

**REVIEWED**

*By SLGFD at 10:39 am, Dec 20, 2021*



**WATAUGA COUNTY, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



## **WATAUGA COUNTY, NORTH CAROLINA**

### **BOARD OF COUNTY COMMISSIONERS**

John Welch, Chairman

Billy Kennedy, Vice Chairman

Carrington Pertalion

Larry Turnbow

Charlie Wallin

### **COUNTY OFFICIALS**

Deron T. Geouque

County Manager

Misty Watson, CPA

Finance Director

**Watauga County, North Carolina**

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## FINANCIAL SECTION

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### **Independent Auditor's Report**

To the Board of County Commissioners  
Watauga County, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Watauga County, North Carolina's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of AppalCART, which represents 70.6%, 70.6% and 48% of the assets, net position and revenues, respectively, of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AppalCART is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of AppalCART were audited in accordance with *Government Auditing Standards*. The financial statements of the Watauga County District U Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Watauga County, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 7 to the financial statements, effective July 1, 2020, the County adopted new accounting guidance promulgated in GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10, the Law Enforcement Officers' Special Separation Allowance Irrevocable Trust's Schedules of the Changes in the Net Pension Liability, Net Pension Liability, and County's Contributions, on pages 58 through 60, respectively, the Other Post-Employment Benefits Schedules of Funding Progress, Changes in Net OPEB Liability and Related Ratios, County's Contributions, and Investment Returns on pages 61 through 63, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and County's Contributions, on pages 64 through 65, respectively, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of Net Pension Asset and County's Contributions, on pages 66 through 67, respectively, be presented to supplement the basic financial statements. Such information, 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 and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Watauga County, North Carolina. The combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary



schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of the Watauga County, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watauga County, North Carolina's internal control over financial reporting and compliance.

*C. Randolph CPA, PLLC*

West Jefferson, North Carolina

November 29, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Watauga County

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Year Ended June 30, 2021

As management of Watauga County, we offer readers of Watauga County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2021. We encourage users to read the information presented here in conjunction with additional information we have furnished in the County's financial statements and notes which follow this narrative.

### Financial Highlights

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- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the fiscal year by \$190,957,610.
- The County's total net position increased by \$17,872,309 primarily due to an increase in cash assets from revenues, particularly sales tax and property tax, exceeding budget coupled with operating expenditures below expected levels.
- The County's unassigned fund balance for the General Fund was \$34,873,904 at the end of the year, representing 61.7% of total General Fund expenditures. This is an increase of \$9,647,783 in unassigned fund balance over the previous year.
- Total County debt decreased by \$4,980,000 in outstanding principal. The decrease was a result of principal payments for existing debt.
- The County:
  - Began design of a new Valle Crucis school
  - Continued construction of new sports complex including pickleball, basketball and tennis courts.
  - Continued a Tower project to enhance emergency communications
  - Completed construction of a new recreation and community center
  - Continued improvements at the County Landfill
- S&P Global Ratings reaffirmed the County's credit rating at AA and the County's financial stability.
- For the seventh year, the County was able to allocate funds to the Capital Projects Fund as part of the original budget ordinance denoting a continued rebound from the recession.

### Overview of the Financial Statements

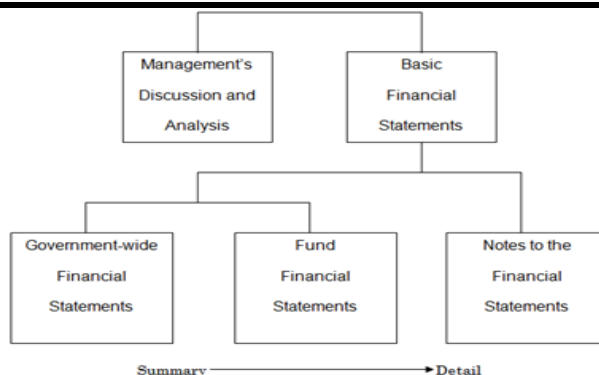
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This discussion and analysis is intended to serve as an introduction to Watauga County's basic financial statements. The County's basic financial statements consist of three components, 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The basic financial statements present two different views of the County's finances through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Watauga County.

### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental fund statements, 2) the budgetary comparison statements 3) the proprietary fund statements and 4) the fiduciary fund statements.

The next sections of the basic financial statements are the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Directly following the notes is the **supplemental information**. This section first contains **required supplemental information** about the County's pension plans and the other postemployment benefits plan, followed by additional **supplemental information**. This **supplemental information** is provided to show details about the County's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-wide Financial Statements

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The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how the net position has changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes solid waste services offered by Watauga County. The final category is the component units. AppalCART is a separate governmental entity, which operates a transportation authority in Watauga County. Watauga County Board of Commissioners appoints the eight member governing body. Watauga County provides some financial support and AppalCART is financially accountable to the County. The Watauga County District U Tourism Development Authority (TDA) is a separate governmental entity created to administer occupancy tax funds collected to promote tourism in the County. The seven voting members of the Authority Board are appointed by the County Board of Commissioners.

### Fund Financial Statements

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The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Watauga County, like all governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All County funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's activities are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which focuses on current financial resources. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board

about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: 1) the final budget as amended by the board, 2) the actual resources, charges to appropriations, and ending balances in the General Fund, and 3) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** - Watauga County has one proprietary fund, the Solid Waste Fund. Enterprise funds are used to report the same functions presented as business-like activities in the government-wide financial statements. Watauga County uses enterprise funds to account for its solid waste operations. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Position and Statement of Activities.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Watauga County has eight fiduciary funds, two of which are pension trust funds and the other six are agency funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 22 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Watauga County's progress in funding its obligation to provide pension benefits to its employees and other postemployment benefits. Required supplementary information can be found beginning on page 57 of this report.

## Government-Wide Financial Analysis

### Watauga County's Net Position

Figure 2

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 92,728,603	\$ 74,390,164	\$ 9,175,094	\$ 7,963,452	\$ 101,903,697	\$ 82,353,616
Net capital assets	142,356,494	144,345,752	4,718,807	4,979,923	147,075,301	149,325,675
Total assets	235,085,097	218,735,916	13,893,901	12,943,375	248,978,998	231,679,291
Total deferred outflows of resources	6,177,285	5,192,167	438,621	347,497	6,615,906	5,539,664
Long-term liabilities outstanding	53,306,461	56,502,402	1,592,602	1,523,434	54,899,063	58,025,836
Other liabilities	2,509,072	3,866,025	327,359	332,792	2,836,431	4,198,817
Total liabilities	55,815,533	60,368,427	1,919,961	1,856,226	57,735,494	62,224,653
Total deferred inflows of resources	6,829,732	1,876,361	72,068	60,678	6,901,800	1,937,039
Net position:						
Net investment in capital assets	98,766,137	95,466,292	4,718,807	4,979,923	103,484,944	100,446,215
Restricted	13,925,920	10,559,753	-	-	13,925,920	10,559,753
Unrestricted	65,925,060	55,657,250	7,621,686	6,394,045	73,546,746	62,051,295
Total net position	\$ 178,617,117	\$ 161,683,295	\$ 12,340,493	\$ 11,373,968	\$ 190,957,610	\$ 173,057,263

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$190,957,610 at June 30, 2021. The County's net position increased by a total of \$17,872,309 for

the fiscal year. Net position is reported in three categories: Net investment in capital assets of \$103,484,944 restricted net position of \$13,925,920; and unrestricted net position of \$73,546,746.

The net investment in capital assets is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2021, the increase in this category of net position correlates to reduced outstanding debt along with increased capital assets.

Another category of net position is restricted net position. This represents resources that are subject to external restrictions on how they may be used. The County has restricted assets due to statutory requirements for Register of Deeds Automation Enhancement Funds, Tax Revaluation, Health Services, Public Safety, Education, Register of Deeds Pension Plan, and Stabilization by State Statutes. Special revenues funds and Register of Deeds pension assets account for the balance of the restricted net position.

The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors. Several particular aspects of the County's financial operations affected the reporting of total unrestricted net position:

- Higher current cash and cash equivalent assets;

### Watauga County Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,912,305	\$ 2,567,942	\$ 5,959,494	\$ 5,118,690	\$ 8,871,799	\$ 7,686,632
Operating grants and contributions	5,955,236	6,029,904	148,684	140,998	6,103,920	6,170,902
Capital grants	727,051	971,519	-	-	727,051	971,519
General revenues:						
Property taxes	42,040,508	41,013,750	-	-	42,040,508	41,013,750
Other taxes	22,845,335	17,220,231	-	-	22,845,335	17,220,231
Grant and contributions not restricted to specific programs	5,082,329	4,603,582	-	-	5,082,329	4,603,582
Other	149,705	989,620	20,901	127,692	170,606	1,117,312
Sale of capital assets	32,330	17,419	-	-	32,330	17,419
Total revenues	79,744,799	73,413,967	6,129,079	5,387,380	85,873,878	78,801,347
<b>Expenses</b>						
General government	10,549,762	9,675,488	-	-	10,549,762	9,675,488
Public safety	17,704,726	16,482,718	-	-	17,704,726	16,482,718
Transportation	87,956	231,493	-	-	87,956	231,493
Economic & physical development	4,633,366	2,829,166	-	-	4,633,366	2,829,166
Environment protection	381,960	549,279	-	-	381,960	549,279
Humans services	8,424,661	7,900,887	-	-	8,424,661	7,900,887
Cultural and recreation	2,545,268	1,892,470	-	-	2,545,268	1,892,470
Education	16,925,191	16,248,335	-	-	16,925,191	16,248,335
Interest on long-term debt	1,586,125	161,045	-	-	1,586,125	161,045
Solid Waste	-	-	5,162,554	5,034,499	5,162,554	5,034,499
Total expenses	62,839,015	55,970,881	5,162,554	5,034,499	68,001,569	61,005,380
Increase in net position	16,905,784	17,443,086	966,525	352,881	17,872,309	17,795,967
Net position, beginning	161,683,295	144,240,209	11,373,968	11,021,087	173,057,263	155,261,296
Prior period restatement – change in accounting principle	28,038	-	-	-	28,038	-
Net position, beginning, restated	161,711,333	144,240,209	11,373,968	-	173,085,301	155,261,296
Net position, ending	\$ 178,617,117	\$161,683,295	\$12,340,493	\$11,373,968	\$190,957,610	\$173,057,263

**Governmental activities:** Governmental activities increased the County's net position by \$16,905,784, thereby accounting for 94.6% of the total growth in the net position of Watauga County. Key elements of this increase are as follows:

- Sales tax increases due to the improved economic factors particularly in the tourism industry, resulted in revenues above projection;
- Continued high property tax collections at a rate of 98.88% for the current fiscal year;
- Close monitoring of expenditures throughout the year with actual expenditures below budget.

**Business-type activities:** Business-type activities increased Watauga County's net position by \$966,525, 5.4%. Key elements of this increase are as follows:

- Revenues for tipping fees were above projections due to a strong market;
- Close monitoring of expenditures throughout the year with actual expenditures below budget.

### Financial Analysis of the County's Funds

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Watauga County uses fund accounting to ensure and demonstrate compliance with finance-related legal and accounting requirements.

**Governmental Funds** – The focus of Watauga County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the General Fund increased to \$34,873,904 while total fund balance increased to \$45,637,067. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 61.7 percent of total General Fund expenditures, while total fund balance represents 80.8 percent of that same amount.

**General Fund Budgetary Highlights** - During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues, transfers and expenditures by \$14,078,113.

Major budget increases include:

- \$318,847 for revaluation
- \$3,208,828 for carried forward projects
- \$135,000 for Emergency Management towers
- \$1,725,420 for the Middlefork Greenway Section 4 expansion
- \$900,000 for CDBG-CV funding
- \$4,000,000 transfer of unassigned fund balance to CIP
- \$404,274 for pay adjustments
- \$1,185,000 for school capital projects
- \$395,646 for increase in sales tax allocated to fire departments
- \$1,090,280 for CARES funding
- \$333,467 for various Board of Election grants to cover COVID-19 additional expenses
- The remaining budget amendments were for various amounts and across all functional areas of the County and were to adjust appropriations as necessary to maintain services.

The actual operating revenues for the General Fund were \$9,912,556 more than the budgeted amount. Actual operating expenses were less than budgeted by \$8,707,974.

**Proprietary Funds** - Watauga County's proprietary fund is used to provide information on the solid waste enterprise. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to \$7,621,686. The total increase in proprietary net position was \$966,525.

## Capital Asset and Debt Administration

**Capital Assets:** Watauga County's investment in capital assets for its governmental and business type activities as of June 30, 2021, totals \$147,075,301 (net of depreciation). These assets include construction in progress, buildings, land, equipment, improvements, and vehicles. Major capital asset transactions during the year include:

- Purchased new vehicles and numerous pieces of equipment for County governmental departments;
- Began design of new Valle Crucis school;
- Continued construction of new sports complex;
- Continued a Tower project to enhance emergency communications;
- Completed construction of a new recreation and community center;
- Continued improvements at the Landfill

### Watauga County's Capital Assets, Net of Depreciation

Figure 4

	Governmental Activities	Business Activities	Total
	2021	2021	2021
Land	\$ 22,932,045	\$ 975,497	\$ 23,907,542
Buildings	109,395,663	2,606,796	112,002,459
Other improvements	1,508,804	29,401	1,538,205
Leasehold improvements	5,267,651	5,556	5,273,207
Equipment	1,152,203	492,501	1,644,704
Vehicles	720,798	426,273	1,147,071
Construction in progress	1,363,730	182,785	1,546,515
Intangible assets	15,600	-	15,600
Total	\$ 142,356,494	\$ 4,718,807	\$ 147,075,301

Additional information on the County's capital assets can be found in note 3.A.6 of this report.

