expenditures	29,967,716	30,776,888	809,172	30,356,106	420,782
Budgetary excess of revenues over (under) expenditures	45,000	45,000	-	45,000	-
Budgetary other financing sources (uses):					
Transfers to other funds	(45,000)	(45,000)	-	(45,000)	-
Net change in budgetary fund balance	$ -	$ -	$ -	-	$ -
Budgetary fund balances, beginning of year				-	
Budgetary fund balances, end of year				$ -	

ASHEVILLE CITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
FEDERAL GRANTS FUND
For the Year Ended June 30, 2026

	Federal Grants Fund				
	Budgeted Amounts		Variance between Original and Final Budget	Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final			
Budgetary Revenues:					
U.S. Government	$ 3,942,351	$ 4,893,106	$ 950,755	$ 3,321,687	$ (1,571,419)
Budgetary Expenditures:					
Current:					
Instructional services	3,409,226	4,306,545	897,319	2,844,932	1,461,613
System-wide support services	358,281	371,120	12,839	352,260	18,860
Non-programmed charges:					
Indirect costs	174,844	215,441	40,597	124,495	90,946
Total budgetary expenditures	3,942,351	4,893,106	950,755	3,321,687	1,571,419
Net change in budgetary fund balance	$ -	$ -	$ -	-	$ -
Budgetary fund balances, beginning of year				-	
Budgetary fund balances, end of year				$ -	

ASHEVILLE CITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
For the Year Ended June 30, 2026

	Other Special Revenue Fund				
	Budgeted Amounts		Variance between Original and Final Budget	Actual Amounts	Variance between Final Budget and Actual Amounts
	Original	Final			
Budgetary Revenues:					
State of North Carolina	$ 219,701	$ 229,893	$ 10,192	$ 224,089	$ (5,804)
Buncombe County	-	612,635	612,635	612,635	-
U.S. Government	617,234	617,234	-	466,883	(150,351)
Local option sales tax	4,300,000	4,400,000	100,000	4,446,248	46,248
Other	3,004,836	3,543,400	538,564	2,633,463	(909,937)
Total budgetary revenues	8,141,771	9,403,162	1,261,391	8,383,318	(1,019,844)
Budgetary Expenditures:					
Current:					
Instructional services	7,530,058	9,319,898	1,789,840	6,868,916	2,450,982
System-wide support services	1,840,796	2,051,796	211,000	1,748,411	303,385
Ancillary services	247,527	247,527	-	145,721	101,806
Non-programmed charges:					
Other	98,779	158,779	60,000	76,186	82,593
Total budgetary expenditures	9,717,160	11,778,000	2,060,840	8,839,234	2,938,766
Budgetary excess of revenues over (under) expenditures	(1,575,389)	(2,374,838)	(799,449)	(455,916)	1,918,922
Appropriated budgetary fund balance	1,575,389	2,374,838	799,449	-	2,374,838
Net change in budgetary fund balance	$ -	$ -	$ -	(455,916)	$ (455,916)
Budgetary fund balances, beginning of year				4,502,054	
Budgetary fund balances, end of year				$ 4,046,138	

ASHEVILLE CITY SCHOOLS
NOTE TO BUDGETARY COMPARISON SCHEDULES
For the Year Ended June 30, 2026

	General Fund over (under)	State Public School Fund over (under)	Federal Grants Fund over (under)	Other Special Revenue Fund over (under)
BUDGETARY REVENUES				
Differences - Original Budget to Final Budget				
The District received increased allotments from various federal grant programs. Because the federal grant year begins in October, these budget amendments reflect updated allocations and carryforward amounts received after the initial budget adoption.	$ -	$ -	$ 950,755	$ -
The District increased revenue projections for Article 39 sales tax where projections were completed after the initial budget was created.	-	-	-	612,635
The District increased revenue projections for various grants from Dogwood Health Trust and various other organizations that were not known until after the initial budget was created.	-	-	-	538,564
Differences - Final Budget to Actual				
Each year, the District is allotted various grant funds that expire over periods that exceed one year. The District budgets these funds in the year received but is allowed to carry unexpended funds over to the following year. This amount represents those unexpended federal grant funds that carry over.	-	-	(1,571,419)	(909,937)
BUDGETARY EXPENDITURES				
Differences - Original Budget to Final Budget				
The District received increased allotments from various federal grant programs. Because the federal grant year begins in October, these budget amendments reflect updated allocations and carryforward amounts received after the initial budget adoption. The amount below represents the budgeted increase for the following area:				
Instructional services	-	-	897,319	-
The District budgeted additional Article 39 sales tax and various grants from Dogwood Health Trust and various other organizations that were not known until after the initial budget was created. The amount below represents the budgeted increase for the following area:				
Instructional services	-	-	-	1,789,840
Differences - Final Budget to Actual				
Each year, the District is allotted various grant funds that expire over periods that exceed one year. The district budgets these funds in the year received but is allowed to carry unexpended funds over to the following year. The below amount represent an amount budgeted for the following area that was unexpended and will carry over to the following year:				
Instructional services	-	-	(1,461,613)	(2,450,982)