**Long-term Debt.** As of June 30, 2021, Watauga County had no bonded debt outstanding or authorized.

### Watauga County's Outstanding Debt

Figure 5

	Governmental Activities	
	2021	2020
Installment purchase	\$ 41,210,000	\$ 46,190,000

Watauga County's total debt decreased by \$4,980,000 or (10.9%) during the past fiscal year due to scheduled debt service payments. There is no debt associated with the business activities. The State of North Carolina limits the amount of debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries less outstanding debt principal. The legal debt margin for Watauga County as of June 30, 2021 is \$720,972,511. Additional information regarding Watauga County's long-term debt can be found in Note 3.B.6.b of this report.

## Economic Factors

The following key economic factors reflect the fiscal environment the County is working in:

- The County has approved a \$62,568,247 General Fund budget for fiscal year 2022, which represents a 2% increase from FY 2021 adopted budget;
- The County's unemployment rate has decreased from 6.2 percent at the end of June 2020 to 4.0



- percent at the end of June 2021;
- Appalachian State University provides continued stability to the local economy as a major employer and source of overall positive economic impact from the student population;
- The County experienced an increase in sales tax revenues in fiscal year 2021 due to an increase in tourism related to COVID-19.

### Budget Highlights for the Fiscal Year Ending June 30, 2022

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**Governmental activities** – The County's property tax rate remains constant at 40.3 cents per \$100 in property valuation. Sales tax revenue is projected with a 46 percent increase from fiscal year 2021 budget based on actual results in the previous fiscal year.

Budgeted expenditures in the General Fund have increased 6.7 percent predominately due to funding the School system's long-term capital and new roofs at the Human Services and Law Enforcement Center buildings. Capital purchases are allocated mainly for vehicles, a new Valle Crucis School, and continued expansion of emergency service tower operations with other projects still limited to primarily repairs and maintenance. Funds are allocated to be set aside this year for future capital school projects of \$4,700,000 and \$1,438,000 for county projects-mainly funding \$550,000 for emergency communications, \$738,000 for future maintenance and repairs, \$50,000 for economic development, \$50,000 for community recreation facilities and \$50,000 to Caldwell Community College.

**Businesses-type activities** – Budgeted revenues for solid waste service revenues are projected a slight increase due to tipping fees.

### Requests for Information

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This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Watauga County Finance Director, 814 West King Street, Suite 216, Boone, NC 28607. The report can also be found on our website [www.wataugacounty.org/main/App\\_Pages/Dept/Finance/countyAudits.aspx](http://www.wataugacounty.org/main/App_Pages/Dept/Finance/countyAudits.aspx).

## BASIC FINANCIAL STATEMENTS

**Watauga County, North Carolina**  
Statement of Net Position  
June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	AppalCART	Watauga County District U Tourism Development Authority
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 67,085,595	\$ 8,540,401	\$ 75,625,996	\$ 3,542,161	\$ 6,676,412
Restricted cash and cash equivalents	1,146,434	-	1,146,434	17,566	-
Receivables (net)	1,464,489	595,669	2,060,158	50,042	-
Due from other governments	7,068,464	39,024	7,107,488	308,796	614,590
Inventory	-	-	-	300,443	-
Total current assets	<u>76,764,982</u>	<u>9,175,094</u>	<u>85,940,076</u>	<u>4,219,008</u>	<u>7,291,002</u>
<b>Non-current assets</b>					
Net pension asset - ROD	142,552	-	142,552	-	-
Notes receivable	15,821,069	-	15,821,069	-	-
Capital assets:					
Land, intangible, and construction in progress	24,311,375	1,158,281	25,469,656	1,121,092	-
Other capital assets, net of depreciation	118,045,119	3,560,526	121,605,645	12,173,718	-
Total capital assets	<u>142,356,494</u>	<u>4,718,807</u>	<u>147,075,301</u>	<u>13,294,810</u>	<u>-</u>
Total non-current assets	<u>158,320,115</u>	<u>4,718,807</u>	<u>163,038,922</u>	<u>13,294,810</u>	<u>-</u>
Total assets	<u>235,085,097</u>	<u>13,893,901</u>	<u>248,978,998</u>	<u>17,513,818</u>	<u>7,291,002</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension deferrals	3,615,138	278,060	3,893,198	-	43,152
Deferred charge on refunding of debt	1,110,480	-	1,110,480	-	-
OPEB deferrals	1,451,667	160,561	1,612,228	-	-
Total deferred outflows of resources	<u>6,177,285</u>	<u>438,621</u>	<u>6,615,906</u>	<u>-</u>	<u>43,152</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	1,552,987	327,359	1,880,346	278,125	103,071
Accrued interest payable	60,427	-	60,427	-	-
Due to other governments	735,083	-	735,083	-	-
Liabilities payable from restricted assets	160,575	-	160,575	-	-
Debt service due within one year	5,410,640	144,117	5,554,757	58,529	8,349
Total current liabilities	<u>7,919,712</u>	<u>471,476</u>	<u>8,391,188</u>	<u>336,654</u>	<u>111,420</u>
<b>Long-term liabilities</b>					
Due in more than one year	47,895,821	1,448,485	49,344,306	37,149	73,970
Total liabilities	<u>55,815,533</u>	<u>1,919,961</u>	<u>57,735,494</u>	<u>373,803</u>	<u>185,390</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension deferrals	210,067	445	210,512	-	5,846
OPEB deferrals	771,990	71,623	843,613	-	-
Unearned revenue	5,830,515	-	5,830,515	17,566	-
Prepaid taxes	17,160	-	17,160	-	-
Total deferred inflows of resources	<u>6,829,732</u>	<u>72,068</u>	<u>6,901,800</u>	<u>17,566</u>	<u>5,846</u>
<b>NET POSITION</b>					
Net investment in capital assets	98,766,137	4,718,807	103,484,944	13,294,810	-
Restricted for:					
Stabilization by State Statute	10,444,039	-	10,444,039	-	614,590
Register of Deeds' pension plan	133,255	-	133,255	-	-
Education	2,458,022	-	2,458,022	-	-
Public safety	513,411	-	513,411	-	-
Health services	29,448	-	29,448	-	-
Register of Deeds Automation/Enhancement	86,916	-	86,916	-	-
Revaluation	260,829	-	260,829	-	-
Unrestricted	65,925,060	7,621,686	73,546,746	3,827,639	6,528,328
Total net position	<u>\$ 178,617,117</u>	<u>\$ 12,340,493</u>	<u>\$ 190,957,610</u>	<u>\$ 17,122,449</u>	<u>\$ 7,142,918</u>

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

**Watauga County, North Carolina**  
Statement of Activities  
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position				Component Units	
	Primary Government				Primary Government				Watauga County	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	AppalCART	Tourism Development Authority	
<b>Primary government:</b>										
Governmental Activities:										
General government	\$ 10,549,762	\$ 1,359,518	\$ 394,487	\$ 427,428	\$ (8,368,329)	\$ -	\$ (8,368,329)			
Public safety	17,704,726	848,302	1,463,956	-	(15,392,468)	-	(15,392,468)			
Transportation	87,956	-	-	-	(87,956)	-	(87,956)			
Economic and physical development	4,633,366	-	139,176	-	(4,494,190)	-	(4,494,190)			
Environmental protection	381,960	500	65,614	-	(315,846)	-	(315,846)			
Human services	8,424,661	131,220	3,891,555	-	(4,401,886)	-	(4,401,886)			
Cultural and recreational	2,545,268	368,437	-	-	(2,176,831)	-	(2,176,831)			
Education	16,925,191	204,328	448	299,623	(16,420,792)	-	(16,420,792)			
Interest and fees on long-term debt	1,586,125	-	-	-	(1,586,125)	-	(1,586,125)			
Total governmental activities	62,839,015	2,912,305	5,955,236	727,051	(53,244,423)	-	(53,244,423)			
<b>Business-type activities:</b>										
Solid waste	5,162,554	5,959,494	148,684	-	-	945,624	945,624			
Total	68,001,569	8,871,799	6,103,920	727,051	(53,244,423)	945,624	(52,298,799)			
<b>Component units:</b>										
AppalCART	\$ 5,280,133	\$ 520,044	\$ 3,216,588	\$ 149,244				\$ (1,394,257)		\$ (1,620,412)
Watauga County District U Tourism Development Authority	\$ 1,620,412	\$ -	\$ -	\$ -						\$ -
General revenues:										
Taxes:										
Property taxes, levied for general purpose					42,040,508	-	42,040,508	-		-
Local option sales tax					17,179,832	-	17,179,832	-		-
Other taxes and licenses					5,665,503	-	5,665,503	-		3,926,317
Grants and contributions not restricted to specific programs					5,082,329	-	5,082,329	-		-
Investment earnings, unrestricted					149,705	19,501	169,206	403		11,489
Gain (loss) sale of fixed assets					32,330	-	32,330	8,659		-
Miscellaneous, unrestricted					-	1,400	1,400	24,691		303,830
Total general revenues					70,150,207	20,901	70,171,108	33,753		4,241,636
Change in net position					16,905,784	966,525	17,872,309	(1,360,504)		2,621,224
Net position, beginning					161,683,295	11,373,968	173,057,263	18,482,953		4,521,694
Prior period restatement - change in accounting principle					28,038	-	28,038	-		-
Net position, beginning, restated					161,711,333	11,373,968	173,085,301	18,482,953		4,521,694
Net position, ending					178,617,117	12,340,493	190,957,610	17,122,449		7,142,918

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

**Watauga County, North Carolina**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2021

	General	Capital Projects Fund	Recreation Center Project Fund	ARP Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 40,316,386	\$ 15,583,447	\$ 3,124,583	\$ 5,433,124	\$ 2,628,055	\$ 67,085,595
Restricted cash and cash equivalents	347,745	-	-	-	798,689	1,146,434
Taxes receivable, net	852,745	-	-	-	432,886	1,285,631
Due from other governments	7,019,793	-	-	-	48,671	7,068,464
Accounts receivable, net	27,677	-	-	-	-	27,677
Notes receivable	15,821,069	-	-	-	-	15,821,069
Total assets	<u>\$ 64,385,415</u>	<u>\$ 15,583,447</u>	<u>\$ 3,124,583</u>	<u>\$ 5,433,124</u>	<u>\$ 3,908,301</u>	<u>\$ 92,434,870</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 1,540,952	\$ -	\$ -	\$ 12,035	\$ -	\$ 1,552,987
Due to other governments	106,996	-	-	-	628,087	735,083
Liabilities to be paid from restricted assets	-	-	-	-	160,575	160,575
Total liabilities	<u>1,647,948</u>	<u>-</u>	<u>-</u>	<u>12,035</u>	<u>788,662</u>	<u>2,448,645</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes receivable	852,745	-	-	-	90,137	942,882
Prepaid taxes	17,160	-	-	-	-	17,160
Unearned revenue	409,426	-	-	5,421,089	-	5,830,515
Notes receivable	15,821,069	-	-	-	-	15,821,069
Total deferred inflows of resources	<u>17,100,400</u>	<u>-</u>	<u>-</u>	<u>5,421,089</u>	<u>90,137</u>	<u>22,611,626</u>
<b>FUND BALANCES</b>						
Restricted for:						
Stabilization by State Statute	10,415,418	-	-	-	28,621	10,444,039
Public safety	-	-	-	-	513,411	513,411
Register of Deeds	86,916	-	-	-	-	86,916
Education	-	-	-	-	\$2,458,022	2,458,022
Health services	-	-	-	-	\$29,448	29,448
Revaluation	260,829	-	-	-	-	260,829
Committed for:						
Capital projects	-	15,583,447	3,124,583	-	-	18,708,030
Unassigned	34,873,904	-	-	-	-	34,873,904
Total fund balances	<u>45,637,067</u>	<u>15,583,447</u>	<u>3,124,583</u>	<u>-</u>	<u>3,029,502</u>	<u>67,374,599</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,385,415</u>	<u>\$ 15,583,447</u>	<u>\$ 3,124,583</u>	<u>\$ 5,433,124</u>	<u>\$ 3,908,301</u>	<u>\$ 92,434,870</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total Fund Balance, Governmental Funds	\$ 67,374,599
Net pension asset - ROD	142,552
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	142,356,494
Deferred charge on refunding of debt	1,110,480
Other assets are not available to pay for current period expenditures and therefore are unavailable in the funds - accrued interest taxes receivable	151,181
Deferred inflows for notes receivable	15,821,069
Deferred inflows of resources for taxes receivable	942,882
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,323,765
Contributions and administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	244,900
OPEB related deferrals, net	434,777
Pension related deferrals-all plans, net	2,081,306
Net OPEB liability	(2,684,407)
Net pension liability - LEOSSA	(531,748)
Net pension liability - LGERS	(5,346,006)
Some liabilities, including net pension liabilities, debt related payables and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(44,804,727)
Net position of governmental activities	<u>\$ 178,617,117</u>

**Watauga County, North Carolina**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2021

	<b>Major Funds</b>			<b>Non-Major Funds</b>	
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Recreation Center Project Fund</b>	<b>ARP Project Fund</b>	<b>Other Governmental Funds</b>
					<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Ad valorem taxes	\$ 38,677,716	\$ -	\$ -	\$ -	\$ 3,472,535
Other taxes and licenses	18,654,677	-	-	-	4,190,658
Unrestricted intergovernmental	5,082,329	-	-	-	-
Restricted intergovernmental	6,174,379	-	-	34,773	353,136
Permits and fees	1,094,582	-	-	-	70,699
Sales and services	936,988	-	-	-	204,328
Investment earnings	104,650	34,382	7,484	1,772	1,417
Donations	156,679	-	-	-	-
Miscellaneous	590,088	-	-	-	-
Total revenues	<u>71,472,088</u>	<u>34,382</u>	<u>7,484</u>	<u>36,545</u>	<u>8,292,773</u>
<b>EXPENDITURES</b>					
Current:					
General government	9,313,776	-	-	-	275,027
Public safety	13,541,193	-	-	36,545	3,771,564
Transportation	87,956	-	-	-	-
Economic and physical development	627,993	-	-	-	3,976,078
Environmental protection	373,591	-	-	-	-
Human services	7,613,988	-	-	-	213,170
Cultural and recreational	1,531,452	-	60,672	-	-
Education	16,718,941	-	-	-	206,250
Debt service:					
Principal	4,980,000	-	-	-	-
Interest	1,696,631	-	-	-	-
Total expenditures	<u>56,485,521</u>	<u>-</u>	<u>60,672</u>	<u>36,545</u>	<u>8,442,089</u>
Revenues over (under) expenditures	<u>14,986,567</u>	<u>34,382</u>	<u>(53,188)</u>	<u>-</u>	<u>(149,316)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	32,330	-	-	-	-
Transfers from other funds	1,617,000	6,174,808	-	-	2,664,000
Transfers to other funds	(6,174,808)	(4,281,000)	-	-	-
Total other financing sources and uses	<u>(4,525,478)</u>	<u>1,893,808</u>	<u>-</u>	<u>-</u>	<u>2,664,000</u>
Net change in fund balance	10,461,089	1,928,190	(53,188)	-	2,514,684
<b>Fund balance, beginning of year</b>	35,186,904	13,655,257	3,177,771	-	475,854
<b>Prior period adjustment</b>	(10,926)	-	-	-	10,926
<b>Prior period restatement - change in accounting principle</b>	-	-	-	-	28,038
<b>Fund balance, beginning, restated</b>	<u>35,175,978</u>	<u>13,655,257</u>	<u>3,177,771</u>	<u>-</u>	<u>514,818</u>
<b>Fund balance, end of year</b>	<u>\$ 45,637,067</u>	<u>\$ 15,583,447</u>	<u>\$ 3,124,583</u>	<u>\$ -</u>	<u>\$ 3,029,502</u>
					<u>\$ 67,374,599</u>

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

**Watauga County, North Carolina**  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$	14,850,775
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 outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$	2,343,643
Sale of assets not fully depreciated		(32,159)
Depreciation expense for governmental assets		<u>(4,300,747)</u>
		(1,989,263)
Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.		1,185,829
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		244,900
Benefit payments paid and administrative expense for the LEOSSA in the current fiscal year are not included on the Statement of Activities.		137,936
Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs		(277,620)
Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the funds	(21,060)	(21,060)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	<u>(109,743)</u>	(109,743)
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.		
OPEB plan expense	(412,742)	
Pension expense-LGERS and ROD	(1,867,841)	
Compensated absences	(95,423)	
Pension expense-LEOSSA	(108,089)	
Amortization of bond premiums	<u>309,103</u>	
Combined adjustment		(2,174,992)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long term debt	4,980,000	
Decrease in accrued interest payable	<u>79,022</u>	
		<u>5,059,022</u>
Total changes in net position of governmental activities	\$	<u><u>16,905,784</u></u>

**Watauga County, North Carolina**  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund  
For the Year Ended June 30, 2021

<b>General Fund</b>				
	Budget		Actual Amounts	Variance with Final Budget-
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 36,911,375	\$ 36,911,375	\$ 38,677,716	\$ 1,766,341
Other taxes and licenses	10,244,800	10,693,081	18,654,677	7,961,596
Unrestricted intergovernmental	2,890,500	2,890,500	5,082,329	2,191,829
Restricted intergovernmental	4,446,535	7,849,329	6,174,379	(1,674,950)
Permits and fees	730,617	730,617	1,094,582	363,965
Sales and services	1,222,468	1,222,468	936,988	(285,480)
Investment earnings	38,500	38,500	104,650	66,150
Donations	30,500	686,767	156,679	(530,088)
Miscellaneous	536,895	536,895	590,088	53,193
Total revenues	<u>57,052,190</u>	<u>61,559,532</u>	<u>71,472,088</u>	<u>9,912,556</u>
<b>Expenditures:</b>				
General government	8,870,284	15,117,696	9,313,776	5,803,920
Public safety	12,589,618	14,611,393	13,541,193	1,070,200
Transportation	67,495	87,956	87,956	-
Economic and physical development	620,483	676,860	627,993	48,867
Environmental protection	415,854	513,572	373,591	139,981
Human services	8,172,844	8,509,409	7,613,988	895,421
Cultural and recreation	2,162,028	2,185,616	1,531,452	654,164
Education	15,614,953	16,814,362	16,718,941	95,421
Debt service:				
Principal retirement	4,980,000	4,980,000	4,980,000	-
Interest and other charges	1,696,631	1,696,631	1,696,631	-
Total expenditures	<u>55,190,190</u>	<u>65,193,495</u>	<u>56,485,521</u>	<u>8,707,974</u>
Revenues over (under) expenditures	<u>1,862,000</u>	<u>(3,633,963)</u>	<u>14,986,567</u>	<u>18,620,530</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	10,000	10,000	32,330	22,330
Transfers from other funds	228,000	1,617,000	1,617,000	-
Transfers to other funds	(2,100,000)	(6,174,808)	(6,174,808)	-
Fund balance appropriated	-	8,181,771	-	(8,181,771)
Total other financing sources (uses)	<u>(1,862,000)</u>	<u>3,633,963</u>	<u>(4,525,478)</u>	<u>(8,159,441)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ 10,461,089	\$ <u>10,461,089</u>
Fund balance, beginning of year			35,186,904	
Prior period adjustment			<u>(10,926)</u>	
Fund balance, beginning, restated			<u>35,175,978</u>	
Fund balance, end of year			<u>\$ 45,637,067</u>	

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



**Watauga County, North Carolina**  
Statement of Net Position  
Proprietary Fund  
June 30, 2021

	<u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 8,540,401
Receivables, net	595,669
Due from other governments	39,024
Total current assets	<u>9,175,094</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	1,158,281
Other capital assets, net of depreciation	3,560,526
Total capital assets	<u>4,718,807</u>
Total assets	<u>13,893,901</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB deferrals	160,561
Pension deferrals	278,060
Total deferred outflows of resources	<u>438,621</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	327,359
Accrued compensated absences - current	22,372
Accrued landfill post closure and closure costs - current	121,745
Total current liabilities	<u>471,476</u>
Non-current liabilities:	
Net pension liability	482,609
Net OPEB liability	249,051
Accrued landfill post closure and closure costs - noncurrent	618,026
Accrued compensated absences	98,799
Total non-current liabilities	<u>1,448,485</u>
Total liabilities	<u>1,919,961</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB deferrals	71,623
Pension deferrals	445
Total deferred inflows of resources	<u>72,068</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,718,807
Unrestricted	7,621,686
Total net position	<u>\$ 12,340,493</u>

**Watauga County, North Carolina**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2021

	<u><b>Enterprise Fund</b></u>
	<u><b>Solid Waste Fund</b></u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 5,689,417
Sale of recycled materials	<u>270,077</u>
Total operating revenues	<u>5,959,494</u>
 <b>OPERATING EXPENSES:</b>	
Landfill operations	4,665,960
Recycling operations	116,260
Depreciation	<u>413,153</u>
Total operating expenses	<u>5,195,373</u>
Operating income	<u>764,121</u>
 <b>NONOPERATING REVENUES:</b>	
Interest and investment revenue	19,501
Miscellaneous revenues	1,400
Gain on disposal of assets	32,819
Restricted intergovernmental revenues	<u>148,684</u>
Total nonoperating revenues	<u>202,404</u>
Change in net position	966,525
Total net position, beginning	<u>11,373,968</u>
Total net position, ending	<u><u>\$ 12,340,493</u></u>

**Watauga County, North Carolina**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2021

	<u><b>Enterprise Fund</b></u>
	<u><b>Solid Waste Fund</b></u>
Cash flows from operating activities:	
Cash received from customers	\$ 5,699,408
Cash paid for goods and services	(3,278,269)
Cash paid to employees for services	(1,473,224)
Net cash provided by operating activities	<u>947,915</u>
Cash flows from noncapital financing activities:	
Restricted intergovernmental revenues	142,146
Miscellaneous revenues	1,400
Net cash provided by noncapital financing activities	<u>143,546</u>
Cash flows from capital and related financing activities:	
Proceeds received from sale of fixed assets	32,819
Acquisition and construction of capital assets	(152,037)
Net cash used by capital and related financing activities	<u>(119,218)</u>
Cash flows from investing activities:	
Interest on investments	19,501
Net cash provided by investing activities	<u>19,501</u>
Net increase in cash and cash equivalents	991,744
Cash and cash equivalents, July 1	<u>7,548,657</u>
Cash and cash equivalents, June 30	\$ <u><u>8,540,401</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ <u>764,121</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	413,153
Changes in assets, liabilities, deferred outflows and inflows of resources:	
Increase in deferred outflow of resources - pensions	(41,556)
Increase in deferred inflow of resources - OPEB	11,858
Increase in deferred outflows of resources - OPEB	(49,568)
Increase in net pension liability	100,558
Increase in net OPEB liability	47,087
Decrease in deferred inflow of resources - pensions	(468)
Decrease in accrued landfill post closure and closure costs	(100,727)
Increase in accounts receivable	(260,085)
Increase in prepaid expense	46,725
Increase in accounts payable	(5,432)
Decrease in accrued compensated absences	22,249
Total adjustments	<u>183,794</u>
Net cash provided by operating activities	\$ <u><u>947,915</u></u>

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

**Watauga County, North Carolina**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2021

	<b>Irrevocable Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,970,049	\$ 68,960
Accounts receivable	<u>-</u>	<u>-</u>
	<u>\$ 2,970,049</u>	<u>\$ 68,960</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>
	<u>-</u>	<u>-</u>
Net position:		
Assets held in trust for postemployment benefits other than pensions	\$ 2,219,361	\$ -
Assets held in trust for law enforcement officers' special separation allowance benefits	750,688	-
Individuals, organizations and other governments	<u>-</u>	<u>68,960</u>
Total fiduciary net position	<u>\$ 2,970,049</u>	<u>\$ 68,960</u>

**Watauga County, North Carolina**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2021

	<b>Irrevocable Trust Funds</b>	<b>Custodial Funds</b>
	<hr/>	<hr/>
<b>Additions:</b>		
Employer contributions	\$ 431,436	-
Interest earned	6,770	-
Ad valorem taxes collected for other governments	-	6,752,810
Collections on behalf of inmates	-	246,593
	<hr/>	<hr/>
Total additions	438,206	6,999,403
	<hr/>	<hr/>
<b>Deductions:</b>		
Benefits	169,936	-
Administrative expense	23,000	-
Tax distributions to other governments	-	6,772,701
Payment on behalf of inmates	-	191,108
	<hr/>	<hr/>
Total deductions	192,936	6,963,809
	<hr/>	<hr/>
Net increase (decrease) in fiduciary net position	245,270	35,594
<b>Net position - beginning, as previously reported</b>	2,724,779	-
Prior period restatement	-	33,366
Net position - beginning, as restated	2,724,779	33,366
Net position - ending	\$ <u>2,970,049</u>	<u>68,960</u>

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

## Note 1 - Summary of Significant Accounting Policies:

The accounting policies of Watauga County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

### A. Reporting Entity:

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statue 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. The discretely presented component units presented below are reported in separate columns in the County's combined financial statements in order to emphasize that they are legally separate from the County.

#### AppalCART

AppalCART operates mainly in Watauga County in the northwest part of North Carolina, providing transportation services to the various areas and residents within Watauga County. Watauga County's Board of Commissioners appoints the eight member governing board of AppalCART and AppalCART operates within the County's boundaries for the benefit of the County's residents. The County provides some financial support to AppalCART, but it is not responsible for the debts of AppalCART except when such are expressly granted by statute or by the consent of the Board of Commissioners of Watauga County. The Board of Commissioners of Watauga County has the authority to terminate the existence of AppalCART at any time, provided a 60-day written notice is given to AppalCART, and all property and assets of AppalCART shall automatically become the property of Watauga County and the County shall succeed to all rights, obligations and liabilities of AppalCART. AppalCART designates its own management, approves its own budget, and maintains its own accounting system; however, AppalCART is fiscally accountable to Watauga County and the County has the authority to examine all records and accounts at any time. AppalCART, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements may be obtained from the entity's administrative offices at AppalCART, 305 Hwy 105 Bypass, Boone, NC 28607.

#### Watauga County District U Tourism Development Authority

The North Carolina General Legislation enacted a law which authorized Watauga County to levy a room occupancy tax; and the Watauga County Commissioners adopted a resolution levying this tax and created the Watauga County District U Tourism Development Authority. The Authority operates within Watauga County's boundaries for the promotion and development of tourism, and the County provides room occupancy tax proceeds as their main source of revenue to the Authority, but the County is not responsible for the debts and is not entitled to the surpluses of the Authority. The Watauga County's Board of Commissioners appoints the seven voting members of the Authority. The Watauga County District U Tourism Development Authority has a June 30 year end and is presented as if it is a governmental fund. Complete financial statements may be obtained from the entity's administrative offices at Watauga County District U Tourism Development Authority, 815 West King Street, Suite 10, Boone, NC 28607.

### B. Basis of Presentation – Basis of Accounting

#### **Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The Statements of Net Position and the Statements of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County'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 and 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, including all taxes, are presented as general revenues.

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

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

The County reports the following major governmental funds:

*General Fund* – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Capital Projects Fund* – This is a capital projects fund. It accounts for the County's reserves set aside for future capital needs.

*Recreation Center Project Fund* – This is a project fund to account for the County's community recreation center project.

The County reports the following major enterprise fund:

*Solid Waste Fund* – This fund accounts for the operation, maintenance, and development of the County's transfer and disposal sites.

The County reports the following other fund types:

*Pension Trust Funds* – The County maintains two pension trust funds – the Other Post-Employment Benefits Fund and the Law Enforcement Officers' Special Separation Allowance Fund. Pension trust funds are used to report resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Other Postemployment Benefit (OPEB) Irrevocable Trust Fund accounts for the County's contributions for healthcare coverage provided to qualified retirees. The LEO Special Separation Allowance (LEOSSA) Irrevocable Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. The resources in the LEO Special Separation Allowance Fund have been set aside to pay future obligations of the LEO Special Separation Allowance.