INDIVIDUAL FUND BUDGETARY SCHEDULES

ASHEVILLE CITY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL OUTLAY FUND
For the Year Ended June 30, 2026

	Budget	Actual	Variance Positive (Negative)
Revenues:			
US Government:			
FEMA - Disaster Grant	$ 200,000	$ 179,042	$ (20,958)
State of North Carolina:			
FEMA - Disaster Grant - State Match	-	19,894	19,894
Buncombe County:			
General county appropriations	3,300,000	3,457,070	157,070
Other:			
Interest	50,000	102,825	52,825
Miscellaneous	171,992	48,905	(123,087)
	221,992	151,730	(70,262)
Total revenues	3,721,992	3,807,736	85,744
Expenditures:			
Instructional services	1,945,000	1,653,389	291,611
System-wide support services	2,275,000	1,346,380	928,620
Capital outlay	3,026,992	653,827	2,373,165
Total expenditures	7,246,992	3,653,596	3,593,396
Revenues over (under) expenditures	(3,525,000)	154,140	3,679,140
Appropriated fund balance	3,525,000	-	(3,525,000)
Revenues and appropriated fund balance over (under) expenditures	$ -	154,140	$ 154,140
Fund balances:			
Beginning of year, July 1		5,442,263	
End of year, June 30		$ 5,596,403	

ASHEVILLE CITY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2026

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	$ 150,000	$ 119,116	$ (30,884)
Operating expenditures:			
Purchase of food		170,389	
Salaries and benefits		948,751	
Materials and supplies		10,082	
Contracted services		1,190,166	
Other		16,418	
Total operating expenditures	2,401,500	2,335,806	65,694
Operating loss	(2,251,500)	(2,216,690)	34,810
Noncapital subsidies			
Federal reimbursements	1,475,000	1,460,593	(14,407)
Federal commodities	150,000	130,903	(19,097)
Transfers from other funds	616,500	620,000	3,500
Total noncapital subsidies	2,241,500	2,211,496	(30,004)
Operating loss and noncapital subsidies	(10,000)	(5,194)	4,806
Nonoperating revenues:			
Other	10,000	355	(9,645)
Revenues and noncapital subsidies over (under) expenditures	$ -	$ (4,839)	$ (4,839)

ASHEVILLE CITY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP) - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2026

	Actual
Reconciliation of modified accrual to full accrual basis:	
Revenues and noncapital subsidies over (under) expenditures	$ (4,839)
Reconciling items:	
Depreciation	(67,461)
(Increase) decrease in compensated absences	94,306
Deferred outflows	(125,504)
Net pension liability	91,383
Net OPEB liability	293,148
Deferred inflows	(179,299)
Change in net position	$ 101,734

ASHEVILLE CITY SCHOOLS
COMBINING STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUNDS
June 30, 2026

	Custodial Funds		
	Asheville High Awards	Isaac Dickson Elementary	Total Custodial Funds
ASSETS			
Cash and cash equivalents	$ 20,094	$ 2,418	$ 22,512
NET POSITION			
Restricted	$ 20,094	$ 2,418	$ 22,512

ASHEVILLE CITY SCHOOLS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUNDS
For the Year Ended June 30, 2026

	Custodial Funds		
	Asheville High Awards	**Isaac Dickson Elementary**	**Total Custodial Funds**
ADDITIONS			
Interest earned	$ 827	$ 96	$ 923
DEDUCTIONS			
Supplies	845	-	845
Change in net position	(18)	96	78
Total net position - beginning	20,112	2,322	22,434
Total net position - ending	$ 20,094	$ 2,418	$ 22,512