*Custodial Funds* – Custodial funds are used to report fiduciary activities that are not required to be reporting in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County, and the Jail Inmate Commissary Fund, which holds cash collections for the benefit of inmates from their friends and families.

*Non-major Funds* – The County maintains nine legally budgeted non-major funds. The Federal Equitable Sharing Fund, the State Substance Abuse Tax Fund, the Emergency Telephone System Fund, the Fire Districts Funds, the Occupancy Tax Fund, the Representative Payee Fund, the Fines

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

and Forfeitures Fund, the Deed of Trust Fund and the Valle Crucis School Project Fund are all reported as non-major special revenue funds.

### **Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual 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, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are



## **WATAUGA COUNTY, NORTH CAROLINA**

### **Notes to the Financial Statements For the Year Ended June 30, 2021**

reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

#### **C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Project Funds, the Federal Equitable Sharing, the State Substance Abuse Tax, the Emergency Telephone System, Fire Districts, Occupancy Tax, Representative Payee, Fines and Forfeitures and Deed of Trust Special Revenue Funds, and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Recreation Center Project fund, the Valle Crucis School Project fund and the ARP Project fund. 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 and at the object level for the multi-year funds. The budget officer is authorized by the budget ordinance to transfer appropriation within a fund not to exceed 10% of the total departmental appropriation of the department whose allocation is reduced; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### **D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity**

##### **1. Deposits and Investments**

All deposits of the County, AppalCART, and the Watauga County District U Tourism Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, AppalCART, and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, AppalCART, and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30 (c)] authorizes the County, AppalCART, and the Authority to invest in obligations of the United States of 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; and the North Carolina Capital Management Trust (NCCMT).

The County, AppalCART, and the Authority's investments are carried at fair value as determined by quoted market prices. The North Carolina Capital Management Trust (NCCMT), which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a-7 fund which invests in treasuries and government agencies and is rated AAAM by S&P and AAmf by Moody Investor Services. The Government Portfolio is reported at fair value.

##### **Cash and Cash Equivalents**

The County pools money from several funds, except the OPEB Irrevocable Trust Fund, the LEOSSA Irrevocable Trust Fund, the DSS Trust Fund, and the Inmate Commissary Fund, 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. The County, AppalCART and the Authority consider demand deposits and investments purchased with an

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

original maturity of three months or less, which are not limited as to use, to be cash or cash equivalents.

#### **2. Restricted Cash**

Money for Tax Revaluation is classified as restricted assets because its use is restricted per NC General Statute 153A-150. Money for the Register of Deeds Automation Enhancement Fund is restricted by NC General Statute 161-50 to pay for computer equipment and technology needs for the Register of Deeds' office. Federal regulations require equitable sharing funds be used for approved law enforcement needs. State substance abuse tax receipts are restricted to law enforcement needs. Emergency Telephone Systems funds are restricted per NC General Statute 62A-46. Occupancy tax revenues are restricted for disbursement to the Watauga District U Tourism Development Authority. Taxes collected on behalf of the fire districts are restricted as payable to the districts.

#### Watauga County Restricted Cash

Governmental Activities		
General Fund	Tax revaluation	\$ 260,829
	Register of Deeds	86,916
Federal Equitable Sharing Fund	Law enforcement	118,643
State Substance Abuse Tax Fund	Law enforcement	32,106
Emergency Telephone Fund	911 eligible expenditures	373,477
Occupancy Tax Fund	Tourism	269,532
Fire District Funds	Unexpended collections	4,931
Total Governmental Activities		<u>\$1,146,434</u>

#### **3. Ad Valorem Taxes Receivable**

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020.

#### **4. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

#### **5. Inventory**

The inventories of AppalCart are maintained for fuel oil, tires, and vehicle parts; valuation is at last in first out (LIFO) basis. The cost of the inventory of AppalCart is recorded as an expense when consumed.

#### **6. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received July 1, 2015, are recorded at their acquisition value. Minimum capitalization is \$5,000 for all governmental fund assets. On July 1, 1989, the County established the Solid Waste Fund to account for the operations of the landfill. At this time, all landfill assets were transferred to this fund at original cost less accumulated depreciation from date of purchase. Property, plant, and equipment acquired after July 1, 1989, are recorded at original cost at time of acquisition. After July 1, 2002, the Fund's minimum capitalization cost is \$5,000. Prior to July 1, 2002, the Fund did not have a minimum capitalization cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

The County holds title to a Watauga County Board of Education property that has not been included in capital assets. The property has been deeded to the County to permit installment purchase

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

financing. Lease agreements between the County and the Board of Education give the Board of Education full use of Mabel School, full responsibility for maintenance of the facility, and stipulate the County will convey title back to the Board of Education once all restrictions of the financing agreements have been met. The property is reflected as a capital asset in the financial statements of the Watauga County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	10 to 50
Leasehold improvements	10 to 50
Other improvements	8 to 99
Furniture and equipment	5 to 20
Vehicles and motorized equipment	5

Capital assets of the AppalCART are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Office furniture and equipment	5 to 7
Shop equipment	8
Vehicles	7 to 12
Land improvements	10
Buildings	50

Capital assets of the Watauga County District U Tourism Development Authority are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Computer equipment	5
Furniture and fixtures	7

#### **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has the following items that meet this criterion – pension related deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has the following items that meet the criterion for this category – prepaid taxes, taxes receivable, notes receivable, unearned revenue, OPEB deferrals and pension related deferrals.

#### **8. Long-term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are expensed in the reporting period in which they are incurred. In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

### 9. Compensated Absences

The vacation policies of the County and AppalCART provide for the accumulation of up to thirty day earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide, proprietary fund and AppalCART statements. The vacation policy of the Authority provides for the accumulation of up to fifteen days earned vacation leave with such leave being fully vested when earned. On the Authority's government-wide statement, an expense and liability for compensated absences and salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, the Authority, and AppalCART provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement with the County and the Authority may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made by the County or its component units.

### 10. Net Positions/Fund Balances

#### **Net Position**

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

#### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

*Restricted Fund Balance* – This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law. The County has the following restricted items:

*Restricted for Stabilization by State Statute* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Revaluation – portion of fund balance restricted under State Statute [G.S. 153A-150].

Restricted for Register of Deeds – portion of fund balance restricted by revenue source for automation and technology enhancements in the Register of Deeds' office [G.S. 161-11.3].

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

Restricted for Public Safety – portion of fund balance representing the aggregate of net positions for three special revenue funds: the Emergency Telephone System Fund, the State Substance Abuse Tax Fund, and the Federal Equitable Sharing Fund.

Restricted for Health Services – portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program.

Restricted for Education – portion of fund balance that is restricted for the Watauga County Board of Education.

*Committed Fund Balance* – portion of fund balance which can only be used for a specific purpose by a majority vote of Watauga County's governing board (highest body of decision making authority). Any change or removal of specific purpose requires majority action by the governing board.

Committed for Capital Projects – portion of fund balance set aside for future capital project expenditures.

*Assigned Fund Balance* – portion of fund balance the governing board decides to use for a specific purpose.

*Unassigned Fund Balance* – portion of the total fund balance that has not been restricted, committed, or assigned to specific purposes or other funds at year-end.

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

#### **11. Defined Benefit Pension and OPEB Plans**

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state administered defined benefit pension plans"). For the purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value. For this purpose, plan member contributions recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

#### **Note 2 -**

#### **Detail Notes on All Funds**

##### **A. Assets**

##### **1. Deposits**

All of the County's, AppalCART's, and the Authority'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 County's,

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

AppalCART's, and the Authority's agents in these units' names. 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 County, AppalCART, and the Authority, these deposits are considered to be held by their agents in the entities' names. 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 County, AppalCART, or the Authority. Because of the inability to measure the exact amount of collateral pledged for the County, AppalCART, or the Authority, 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, AppalCART, and the Authority rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County, AppalCART, and the Authority have no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the County's deposits had a carrying amount of \$58,203,575 and a bank balance of \$60,691,366. Of the bank balance, \$864,650 was covered by federal depository insurance and the remainder is covered by collateral held under the Pooling Method. At June 30, 2021, Watauga County had \$3,450 cash on hand.

At June 30, 2021, AppalCART's deposits had a carrying amount of \$1,449,313 and a bank balance of \$1,479,504. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,229,504 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2021, the Authority's deposits had a carrying amount of \$6,567,589 and a bank balance of \$6,598,155. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Authority had no cash on hand.

## 2. Investments

As of June 30, 2021, the County had the following investments and maturities:

Investments by Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months	1-5 Years
Commercial Paper	Fair Value Level 2	17,856,362	14,859,663	2,996,699	-
Government Agencies	Fair Value Level 2	894,522	296,877	-	597,645
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	2,853,530	2,853,530	N/A	N/A
Total:		<u>\$21,604,414</u>	<u>\$18,010,070</u>	<u>\$2,996,699</u>	<u>\$597,645</u>

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody's Investor Service.

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Ratings are from Standard and Poor's scale.

Level of fair value hierarchy: Level 1: Debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

*Interest Rate Risk.* The County has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's internal investment procedure limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's internal management policy recommends purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

*Credit Risk.* The County has no formal policy regarding credit risk, but has internal management procedures that limits the County's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Services as of June 30, 2021. The County's investments in US Agencies with Federal Home Loan Bank is rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The County does have an elevated credit risk due to safekeeping held in a third party arrangement.

At June 30, 2021, AppalCART's investment stated at fair value, consisted of \$2,110,414 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Services. AppalCART has no formal policy on interest rate risk or credit risk on its investments.

At June 30, 2021, the Authority's investments consisted of the following:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Government Portfolio	\$ 108,823	N/A	AAAm
	\$ 108,823		

*Interest Rate Risk.* The Authority has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's internal investment policy limits at least half of the Authority's investment portfolio to maturities of less than 12 months. Also, the Authority's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

*Credit risk.* The Authority has no formal policy regarding credit risk, but has internal management procedures that limits the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Services as of June 30, 2021.

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

## 3. Property Tax – Use – Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Tax Year Levied	Tax	Interest	Total
2017	\$ 762,996	\$ 215,546	\$ 978,542
2018	765,874	147,431	913,305
2019	873,126	89,495	962,621
2020	868,258	-	868,258
Total	<u>\$ 3,270,254</u>	<u>\$ 452,472</u>	<u>\$ 3,722,726</u>

## 4. Receivables

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes Receivable	Interest Receivable	Total
<b>Governmental Activities:</b>				
General	\$ 27,677	\$ 982,663	\$ 137,797	\$ 1,148,137
Other Governmental	-	432,886	13,384	446,270
Total receivables	27,677	1,415,549	151,181	1,594,407
Allowance for doubtful accounts	-	(129,918)	-	(129,918)
Total-governmental activities	<u>\$ 27,677</u>	<u>\$ 1,285,631</u>	<u>\$ 151,181</u>	<u>\$ 1,464,489</u>
<b>Business-type Activities</b>				
Solid Waste	\$ 667,985	\$ -	\$ -	\$ 667,985
Allowance for doubtful accounts	(72,316)	-	-	(72,316)
Total-business-type activities	<u>\$ 595,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,669</u>

The due from other governments that is owed to the County consists of the following:

Governmental activities:	
NC Dept of Natural and Cultural Resources	\$ 133,611
NC DOR	5,545,066
NC Dept of Public Instruction	285,213
NC Dept of Public Safety	89,468
NC Dept of Commerce	116,741
Town of Blowing Rock	181,782
Caldwell Community College & Technical Institute	15,532
High Country Council of Governments	41,347
Town of Beech Mountain	176,220
Avery County	3,711
Town of Boone	1,409
Town of Seven Devils	27,095
Watauga County Clerk of Court	18,608
Watauga County District U TDA	6,123
NC DHHS	397,917
Emergency Telephone System	28,621
Total-governmental activities	<u>\$ 7,068,464</u>
Business-type activities:	
NCDOR	<u>\$ 39,024</u>



# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

## 5. Notes Receivable

The County entered into a promissory note with Appalachian State University on September 28, 2017 for the sale of the Old Watauga High School property located in Boone in the amount \$15,475,000. The terms of the note include interest at 0% and annual principal payments commencing July 1, 2022 in the amount \$800,000 continuing through July 1, 2040 with a final payment of \$1,075,000. The balance as of June 30, 2021 was \$15,475,000.

The County entered into a promissory note with Watauga Humane Society on November 26, 2019 to purchase the note held with TD Bank in the amount \$367,129 in Watauga Humane Society's name. The terms of the note include interest at 3% and monthly payments in the amount \$3,546 commencing January 1, 2020 continuing through December 1, 2029. The loan was modified on August 18, 2020 to allow interest only payments for September 1, 2020 through September 1, 2021. As a result of the loan modification, payments will continue through December 1, 2030. The balance as of June 30, 2021 was \$346,069.

## 6. Capital Assets

### Primary Government:

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 21,924,901	\$ 1,007,144	\$ -	\$ 22,932,045
Intangible	15,600	-	-	15,600
Construction in progress	38,836,923	1,704,384	39,177,577	1,363,730
Total capital assets not being depreciated	60,777,424	2,711,528	39,177,577	24,311,375
<b>Capital assets being depreciated:</b>				
Buildings	101,449,060	37,714,365	-	139,163,425
Other improvements	5,889,681	285,973	-	6,175,654
Leasehold improvements	7,672,161	12,323	40,014	7,644,470
Equipment	6,752,220	581,056	96,498	7,236,778
Vehicles and motorized equipment	2,712,055	215,980	106,642	2,821,393
Total capital assets being depreciated	124,475,177	38,809,697	243,154	163,041,720
Less accumulated depreciation for:				
Buildings	26,986,002	2,781,760	-	29,767,762
Other improvements	4,160,267	506,583	-	4,666,850
Leasehold improvements	2,117,367	273,168	13,716	2,376,819
Equipment	5,815,242	359,970	90,637	6,084,575
Vehicles and motorized equipment	1,827,971	379,266	106,642	2,100,595
Total accumulated depreciation	40,906,849	4,300,747	210,995	44,996,601
Total capital assets being depreciated, net	83,568,328			118,045,119
<b>Governmental activity capital assets, net</b>	<b>\$ 144,345,752</b>			<b>\$142,356,494</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 1,929,701
Public safety	575,955
Economic and physical development	29,295
Environmental protection	6,196
Human services	368,490
Cultural and recreational	1,391,110
Total depreciation expense	<u>\$ 4,300,747</u>

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 975,497	\$ -	\$ -	\$ 975,497
Construction in progress	38,617	144,168	-	182,785
Total capital assets not being depreciated	1,014,113	144,168	-	1,158,282
<b>Capital assets being depreciated:</b>				
Improvements	445,921	-	-	445,921
Leasehold improvements	319,960	-	-	319,960
Buildings	4,152,793	-	-	4,152,793
Equipment	2,149,398	7,869	-	2,157,267
Vehicles	2,001,204	-	220,290	1,780,914
Total capital assets being depreciated	9,069,276	7,869	220,290	8,856,855
Less accumulated depreciation for:				
Improvements	396,918	19,602	-	416,520
Leasehold improvements	314,156	248	-	314,404
Building	1,460,099	85,898	-	1,545,997
Equipment	1,579,758	85,008	-	1,664,766
Vehicles	1,352,534	222,397	220,290	1,354,641
Total accumulated depreciation	5,103,464	413,153	220,290	5,296,328
Total capital assets being depreciated, net	3,965,811			3,560,527
<b>Business-type capital assets, net</b>	<b>\$ 4,979,923</b>			<b>\$ 4,718,809</b>

## Construction commitments

The County has one active construction project as of June 30, 2021. The governmental project includes the Community Recreation Center. At June 30, 2021, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Valle Crucis School	\$ 206,250	\$ 2,457,750
Middlefork Greenway Sect. 4	441,997	1,204,298
Courthouse roof	-	634,777
Total	\$ 648,247	\$ 4,296,825

## Discretely presented component units

Capital asset activity for the AppalCART for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,114,242	\$ -	\$ -	\$ 1,114,242
Construction in progress	6,850	-	-	6,850
Total capital assets not being depreciated	1,121,092	-	-	1,121,092
<b>Capital assets being depreciated:</b>				
Buildings	6,713,329	-	-	6,713,329
Land improvements	11,156	-	-	11,156
Office furniture and equipment	515,240	25,392	-	540,632
Shop equipment	360,696	9,259	11,848	358,107
Vehicles	11,525,894	230,333	22,150	11,734,077

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

Total capital assets being depreciated	19,126,315	264,984	33,998	19,357,301
Less accumulated depreciation for:				
Buildings	951,150	135,789	-	1,086,939
Land improvements	11,692	536	-	12,228
Office furniture and equipment	341,562	61,244	-	402,806
Shop equipment	309,026	10,807	11,848	307,985
Vehicles	4,359,107	1,036,668	22,150	5,373,625
Total accumulated depreciation	5,972,537	1,245,044	33,998	7,183,583
Total capital assets being depreciated, net	13,153,778			12,173,718
<b>Business-type activities capital assets, net</b>	<b>\$14,274,870</b>			<b>\$13,294,810</b>

### B. Liabilities

#### 1. Payables

Payables at the government-wide level at June 30, 2021, were as follows:

	Vendors	Salaries and benefits	Due to other governments	Total
Governmental activities:				
General	\$ 1,175,670	\$ 377,317	\$ 106,996	\$ 1,619,983
Other governmental funds	160,575	-	628,087	788,662
Total-governmental activities	\$ 1,336,245	\$ 377,317	\$ 735,083	\$ 2,448,645
Business-type activities:				
Solid Waste	\$ 303,880	\$ 23,479	\$ -	\$ 327,359

#### 2. Pension Plan Obligations

##### a. Local Governmental Employees' Retirement System

*Plan Description.* The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the County to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS 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 Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. 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.org](http://www.osc.nc.org).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% 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. 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. 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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

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.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years 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 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.24% for general employees and firefighters, actuarially determined as an amount that, when combined with employees contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,284,035 for the year ended June 30, 2021.

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

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

At June 30, 2021, the County reported a liability of \$5,828,615 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County'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 LGERS employers, actuarially determined. At June 30, 2021, the County's proportion was 0.16311% (measured as of June 30, 2020), which was a decrease of 0.001671% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$2,034,725. At June 30, 2021, the County 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	\$ 736,052	\$ -
Changes of assumptions	433,763	-
Net difference between projected and actual earnings on	820,221	-

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

pension plan investments

Changes in proportion and differences between County contributions and proportionate share of contributions	84,141	5,377
County contributions subsequent to the measurement date	<u>1,284,035</u>	<u>-</u>
Total	\$ <u>3,358,212</u>	\$ <u>5,377</u>

\$1,284,035 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 586,128
2022	777,207
2023	462,722
2024	242,744
2025	-
Thereafter	-
Total	\$ <u>2,068,801</u>

At June 30, 2021, the Authority reported a liability of \$73,970 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority'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 LGERS employers, actuarially determined. At June 30, 2021, the Authority's proportion was 0.00207% (measured as of June 30, 2020), which was a decrease of 0.00045% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of \$23,023. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9,341	\$ -
Changes of assumptions	5,505	-
Net difference between projected and actual earnings on pension plan investments	10,409	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	5,846
Authority contributions subsequent to the measurement date	<u>17,897</u>	<u>-</u>
Total	\$ <u>43,152</u>	\$ <u>5,846</u>

\$17,897 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

Year ended June 30:

2021	\$	4,738
2022		7,565
2023		4,026
2024		3,081
2025		-
Thereafter		-
Total	\$	<u>19,410</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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 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 or arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

*Discount rate.* The discount rate used to measure the total pension liability was 7.0%. 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 proportionate share of the net pension asset to changes in the discount rate.* The following presents the proportionate share of the net pension asset calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability (asset)	\$ 11,825,625	\$ 5,828,615	\$ 844,678
Authority's proportionate share of the net pension liability (asset)	\$ 150,077	\$ 73,970	\$ 10,720

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

### **b. Law Enforcement Officers' Special Separation Allowance**

#### **1. Plan Description**

Watauga County administers a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. In June of 2016, the County established an irrevocable trust, the Law Enforcement Officers' Special Separation Allowance (LEOSSA) Irrevocable Trust Fund, to account for the assets set aside for this purpose. For reporting purposes, the LEOSSA is presented as a pension trust fund as it meets the criteria for trust funds outlined in GASB Statement 68.

*Benefits Provided.* The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The data required regarding the membership of the Watauga County Law Enforcement Separation Allowance Plan was furnished by the County and the NC Local Governmental Employees' Retirement System. The following table summarizes the membership of the Plan as of June 30, 2020, the valuation date:

Retirees receiving benefits	4
Inactive members entitled to but not receiving benefits	0
Active plan members	47
Total	51

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

*Contributions.* The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the year ended June 30, 2021, the County contributed \$137,936, or 5.98% of covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

*Refunds of Contributions.* Because all funds are contributed by the County, no refunds are available to members of the plan.

*Actuarial Assumptions.* The total pension liability (TPL) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Based on service, ranging from 3.25 to 7.75 percent, including inflation
Investment rate of return	2.21 percent, net of pension plan investment expense, including inflation
Mortality	Pre-retirement mortality rates based on the Pub-2010 Safety Employees tables, project forward generationally using Scale MP-2019 Post-retirement rate based on the Pub-2010 Safety Retirees tables, set forward one year and multiplied by .97, then projected generationally using Scale MP-2019

*Discount rate.* The discount rate used to measure the total pension liability was 2.21%. Since the assets are held in short term investments, a discount rate equal to the 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate was used. The index used for this purpose is the Bond Buyer 20-Bond GO Index rate published closest to, but not later than, the measurement date of June 30, 2020.

*Projected cash flows.* The projection of cash flows used to determine the discount rate assumed that the employer would contribute the actuarially determined contribution in the future.

*Long term rate of return.* The long-term expected rate of return on pension plan investments is assumed to be 2.21% annually. Since the Separation Allowance assets are held in short term investments a discount rate equal to the 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate was used. The index used for this purpose is the Bond Buyer 20-Bond GO Index rate published closest to, but not later than, the measurement date of June 30, 2020.

*Sensitivity of the net pension asset to changes in the discount rate.* The following presents the net pension liability calculated using the discount rate of 2.21 percent, as well as what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net pension liability	\$651,315	\$531,748	\$422,803

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the chart below:



# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance as of June 30, 2019; measurement date</b>	\$ 836,916	\$ 567,343	\$ 269,573
<b>Changes for the year:</b>			
Service cost	65,966	-	65,966
Interest	30,823	-	30,823
Benefit changes	-	-	-
Difference between expected and actual experience	37,151	-	37,151
Changes of assumptions or other inputs	271,350	-	271,350
Contributions – employer	-	139,433	(139,433)
Contributions – employee	-	-	-
Net investment income	-	13,682	(13,682)
Benefits paid	(44,433)	(44,433)	-
Plan administrative expenses	-	(10,000)	10,000
Net changes	360,857	98,602	(262,255)
<b>Balance as of June 30, 2020; measurement date</b>	<b>\$ 1,197,773</b>	<b>\$ 666,025</b>	<b>\$ 531,748</b>

## **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LEOSA Pension Plan**

The assumed rate of return was decreased from 3.50% to 2.21% to reflect the change in the Municipal Bond Rate. There were no changes between the measurement date of the net pension liability and the County's reporting date that are expected to have a significant effect on the net pension liability.

For the year ended June 30, 2021, the County recognized pension expense of \$108,089. Since certain expense items are amortized over closed periods each year, the deferred portion of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of the June 30, 2020 measurement date:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 52,484	\$ 133,845
Changes of assumptions	314,542	48,791
Net difference between projected and actual earnings on pension plan investments	16,822	-
County benefit payments and admin expenditures subsequent to the measurement date	137,936	-
Total	<u>\$ 521,784</u>	<u>\$ 182,636</u>

The County paid \$127,936 in benefit payments and \$10,000 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

the net pension liability in the year ended June 30, 2022. 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:		
2022	\$	20,910
2023		19,145
2024		17,225
2025		15,530
2026		13,997
Thereafter		114,405
Total	\$	<u>201,212</u>

#### **c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 required the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

Contributions for the year ended June 30, 2021 were \$145,147, which consisted of \$116,721 from the County and \$28,426 from the law enforcement officers. No amounts were forfeited.

#### **d. Supplemental Retirement Income Plans for General Employees**

Employees, other than law enforcement, have the choice of participating in a 401(k) plan or a 457 deferred compensation plan. The County contributes five percent of each employee's salary to the plan of their choice. Employees may make elective deferrals to each plan. Contributions for the year ended June 30, 2021 to these plans were \$752,946 which consisted of \$498,204 from the County and \$254,742 from employees. No amounts were forfeited.

#### **e. Register of Deeds' Supplemental Pension Fund**

*Plan Description.* Watauga County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS 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 Registers of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 28699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year, and for the foreseeable future, is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$8,112 for the year ended June 30, 2021.

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

At June 30, 2021, the County reported an asset of \$142,552 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2020, the County's proportion was .62201%, which was an increase of .05842% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of (\$2,024). At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 2,905
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	12,198
Changes in proportion and differences between County contributions and proportionate share of contributions	5,090	7,396
County contributions subsequent to the measurement date	8,112	-
Total	\$ <u>13,202</u>	\$ <u>22,499</u>

\$8,112 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

#### Year ended June 30:

2022	\$	(3,275)
2023		(5,557)
2024		(5,505)
2025		(3,073)
2026		-
Thereafter		-
Total	\$	<u>(17,410)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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. 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 adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2021 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. 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 County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$(121,080)	\$(142,552)	\$(160,721)

*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 for the State of North Carolina.

### **f. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019. The net pension liability (asset) for LEOSA was measured as of June 30, 2020, with an actuarial valuation date of December 31, 2019. The County's proportion of the net pension liability (asset) was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	ROD	LEOSSA	Total
Proportionate Share of Net Pension Liability (Asset)	\$ 5,828,615	\$ (142,552)	\$ -	\$ 5,686,063
Proportion of the Net Pension Liability (Asset)	0.16311%	-0.58420%	n/a	n/a
Net Pension Liability	-	-	\$ 531,748	\$ 531,748
Pension Expense	\$ 2,034,725	\$ (2,024)	\$ 108,089	\$ 2,140,790

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	ROD	LEOSSA	Total
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 736,052	\$ -	\$ 52,484	\$ 788,536
Changes of assumptions	433,763	-	314,542	748,305
Net difference between projected and actual earnings on pension plan investments	820,221	-	16,822	837,043
Changes in proportion and differences between County contributions and proportionate share of contributions	84,141	5,090	-	89,231
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,284,035	8,112	137,936	1,430,083
Total	<u>\$ 3,358,212</u>	<u>\$ 13,202</u>	<u>\$ 521,784</u>	<u>\$ 3,893,198</u>
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	\$ -	\$ 2,905	\$ 133,845	\$ 136,750
Changes of assumptions	-	-	48,791	48,791
Net difference between projected and actual earnings on pension plan investments	-	12,198	-	12,198
Changes in proportion and differences between County contributions and proportionate share of contributions	5,377	7,396	-	12,773
Total	<u>\$ 5,377</u>	<u>\$ 22,499</u>	<u>\$ 182,636</u>	<u>\$ 210,512</u>

### **g. Other Postemployment Benefit for Health Insurance**

#### **Plan Description**

*Plan Administration.* Under a County resolution as of September 1, 2001, Watauga County administers the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the County. The County has elected to partially pay the future overall cost of coverage for these benefits. The HCB Plan is available to qualified retirees at up to 100%, with a \$400 monthly maximum paid toward premium, until the age of 65 or until Medicare eligible, whichever is sooner based on years of creditable service with the County. The Board of Commissioners may amend the benefit provisions. The HCB Plan is in the County's report as a pension trust fund with funds held in an irrevocable trust. A separate report was not issued for the Plan.