ASHEVILLE CITY SCHOOLS
SCHEDULE OF REVENUES AND EXPENDITURES - INDIVIDUAL SCHOOLS FUND
For the Year Ended June 30, 2026

	Fund Balance Beginning of Year July 1	Revenues	Expenditures	Fund Balance End of Year June 30
Elementary Schools				
Claxton Elementary School	$ 33,962	$ 143,470	$ 141,886	$ 35,546
Hall Fletcher Elementary School	286,272	55,990	56,210	286,052
Ira B. Jones Elementary	33,390	59,886	58,208	35,068
Isaac Dickson Elementary	48,039	28,487	33,908	42,618
Lucy Herring Elementary	16,853	44,368	40,088	21,133
Total elementary schools	418,516	332,201	330,300	420,417
Middle Schools				
Asheville Middle	187,025	272,262	272,297	186,990
High Schools				
Asheville High	520,445	695,267	669,337	546,375
Total all schools	$ 1,125,986	$ 1,299,730	$ 1,271,934	$ 1,153,782

COMPLIANCE SECTION

A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Asheville City Board of Education
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Asheville City Board of Education, North Carolina, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Asheville City Board of Education, North Carolina's basic financial statements and have issued our report thereon dated November 2, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Asheville City Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,

noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Anderson Smith & Wike PLLC

November 2, 2026
Elon, North Carolina

A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' 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 Asheville City Board of Education
Asheville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Asheville City Board of Education's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Asheville City Board of Education's major federal programs for the year ended June 30, 2026. Asheville City 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, Asheville City Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Asheville City 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*, and the Uniform Guidance 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 Asheville City 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*, and the Uniform Guidance, 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 Asheville City 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 Asheville City 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, but not for the purpose of expressing an opinion on the effectiveness of Asheville City Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

Anderson Smith & Wike PLLC

November 2, 2026
Elon, North Carolina

A S W ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' 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 Asheville City Board of Education
Asheville, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

Anderson Smith & Wike PLLC

November 2, 2026
Elon, North Carolina

ASHEVILLE CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2026

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___yes _X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: reported ___yes _X_none

Noncompliance material to financial statements noted ___yes _X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes _X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: reported ___yes _X_none

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

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

Identification of major federal programs:

AL Numbers	Names of Federal Program or Cluster
	Child Nutrition Cluster
10.555	National School Lunch Program
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.582	Fresh Fruit & Vegetable
10.555	After School Snack Program
10.559	Summer Food Service Program for Children

ASHEVILLE CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2026

Dollar threshold used to distinguish between Type A and Type B Programs	$ 1,000,000
Auditee qualified as low-risk auditee?	X yes ___ no

State Awards

Internal control over major State program:

• Material weakness(es) identified?	___ yes X no
• Significant deficiency(ies) identified that are not considered to be material weaknesses: reported	___ yes X none

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

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

Identification of major State programs:

Program Name

State Public School Fund
Career and Technical Education – Months of Employment

Dollar threshold used to distinguish between Major State Programs	$ 1,000,000
Auditee qualified as low-risk auditee?	X yes ___ no

ASHEVILLE CITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2026

Section II. Financial Statement Findings

Finding: None Reported

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

Section IV. State Award Findings and Questioned Costs

Finding: None Reported

ASHEVILLE CITY SCHOOLS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2026

Section II. Financial Statement Findings

Finding: None reported

Section III. Federal Award Findings and Questioned Costs

Finding: None reported

Section IV. State Award Findings and Questioned Costs

Finding: None reported

ASHEVILLE CITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2026

There were no audit findings reported in the prior year.