Management of the HCB Plan is vested in the Watauga County Board of Commissioners.

*Plan Membership.* At June 30, 2020 and June 30, 2021, the HCB Plan membership consisted of the following:

## WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
Inactive plan members or beneficiaries currently receiving benefit payments	27	24
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	<u>236</u>	<u>249</u>
Total	<u>263</u>	<u>273</u>

*Benefits Provided.* The HCB plan provides healthcare benefits for retirees. The County pays a percentage of the cost of coverage for employees' benefits through private insurers.

*Contributions.* The Board of Commissioners established the contribution requirements of plan members and these requirements may be amended by the Board. The Board establishes rates based on an actuarially determined rate. Per a County resolution, the County is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. The County's contribution is dependent on the employee's number of years of creditable service with the County. Retirees pay the difference in the premium less their subsidy based on years of service in the chart below. For the current year, the County contributed \$293,500.

### County contributions to HCB Plan based on creditable years of service

25 years or more with Watauga County	\$400 per month maximum or 100%, whichever is less
20 to 25 years with Watauga County	\$300 per month maximum or 75%, whichever is less
10 years in LGERS with last 5 years with Watauga County	\$0

### **Investments**

*Investment policy.* The HCB Plan's policy in regards to the allocation of invested assets is established by the County Financial Policy used by management. It is the policy of the County to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio and staggered maturities. Investments are valued at fair value. The current asset allocation policy is in 100% fixed income investments with an expected long term rate of return of 2.21 percent.

*Rate of return.* For the year ended June 30, 2021, the annual money weighted rate of return on investments, net of investment expense, was 2.15 percent.

### **Net OPEB Liability of the County**

The components of the net OPEB liability of the County at June 30, 2021 were as follows:

Total OPEB Liability	\$ 4,992,212
Plan fiduciary net position	<u>2,058,754</u>
County's net OPEB liability	<u>\$ 2,933,458</u>

Plan fiduciary net position as a percentage of Total OPEB Liability is 41.24%.

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

Inflation	2.50 percent
Salary increases	Based on service, ranging from 7.75 percent for Uniformed Employees grading down to 3.25 percent over 40 years, and 8.25% for General Employees grading down to 3.25 percent over 35 years, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	6.0 percent, then 6.75 percent decreasing by .25 percent per year, 4.50 percent ultimate rate
Healthy mortality rates	
Pre-retirement	(General) Pub-2010 General Employees table, projected generationally using Scale: MP-2019 (Uniformed) Pub-2010 Safety Employees table, projected generationally using Scale: MP-2019.
Post-retirement	(General): Pub-2010 General Retiree table, set forward two years and multiplied by 96% for males, unadjusted for females, projected generationally using Scale MP-2019. (Uniformed): Pub-2010 Safety Retiree table, set forward one year and multiplied by 97%, projected generationally using Scale MP-2019.

Total OPEB liabilities were rolled forward to June 30, 2020 and June 30, 2021 for the employer and the plan, respectively, utilizing updated procedures incorporating the actuarial assumptions.

The actuarial assumptions used in the June 30, 2020 valuation were based on the NCLGERS assumption study for the five-year period ended December 31, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

*Discount rate.* The discount rate used to measure the total OPEB liability was 2.21 percent. The discount rate incorporates a municipal bond rate which is 2.21 percent as reported in the Bond Buyer for the 20 Year general obligation bonds as of June 30, 2020.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21 percent)	Discount Rate (2.21 percent)	1% Increase (3.21 percent)
Net OPEB liability (asset)	\$ 3,352,260	\$ 2,933,458	\$ 2,552,505

*Sensitivity of the net OPEB liability to changes in the healthcare trend rate.* The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were to calculate healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rate:



# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

	1% Decrease in Trend Rates	Healthcare Cost Trend Rate (6.0 percent decreasing to 4.5 percent)	1% Increase in Trend Rates
Net OPEB liability (asset)	\$ 2,594,765	\$ 2,933,458	\$ 3,333,595

*Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2021, the County reported a net OPEB liability of \$2,933,458. The total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2020.

At June 30, 2021, the components of the net OPEB liability of the County, as measured at June 30, 2020, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2020	\$ 4,290,310	\$ 1,911,459	\$ 2,378,851
Changes for the Year:			-
Service Cost	273,893	-	273,893
Interest	157,322	-	157,322
Differences between Expected and Actual experience	(299,908)	-	(299,908)
Changes of assumptions	710,395	-	710,395
Contributions	-	257,800	(257,800)
Net Investment Income	-	42,295	(42,295)
Administrative expense	-	(13,000)	13,000
Benefit Payments	(139,800)	(139,800)	-
Net Changes	701,902	147,295	554,607
Balances at June 30, 2021	\$ 4,992,212	\$ 2,058,754	\$ 2,933,458

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent in 2019 to 2.21 percent in 2020.

For the year ended June 30, 2021, the County recognized OPEB expense of \$470,719. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 440,738	\$ 431,897
Changes of assumptions	814,013	411,716
Net Difference between projected and actual earnings on plan investments	63,977	-
County contributions subsequent to the measurement date	293,500	-
Total	\$ 1,612,228	\$ 843,613

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

\$293,500 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$	90,688
2023		85,804
2024		78,183
2025		37,494
2026		79,183
Thereafter		103,763
	\$	<u>475,115</u>

#### h. **Other Employment Benefits**

##### **Death Benefits**

The County has elected to provide death benefits to all eligible employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan). A multiple-employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

For the fiscal year ended June 30, 2021, the County made contributions to the State for death benefits of \$8,979 for general employees and \$3,390 for law enforcement employees. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represents 0.1% and 0.14% of covered payroll, respectively.

The County has elected to provide additional death benefits for all eligible employees through a commercial insurance carrier in the amounts equal to an employee's salary rounded up to the next \$1,000. Coverage is provided at a maximum of \$80,000 with no minimum value. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

#### i. **Retirement Plan – AppalCART**

Please see the separately issued financial report of AppalCART for a complete description of their single employer pension plan.

### 3. **Closure and Postclosure Care Costs – Solid Waste Landfill and the Land Clearing Inert Debris (LCID)**

**Solid Waste Landfill** - On April 8, 1994, the County stopped accepting municipal solid waste at the County's landfill, and closure procedures were initiated. State and federal laws and regulations required the County to place a final cover on its landfill facility and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Groundwater testing continues, as required by NCDENR. Due to a NCDENR directive, in fiscal year 2004-2005, a methane collection

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

system was installed to prevent the potential for offsite migration. Further remedial actions are not anticipated unless groundwater conditions change. The County has reported accrued landfill post closure costs of \$365,235. The County will recognize the postclosure costs over the remaining 4 years.

**(LCID)** - State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting debris, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as each balance sheet date. The \$374,536 reported as landfill closure and postclosure care liability at June 30, 2021 represents a cumulative amount reported to date based on the use of 36% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$365,235 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2021.

### 4. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources as of June 30, 2021 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources Statement of Net Position	Governmental Funds Balance Sheet
Changes in assumptions, pensions and OPEB	\$ 1,562,318	\$ 460,507	\$ -
Pensions and OPEB – difference between expected and actual experience	1,229,274	568,647	-
Pensions and OPEB – difference between projected and actual investment earnings	901,020	12,198	-
Pensions and OPEB – change in proportion and difference between employer contributions and proportionate share of contributions	89,231	12,773	-
Contributions to pension and OPEB plans in	1,723,583	-	-
Deferred charge on refunding of debt	1,110,480	-	-
Note receivable	-	-	15,821,069
Prepaid taxes not yet earned (General)	-	17,160	17,160
Unearned revenue (General)	-	5,830,515	5,830,515
Taxes receivable, net (General)	-	-	852,745
Taxes Receivable, net (Special Revenue)	-	-	90,137
Total	<u>\$ 6,615,906</u>	<u>\$ 6,901,800</u>	<u>\$ 22,611,626</u>

### 5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administrated by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$118,390,943 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2,000,000 per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability

## **WATAUGA COUNTY, NORTH CAROLINA**

### **Notes to the Financial Statements For the Year Ended June 30, 2021**

coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. The County provides employee health, dental and life insurance benefits through commercial carriers.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. Under this program, the County has purchased commercial flood insurance for \$1,324,000 for certain flood-prone structures. The County carries flood insurance to avoid possible significant loss.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are covered by a blanket bond for \$250,000. The Finance Officer, Tax Administrator, Register of Deeds, and County Manager (as Deputy Finance Director) are each individually bonded for \$50,000 each. The Sheriff is bonded for \$25,000.

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

AppalCART is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. AppalCART is insured with the NC Association of County Commissioners Liability and Property and Worker's Compensation Pools that provides coverage for general liability in the amount of \$2,000,000 with an additional \$3,000,000 in vehicle liability purchased per NC DOT requirements and worker's comp insurance at the statutory limits. The County is a member of these same pools.

The Watauga County District U Tourism Development Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is insured with the NC Association of County Commissioners Liability and Property that provide coverage for general liability in the amount of \$2,000,000 and worker's comp coverage with a commercial firm at the statutory limits. The County is a member of the same Liability and Property pool.

#### **6. Long-term Obligations**

##### **a. Installment Purchase**

As authorized by State law [G.S. 160A-20 and 153A-158.1], the County financed various transactions during previous years by direct placement installment purchase. The installment purchases were issued pursuant to security agreements that require that legal title remain with the County as long as the debt is outstanding because the property is pledged as collateral for the debt. The County has four installment purchases serviced by the general fund.

The first and second installment direct placement purchase agreements were executed on June 28, 2012 to refinance the construction of the new high school. These installment purchases were refinanced June 28, 2012 into limited obligation bonds. The limited obligations bonds were issued in two series, A and B. Series A is for a principal amount of \$45,045,000 with terms ranging from 2016 to 2028. The Series A bonds were partially refunded on October 2, 2019. The refunded portion totaled \$17,390,000 with a new principal balance of \$19,240,000. The refunding was undertaken to reduce total debt service payments by \$677,245 over the remaining life of the purchase agreements. The Series A bonds have an outstanding balance at June 30, 2021 of \$25,360,000. Series B was for \$10 million with a term of three years and a set rate of 1.81 percent and this series paid out in fiscal year 2014-15.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2021

The third direct placement installment purchase agreement was for limited obligations bonds and was executed in the amount \$18,490,000 for the construction of the community recreation center on October 25, 2018. The installment purchase calls for annual payments of principal and semi-annual payments of interest for a period of 15 years. The annual principal payments range from \$1,320,000 to \$1,325,000. The outstanding balance as of June 30, 2021 is \$15,850,000. Proceeds from the LOBs included a premium of \$1,723,277 which will be amortized and expensed in interest over the life of the installment purchase agreement.

For Watauga County, the future minimum payments as of June 30, 2021, including \$7,282,705 of interest, are:

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2022	\$ 5,000,000	\$ 1,472,398	\$ -	\$ -
2023	5,040,000	1,230,333	-	-
2024	4,990,000	1,077,657	-	-
2025	4,945,000	925,412	-	-
2026	4,920,000	742,565	-	-
2027-2031	13,675,000	1,691,740	-	-
2032-2033	2,640,000	142,600	-	-
Total payments	\$ 41,210,000	\$ 7,282,705	\$ -	\$ -

### b. General Obligation Indebtedness

The County has no general obligation debt outstanding or authorized as of June 30, 2021. At June 30, 2021, Watauga County had a legal debt margin of \$720,972,511.

### c. Advance Refunding

In June 2012, the County issued \$55,045,000 in limited obligation bonds to refinance the installment purchase loans for the land and construction of the 2010 high school. These funds refinanced the original debt remaining of \$61,000,000 plus interest and expenses. This resulted in premiums totaling \$5,206,201 to be amortized over the remaining eight year life of the new debt. On October 2, 2019, the County issued \$19,240,000 of limited obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in a refunded escrow held by US Bank. As a result, the refunded bonds are decreased and the liability has been removed from the governmental activities column of the statement of net position. Due to the refunding of the Series A limited obligation bonds the premium on advance refunding liability was reduced by \$1,639,207. A liability for the balance of the premium of \$1,001,735 and the annual amortization of interest expense is in the government-wide statements.

### d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2021:

	Balance			Current Portion of	
<u>Governmental activities:</u>	July 1, 2020	Increases	Decreases	June 30, 2021	Balance
Net pension liability (LGERS)	\$ 4,117,962	\$ 1,228,044	\$ -	\$ 5,346,006	\$ -
Net pension liability (LEOSSA)	269,573	262,175	-	531,748	-
Net OPEB liability	2,176,887	507,520	-	2,684,407	-
Direct Placement Installment purchases	46,190,000	-	4,980,000	41,210,000	5,000,000
Premium on LOBS	1,493,507	-	114,885	1,378,622	114,885

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

Premium on advance refunding	1,195,953	-	194,218	1,001,735	143,105
Compensated absences	1,058,520	1,789,950	1,694,527	1,153,943	152,650
Total governmental activities	<u>\$ 56,502,402</u>	<u>\$ 3,787,689</u>	<u>\$ 6,983,630</u>	<u>\$ 53,306,461</u>	<u>\$5,410,640</u>

## **Business-type activities:**

Net pension liability (LGERS)	\$ 382,051	\$ 100,558	\$ -	\$ 482,609	\$ -
Net OPEB liability	201,964	47,087	-	249,051	-
Accrued landfill closure and post closure costs	840,498	21,018	121,745	739,771	121,745
Compensated absences	98,921	177,535	155,286	121,170	22,372
Total business-type activities	<u>\$ 1,523,434</u>	<u>346,198</u>	<u>\$ 277,031</u>	<u>\$ 1,592,601</u>	<u>144,117</u>

## **Discretely presented component units:**

### **AppalCART**

Compensated absences	<u>\$ 91,837</u>	<u>\$ 62,370</u>	<u>\$ 58,529</u>	<u>\$ 95,678</u>	<u>\$ 58,529</u>
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### **Watauga County TDA**

Net pension liability (LGERS)	\$ 68,819	\$ 5,151	\$ -	\$ 73,970	\$ -
Compensated absences	13,481	13,877	19,009	8,349	8,349
Total Watauga County TDA	<u>\$ 82,300</u>	<u>\$ 19,028</u>	<u>\$ 19,009</u>	<u>\$ 82,319</u>	<u>\$ 8,349</u>

For Watauga County and the Authority, compensated absences for governmental activities are liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned. For AppalCART, compensated absences are accounted for on the FIFO basis, assuming that employees are taking time that has been previously earned.

## **C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2021, consist of the following:

From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions	\$ 6,174,808
From the Capital Projects Fund to the Valle Crucis School Special Revenue Fund	2,664,000
From the Capital Projects Fund to the General Fund	1,617,000
Total	<u>\$ 10,455,808</u>

## **D. Net Investment in Capital Assets**

	Governmental	Business-type
Capital assets	\$ 142,356,494	\$ 4,718,807
Less long-term debt	41,210,000	-
Less LOBs premium	1,378,622	-
Less advance refunding premium	1,001,735	-
Net investment in capital assets	<u>\$ 98,766,137</u>	<u>\$ 4,718,807</u>

## **E. Fund Balance**

Watauga County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-county funds, county funds. For the purposes 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.

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2021

The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

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

Total fund balance – General Fund	\$45,637,067
Less:	
Stabilization by State Statute	10,415,418
Register of Deeds Automation/Enhancement	86,916
Tax Revaluation	260,829
Remaining fund balance	<u>\$34,873,904</u>

The outstanding encumbrances are amounts needed to pay any commitment related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances:	General Fund - \$3,385,108
	Valle Crucis School Project Fund - \$2,457,750
	E-911 Fund - \$16,800
	Enterprise Fund - \$1,742,527

#### Note 3 -

##### Joint Ventures

The County participates in a joint venture to operate Appalachian Regional Library with two other local governments. Each participating government appoints four board members to the twelve-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because of the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$652,360 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from their offices at 148 Library Drive, West Jefferson, NC 28694.

The County, in conjunction with Ashe and Alleghany Counties, participates in a joint venture to operate the Appalachian District Health Department. Each participating government appoints one board member to the Governing Board and they in turn appoint the other members of the Governing Board. None of the participating governments have any equity interest in the Health Department, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$813,129 to the Health Department to supplement its activities. Complete financial statements for the Health Department can be obtained from the Health Department's offices at 126 Poplar Grove Connector Road, Boone, NC 28607.

#### Note 4 -

##### Jointly Governed Organization

The County communally governs Caldwell Community College and Technical Institute with one other government and the community college system of the State of North Carolina. The County appoints two members of its fourteen members Board of Trustees. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$1,000,279 to Caldwell Community College and Technical Institute to supplement its activities. Complete financial statements for the College can be obtained at 2855 Hickory Boulevard, Hudson, NC 28638.

The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County

## **WATAUGA COUNTY, NORTH CAROLINA**

### **Notes to the Financial Statements For the Year Ended June 30, 2021**

paid membership fees of \$34,337 and purchased services in the amount of \$11,287 with the Council during the fiscal year ended June 30, 2021. The County was the sub recipient of three grants totaling \$337,603. The first grant is for \$307,543 in Home and Community Care Block Grant funds and the second is for \$16,041 in Nutrition Programs for the Elderly funds. Both are from the US Department of Health and Human Services and the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council. The third grant is for \$14,019 from the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council. Complete financial statements for the Council can be obtained at 468 New Market Blvd., Boone, NC 28607.

#### **Note 5 -**

#### **Summary Disclosure of Significant Commitments and Contingencies**

##### **Federal and State Assisted Programs**

The County 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 6 -**

#### **Subsequent Events**

For the year ended June 30, 2021, the County has evaluated subsequent events for potential recognition and disclosure through November 29, 2021 – the date the financial statements were available to be issued.

#### **Note 7 -**

#### **Change in Accounting Principle**

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:



# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2021

Governmental Activities Net Position – Increase (Decrease)	Nonmajor Special Revenue Fund Balance – Increase (Decrease)	Fiduciary Net Position - Custodial Fund - Increase (Decrease)	
\$ -	\$ -	\$ 13,368	Cash related to funds held on behalf of incarcerated inmates was reclassified from the General Fund into fiduciary net position in a newly created Jail Inmate Pay Custodial Fund.
\$ -	-	19,998	Cash, taxes receivables and liabilities related to ad valorem and vehicle property taxes collected by the County on behalf of various municipalities were reclassified out of the Agency Fund into a newly created Municipal Tax Custodial Fund. The portion of liabilities attributable to taxes receivable at the beginning of the year were restated as custodial net position.
28,038	28,038	-	Cash received under the Social Security Administration's Representative Payee Program net of liabilities owed for payments on behalf of beneficiaries were reclassified out of the Agency Fund into a newly created Representative Payee Special Revenue Fund. The portion of liabilities in the Agency Fund representing net cash available at the beginning of the year were restated as fund balance.
<u>\$ 28,038</u>	<u>\$ 28,038</u>	<u>\$ 33,366</u>	

## Note 8 -

### Prior Period Adjustment/Correction of Error

The NC Department of Public Safety disallowed \$10,926 in Emergency Telephone System expenditures for the fiscal year ended June 30, 2020, resulting in a prior period adjustment. The prior period adjustment is reflected in the nonmajor special revenue fund, Emergency Telephone System Fund.

## Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.
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### **Schedule**

- |    |  |
|----|--|
| 1  | Schedule of Changes in the Net Pension Liability-Law Enforcement Officers' Special Separation Allowance Irrevocable Trust (LEOSSA) |
| 2  | Schedule of the Net Pension Liability (LEOSSA)   |
| 3  | Schedule of County's Contributions (LEOSSA)  |
| 4  | Schedule of Changes in the OPEB Liability and Related Ratios   |
| 5  | Schedule of County's Contributions (OPEB)  |
| 6  | Schedule of Investment Returns (OPEB)  |
| 7  | Schedule of County's Proportionate Share of Net Pension Liability (Asset) (LGERS)  |
| 8  | Schedule of County's Contributions (LGERS)   |
| 9  | Schedule of County's Proportionate Share of Net Pension Liability (Asset) (RODSPF)   |
| 10 | Schedule of County's Contributions (RODSPF)  |

**Watauga County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance Irrevocable Trust**

**Schedule of the Changes in the Net Pension Liability (Asset)**  
**Last Six Fiscal Years**

	<b>2021**</b>	<b>2020**</b>	<b>2019**</b>	<b>2018**</b>	<b>2017**</b>	<b>2016*</b>
<b>Total pension liability</b>						
Service cost	\$ 65,966	\$ 59,759	\$ 57,398	\$ 57,127	\$ 24,305	\$ 49,129
Interest	30,823	30,735	26,308	25,578	14,474	26,460
Benefit changes	-	-	-	-	-	-
Difference between expected and actual experience	37,151	-	25,317	(173,460)	(33,229)	-
Changes of assumptions and other inputs	271,350	29,530	(21,390)	(50,285)	60,466	11,037
Benefit payments, including refunds of member contributions	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
<b>Net change in total pension liability</b>	<b>360,857</b>	<b>84,933</b>	<b>61,389</b>	<b>(158,439)</b>	<b>58,915</b>	<b>63,324</b>
<b>Total pension liability-beginning</b>	<b>836,916</b>	<b>751,983</b>	<b>690,594</b>	<b>849,033</b>	<b>790,118</b>	<b>726,794</b>
<b>Total pension liability-ending (a)</b>	<b>\$ 1,197,773</b>	<b>\$ 836,916</b>	<b>\$ 751,983</b>	<b>\$ 690,594</b>	<b>\$ 849,033</b>	<b>\$ 790,118</b>
<b>Plan net position</b>						
Contributions-employer	\$ 139,433	\$ 130,091	\$ 109,744	\$ 143,399	\$ 7,101	\$ 71,302
Contributions-member	-	-	-	-	-	-
Net investment income	13,682	11,387	5,867	752	428	706
Benefit payments, including refunds of member contributions	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
Administrative expense	(10,000)	(9,519)	(18,500)	(457)	-	(236)
Refund of contributions	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Net change in plan net position</b>	<b>98,682</b>	<b>96,868</b>	<b>70,867</b>	<b>126,295</b>	<b>428</b>	<b>48,470</b>
<b>Plan net position-beginning</b>	<b>567,343</b>	<b>470,475</b>	<b>399,608</b>	<b>273,313</b>	<b>272,885</b>	<b>224,415</b>
<b>Plan net position-ending (b)</b>	<b>\$ 666,025</b>	<b>\$ 567,343</b>	<b>\$ 470,475</b>	<b>\$ 399,608</b>	<b>\$ 273,313</b>	<b>\$ 272,885</b>
<b>Net pension liability-ending (a) - (b)</b>	<b>\$ 531,748</b>	<b>\$ 269,573</b>	<b>\$ 281,508</b>	<b>\$ 290,986</b>	<b>\$ 575,720</b>	<b>\$ 517,233</b>

\*Information is as of the Measurement date of December 31, 2015.

\*\*Information is presented as of the measurement date of June 30 one year prior to the reporting year noted.

**Notes to schedule:**

Benefit changes None

Assumption changes

The assumed rate of return was decreased from 3.50% to 2.21% to reflect a change in the Municipal Bond Rate.

There were no changes between the measurement date and the County's reporting date that are expected to have a significant effect on the net pension liability.

**Watauga County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance Irrevocable Trust**

**Schedule of the Net Pension Liability (Asset)**  
**Last Six Fiscal Years**

	<u>2021**</u>	<u>2020**</u>	<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016*</u>
Total pension liability (TPL)	\$ 1,197,773	\$ 836,916	\$ 751,983	\$ 690,594	\$ 849,033	\$ 790,118
Plan net position	<u>666,025</u>	<u>567,343</u>	<u>470,475</u>	<u>399,608</u>	<u>273,313</u>	<u>272,885</u>
Net pension liability	<u>\$ 531,748</u>	<u>\$ 269,573</u>	<u>\$ 281,508</u>	<u>\$ 290,986</u>	<u>\$ 575,720</u>	<u>\$ 517,233</u>
Ratio of plan net position to total pension liability	55.61%	67.79%	62.56%	57.86%	32.19%	34.54%
Covered payroll	2,307,552	2,005,514	2,005,514	1,837,013	1,883,580	1,837,735
Net pension liability as a percentage of covered payroll	23.04%	13.44%	14.04%	15.84%	30.57%	28.15%

\*Information is as of the Measurement date of December 31, 2015.

\*\*Information is as of the Measurement date of June 30 of the prior fiscal year.

**Notes to schedule:**

The TPL was measured based on data as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Based on service, ranging from 3.50 - 7.35%, including inflation
Investment Rate of Return	2.21%, net of pension plan investment expense, including inflation
Mortality	
Pre-retirement	Pub-2010 Safety Employees tables, projected forward generationally using Scape MP-2019
Post-retirement	Pub-2010 Safety Retirees tables, set forward one year and multiplied by 0.97, then projected generationally using Scale MP-2019

**Watauga County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance Irrevocable Trust**

**Schedule 3**

**Schedule of County Contributions**  
**Last Six Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined employer contribution	\$ 109,031	\$ 103,230	\$ 88,544	\$ 109,308	\$ 95,479	\$ 60,285
Contributions in relation to the contractually required contribution	137,936	139,433	130,091	109,744	143,399	39,727
Contribution deficiency (excess)	<u>\$ (28,905)</u>	<u>\$ (36,203)</u>	<u>\$ (41,547)</u>	<u>\$ (436)</u>	<u>\$ (47,920)</u>	<u>\$ 20,558</u>
County's covered payroll	\$ 2,307,552	\$ 2,005,514	\$ 2,005,514	\$ 1,837,013	\$ 1,823,288	\$ 1,883,580
Contributions as a percentage of covered payroll	5.98%	6.95%	6.49%	5.97%	7.86%	2.11%

**Notes to schedule:**

Valuation date: Actuarially determined employer contribution is determined on an annual basis

Methods and assumptions used to determine contribution rates for the year ended June 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	10.5 years
Asset valuation method	Market value of assets
Investment Rate of Return	2.21%, including inflation, net of pension plan investment expense
Inflation	2.50%
Salary increases	Based on service, ranging from 3.25% to 7.75%, including inflation
Mortality	
Pre-retirement	Pub-2010 Safety Employees tables, projected forward generationally using Scale MP-2019
Post-retirement	Pub-2010 Safety Retirees tables, set forward one year and multiplied by 0.97, then projected generationally using Scale MP-2019

**Watauga County, North Carolina**  
**Other Post Employment Benefits Irrevocable Trust**

**Schedule of the Changes in the Net OPEB Liability (Asset) and Related Ratios\***  
**Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>					
Service cost	\$ 273,893	\$ 248,114	\$ 204,963	\$ 245,616	\$ 196,127
Interest	157,322	162,144	133,400	104,379	128,565
Benefit changes	-	-	-	-	-
Difference between expected and actual experience	(299,908)	(114,921)	705,179	(166,570)	-
Changes of assumptions and other inputs	710,395	124,063	(491,388)	(209,201)	264,995
Benefit payments, including refunds of member contributions	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
<b>Net change in total OPEB liability</b>	<u>701,902</u>	<u>277,900</u>	<u>430,054</u>	<u>(133,576)</u>	<u>468,987</u>
<b>Total OPEB liability-beginning</b>	<u>4,290,310</u>	<u>4,012,410</u>	<u>3,582,356</u>	<u>3,715,932</u>	<u>3,246,945</u>
<b>Total OPEB liability-ending (a)</b>	<u>4,992,212</u>	<u>4,290,310</u>	<u>4,012,410</u>	<u>3,582,356</u>	<u>3,715,932</u>
<b>Plan fiduciary net position</b>					
Contributions-employer	\$ 257,800	\$ 264,000	\$ 264,800	\$ 872,800	\$ 207,436
Contributions-member	-	-	-	-	-
Net investment income	42,295	32,752	22,310	10,714	7,889
Benefit payments, including refunds of member contributions	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
Administrative expense	(13,000)	(12,538)	(25,000)	-	(4,800)
<b>Net change in plan fiduciary net position</b>	<u>147,295</u>	<u>142,714</u>	<u>140,010</u>	<u>775,714</u>	<u>89,825</u>
<b>Plan fiduciary net position-beginning</b>	<u>1,911,459</u>	<u>1,768,745</u>	<u>1,628,735</u>	<u>853,021</u>	<u>763,196</u>
<b>Plan fiduciary net position-ending (b)</b>	<u>2,058,754</u>	<u>1,911,459</u>	<u>1,768,745</u>	<u>1,628,735</u>	<u>853,021</u>
<b>Net OPEB liability-ending (a) - (b)</b>	<u>\$ 2,933,458</u>	<u>\$ 2,378,851</u>	<u>\$ 2,243,665</u>	<u>\$ 1,953,621</u>	<u>\$ 2,862,911</u>
Plan Fiduciary Net Position as a percentage of the Total					
OPEB Liability	41.24%	44.55%	44.08%	45.47%	22.96%
Covered employee payroll	\$ 11,825,259	\$ 11,825,259	\$ 11,480,834	\$ 10,715,512	\$ 10,160,128
Plan Net OPEB Liability as percentage of covered employee payroll	24.81%	20.12%	19.54%	18.23%	28.18%

\*Information is presented as of the measurement date of June 30 one year prior to the reporting year noted.