Grantor/Pass-through Grantor/Program Title	Federal AL Number	Sate Pass-through Grantor's Number	Expenditures
Federal Grants:			
U.S. Department of Agriculture			
Food and Nutrition Service			
Passed-through the N.C. Department of Public Instruction:			
School Food Service Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	$ 130,903
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	289,613
National School Lunch Program	10.555	PRC 035	1,069,713
Fresh Fruit & Vegetable	10.582	PRC 035	39,671
After School Snack Program	10.555	PRC 035	16,459
Summer Food Service Program for Children	10.559	PRC 035	45,137
Cash Assistance Subtotal			1,460,593
Total School Food Service Cluster			1,591,496
U.S. Department of Education			
Office of Elementary and Secondary Education			
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies			
Educationally Deprived Children	84.010	PRC 050 & 115	946,348
Language Acquisition Grants	84.365	PRC 104 & 111	23,683
Student Support and Academic Enrichment Program	84.424	PRC 108	72,289
Education for Homeless Children and Youth	84.196	PRC 026	66,826
School Emergency Response to Violence (Project SERV)	84.184S	PRC 355	466,883
Supporting Effective Instruction State Grants	84.367	PRC 103	166,045
Twenty-first Century Community Learning Center	84.287	PRC 110	472,052
Office of Special Education and Rehabilitative Services			
Passed-through the N.C. Department of Public Instruction:			
Special Education Cluster:			
Individuals with Disabilities Education Act			
Special Education - Grants to States	84.027	PRC 060	1,139,446
Special Education - Targeted Assistance	84.027	PRC 118	273,784
Special Education - Targeted Assistance for Preschool	84.173	PRC 119	1,461
Special Education - Early Intervening Services	84.027	PRC 070	10,678
Special Education - Preschool Grants	84.173	PRC 049	76,693
Total Special Education Cluster			1,502,062
Passed-through the N.C. Department of Public Instruction:			
Carl D. Perkins Vocational and Applied Technology			
Education Act Amendments of 1990			
Basic Grants to States			
Program Development	84.048	PRC 017	72,382
Total U.S. Department of Education			3,788,570
Other Federal Assistance:			
U.S. Department of the Treasury			
Passed through the N.C. Office of State Budget Management			
N.C. Pandemic Recovery Office			
Passed-through the N.C. Department of Public Instruction			
Coronavirus State and Local Fiscal Recovery Funds			
ARP - School Bus Safety Pilot	21.027	PRC 140	36,711

Grantor/Pass-through Grantor/Program Title	Federal AL Number	Sate Pass-through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Passed through N.C. Department of Public Safety			
FEMA Disaster Grant - Public Assistance	97.036		179,042
Total Federal Assistance			**5,595,819**
State Grants:			
N.C. Department of Public Instruction:			
State Public School Fund			28,116,032
Career Technical Education			
State Months of Employment		PRC 013	1,555,002
Program Support Funds		PRC 014, 083	404,927
Driver Training		PRC 012	102,782
Hurricane Relief and Recovery		PRC 230	140,581
School Technology Fund		PRC 015	45,071
Total N.C. Department of Public Instruction			30,364,395
N.C. Department of Health and Human Services			
Passed through Buncombe County Partnership for Children:			
Division of Child Development			
Smart Start			224,089
N.C. Department of Public Safety			
FEMA Disaster Grant - Public Assistance - State Match			19,894
Total State Assistance			30,608,378
Total Federal and State Assistance			**$ 36,204,197**

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

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.

Asheville City Schools has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Cluster of Programs

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

Note 4. FEMA Public Assistance

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

ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

September 22, 2026

Board of Education of Asheville City Schools
Asheville, North Carolina

In performing our audit of the financial statements of Asheville City Schools for the year ended June 30, 2026, it came to our attention that the Board has continued to spend a significant amount of cash in the School Food Service Fund. Below is the history of School Food Service Fund cash balances as of June 30:

2019: $46,852	2023: $456,948
2020: $1,988	2024: $273,795
2021: $-0-	2025: $60,718
2022: $398,023	2026: $31,197

During the year ended June 30, 2026, the Board's General Fund transferred $575,000 to the School Food Service Fund in order to support the School Food Service Fund operations. In addition to spending the $575,000, the School Food Service Fund spent an additional $29,521 cash. An additional $45,000 in School Food Service Fund expenditures were paid from the State Public School Fund as required by the Child Nutrition grant.

The School Food Service Fund generated revenues of $1.7 Million excluding transfers from other funds. This indicates substantial reliance on governmental funds to support program operations.

Based upon meals participation reports and comparisons with similarly sized districts, meals served per student appear to be substantially lower than those of comparable districts. Low participation may contribute to the program's operating shortfall.

We recommend that the District evaluate barriers to student participation and opportunities to increase participation, review contracts and other operating costs relative to meals served, and develop a plan to improve the program's financial sustainability. Management should monitor financial results and participation trends regularly and report progress to the Board.

If you have any questions or comments please feel free to contact me at 336-380-4123.

Anderson Smith & Wike PLLC

Shannon M. Dennison, CPA
Anderson Smith & Wike PLLC