**Notes to Schedule**

Benefit changes                      None

Changes of assumptions              For 2020 the discount rate changed from 3.87% to 3.50%.

**Watauga County, North Carolina**  
**Other Post Employment Benefits Irrevocable Trust**

**Schedule of County Contributions**  
**Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 282,753	\$ 272,198	\$ 227,672	\$ 253,925	\$ 179,656	\$ 171,685	\$ 171,685	\$ 177,098	\$ 177,098	\$ 189,788
Contributions in relation to the actuarially determined contribution	293,500	257,800	264,000	256,000	872,800	207,436	230,450	205,575	211,783	169,359
Contribution deficiency (excess)	<u>\$ (10,747)</u>	<u>\$ 14,398</u>	<u>\$ (36,328)</u>	<u>\$ (2,075)</u>	<u>\$ (693,144)</u>	<u>\$ (35,751)</u>	<u>\$ (58,765)</u>	<u>\$ (28,477)</u>	<u>\$ (34,685)</u>	<u>\$ 20,429</u>
Covered payroll	\$ 13,633,944	\$ 11,825,259	\$ 11,480,834	\$ 10,745,512	\$ 10,160,128	\$ 10,512,790	\$ 10,028,405	\$ 10,387,368	\$ 10,011,037	\$ 10,526,058
Contributions as a percentage of covered payroll	2.15%	2.18%	2.30%	2.38%	8.59%	1.97%	2.30%	1.98%	2.12%	1.61%

**Notes to Schedule**

Methods and assumptions used to establish "actuarially determined contribution" rates:

Valuation date: Actuarially determined contribution rates are calculated biannually as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Measurement date: June 30, 2020

Discount rate 2.21% as of June 30, 2020 and 3.50% as of June 30, 2019 measurement  
 Actuarial cost method Entry age actuarial cost method  
 Amortization method Closed 30 year level dollar as of June 30, 2020  
 Remaining amortization period 30-years from June 30, 2020  
 Asset valuation method Market Value  
 Inflation rate 2.50%

Salary increases Based on service, 7.75% for Uninformed Employees grading down to 3.25% over 40 years, and 8.25% for General Employees grading down to 3.25% over 35 years, including inflation and productivity  
 Investment rate of return The assets are invested in cash, so the 20-year, general obligation, municipal bond index rate as of the Measurement Date is used as the discount rate.

Mortality Pre-Retirement (General): Pub-2010 General employees table, projected generationally using Scale: MP-2019. Healthy (General): Pub-2010 General retirees table, set forward two years and multiplied by 96% for males, unadjusted for females, projected generationally using Scale MP-2019. Disabled (General): Pub-2010 General disabled retirees table, set forward three years for males, set back one year for females, projected generationally using Scale MP-2019.

Healthcare trend costs Pre-Retirement (Uninformed): Pub-2010 Safety employees table, projected generationally using Scale: MP-2019. Healthy (Uninformed): Pub-2010 Safety retirees table, set forward one year and multiplied by 97%, projected generationally using Scale MP-2019. Disabled (Uninformed): Pub-2010 General disabled retirees table, set back three years, projected generationally using Scale MP-2019.

6.00%, then 6.75% decreasing by .25% per year, 4.50% ultimate rate

**Watauga County, North Carolina**  
**Other Post Employment Benefits Irrevocable Trust**

**Schedule 6**

**Schedule of Investment Returns**  
**Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	2.15%	1.80%	1.32%	0.87%	0.98%



**Watauga County, North Carolina**  
**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**

**Local Government Employees' Retirement System (LGERS)**  
 Last Eight Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.16311%	0.16478%	0.16559%	0.16785%	0.17390%	0.17404%	(0.17777)%	0.18070%
County's proportionate share of the net pension liability (asset) \$	\$ 5,828,615	\$ 4,500,013	\$ 3,928,361	2,564,283	\$ 3,690,741	\$ 781,083	\$ (1,048,391)	\$ 2,178,129
County's covered employee payroll	\$ 12,134,733	\$ 11,777,037	\$ 11,330,399	10,813,081	\$ 10,682,801	\$ 10,536,590	\$ 10,387,368	10,367,190
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	48.03%	38.21%	34.67%	23.71%	34.55%	7.41%	-10.09%	21.01%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	94.18%	91.47%	98.09%	98.79%	102.64%	94.35%	98.22%

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

**Watauga County, North Carolina  
County's Contributions**

**Local Governmental Employees' Retirement System**  
Last Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,284,035	\$ 1,113,164	\$ 937,359	\$ 861,878	\$ 798,115	\$ 732,167	\$ 761,648	\$ 738,196
Contributions in relation to the contractually required contribution	1,284,035	1,113,164	937,359	861,878	798,115	732,167	761,648	738,196
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
County's covered payroll	12,397,522	\$ 12,134,733	\$ 11,777,037	\$ 11,330,399	\$ 10,813,081	\$ 10,682,801	\$ 10,536,590	\$ 10,387,368
Contributions as a percentage of covered payroll	10.36%	9.17%	7.96%	7.61%	7.38%	6.85%	7.23%	7.11%

**Watauga County, North Carolina**  
**Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)**

**Register of Deeds' Supplemental Pension Fund (RODSPF)**  
 Last Eight Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	(0.62201)%	(0.56359)%	(0.61613)%	(0.65062)%	(0.66734)%	(0.65929)%	(0.6297%)	(0.6609%)
County's proportionate share of the net pension liability (asset) \$	\$ (142,552)	\$ (111,264)	\$ (102,050)	\$ (111,054)	\$ (124,766)	\$ (152,800)	\$ (142,737)	\$ (141,158)
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%	188.75%	189.65%

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

**Watauga County, North Carolina  
County's Contributions**

**Register of Deeds' Supplemental Pension Fund (RODSPF)**  
Last Eight Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,112	\$ 5,956	\$ 5,357	\$ 5,273	\$ 5,653	\$ 5,452	\$ 5,276	\$ 5,142
Contributions in relation to the contractually required contribution	8,112	5,956	5,357	5,273	5,653	5,452	5,276	5,142
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

COMBINING AND INDIVIDUAL FUND  
SCHEDULES

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Taxes - ad valorem:			
Current year		\$ 38,072,704	
Prior years		425,137	
Advertising and interest		179,875	
Total Taxes - ad valorem	\$ <u>36,911,375</u>	<u>38,677,716</u>	\$ <u>1,766,341</u>
Taxes - other:			
Local option sales taxes		17,179,832	
Real estate transfer tax		1,089,246	
ABC Bottle tax		25,151	
Heavy equipment rental tax		7,934	
Gross receipts tax		54,551	
Video programming tax		297,963	
Total Taxes - other	<u>10,693,081</u>	<u>18,654,677</u>	<u>7,961,596</u>
Unrestricted Intergovernmental:			
Miscellaneous revenues from Towns		2,190,976	
Medicaid hold harmless		2,705,497	
Tax collection fees		110,954	
Occupancy tax administrative fee		46,333	
Payments in lieu of taxes		28,569	
Total Unrestricted Intergovernmental	<u>2,890,500</u>	<u>5,082,329</u>	<u>2,191,829</u>
Restricted Intergovernmental:			
Grants-Federal and State		5,799,420	
Public School Building Capital Fund - Lottery		299,623	
Court facilities fees		75,336	
Total Restricted Intergovernmental	<u>7,849,329</u>	<u>6,174,379</u>	<u>(1,674,950)</u>
Permits and Fees:			
Sheriff's office permits and fees		150,366	
Planning and inspection fees		404,447	
Register of deeds fees		448,648	
Fire inspection fees		11,038	
Child Support fees		80,083	
Total Permits and Fees	<u>730,617</u>	<u>1,094,582</u>	<u>363,965</u>
Sales and Services:			
POA services		9,152	
TDA Financial and other services		12,000	
Recreation fees		368,433	
Reimbursement for Inmates		32,877	
Rent		325,107	
DMV notary/passport processing fees		189,374	
Blowing Rock communication services		-	
Election revenues		45	
Total Sales and Service	<u>1,222,468</u>	<u>936,988</u>	<u>(285,480)</u>
Investment earnings:	<u>38,500</u>	<u>104,650</u>	<u>66,150</u>
Miscellaneous:			
Other		590,088	
Donations		156,679	
Total Miscellaneous	<u>1,223,662</u>	<u>746,767</u>	<u>(476,895)</u>
<b>TOTAL REVENUES</b>	<b><u>61,559,532</u></b>	<b><u>71,472,088</u></b>	<b><u>9,912,556</u></b>

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance
<b>EXPENDITURES:</b>			
<b>General Government</b>			
Governing Body:			
Salaries and benefits		\$ 54,441	
Operating expenses		2,496	
Total Governing Body	\$ 62,085	56,937	\$ 5,148
Administration:			
Salaries and benefits		433,793	
Operating expenses		8,705	
Total Administration	462,905	442,498	20,407
Finance:			
Salaries and benefits		339,207	
Operating expenses		50,042	
Total Finance	416,467	389,249	27,218
Tax Administration:			
Salaries and benefits		882,920	
Operating expenses		178,348	
Total Tax Administration	1,201,179	1,061,268	139,911
Tax Revaluation:			
Operating expenses		157,844	
Total Tax Revaluation	368,847	157,844	211,003
Tag Office:			
Salaries and benefits		229,944	
Operating expenses		2,945	
Total Tag Office	250,473	232,889	17,584
Legal Services:			
Operating expenses	81,000	60,087	20,913
Court facilities:			
Operating expenses	2,000	-	2,000
Board of Elections:			
Salaries and benefits		409,770	
Operating expenses		210,635	
Total Board of Elections	665,781	620,405	45,376
Register of Deeds:			
Salaries and benefits		490,294	
Operating expenses		59,195	
Capital outlay		2,801	
Total Register of Deeds	573,180	552,290	20,890
General Administration:			
Operating expenses		700,911	
Capital outlay		120,103	
Total General Administration	2,589,306	821,014	1,768,292
Information Technologies:			
Salaries and benefits		494,723	
Operating expenses		399,800	
Capital outlay		75,254	
Total Information Technologies	1,082,926	969,777	113,149

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance
Maintenance:			
Salaries and benefits		\$ 1,299,348	
Operating expenses		32,202	
Total Maintenance	\$ 1,502,015	1,331,550	\$ 170,465
Public Buildings:			
Operating expenses		1,264,429	
Capital outlay		1,353,539	
Total Public Buildings	5,859,532	2,617,968	3,241,564
<b>Total General Government</b>	<b>15,117,696</b>	<b>9,313,776</b>	<b>5,803,920</b>
<b>Public Safety</b>			
Sheriff's Office:			
Salaries and benefits		3,903,133	
Operating expenses		527,028	
Capital outlay		248,526	
Total Sheriff's Office	5,156,992	4,678,687	478,305
Detention Center:			
Salaries and benefits		1,733,419	
Operating expenses		642,556	
Capital outlay		-	
Total Detention Center	2,452,681	2,375,975	76,706
Emergency Services:			
Salaries and benefits		902,596	
Operating expenses		62,832	
Capital outlay		248,905	
Total Emergency Services	1,395,461	1,214,333	181,128
Emergency Management:			
Salaries and benefits		289,895	
Operating expenses		2,513,063	
Capital outlay		28,000	
Total Emergency Management	2,877,662	2,830,958	46,704
Planning and Inspections:			
Salaries and benefits		594,116	
Operating expenses		20,750	
Capital outlay		25,678	
Total Planning and Inspections	718,365	640,544	77,821
Other Emergency Services:	1,835,728	1,659,404	176,324
Animal Control:			
Salaries and benefits		133,533	
Operating expenses		7,759	
Total Animal Control	174,504	141,292	33,212
<b>Total Public Safety</b>	<b>14,611,393</b>	<b>13,541,193</b>	<b>1,070,200</b>
<b>Transportation</b>			
Transportation:	87,956	87,956	-
<b>Economic and Physical Development</b>			
Special Appropriations:	531,443	531,443	-
Economic Development:	145,417	96,550	48,867
<b>Total Economic and Physical Development</b>	<b>676,860</b>	<b>627,993</b>	<b>48,867</b>



## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance
<b>Environmental Protection</b>			
Cooperative Extension:			
Salaries and benefits		\$ 262,910	
Operating expenses		15,559	
Total Cooperative Extension	\$ 291,594	278,469	\$ 13,125
Soil and Water Conservation:			
Salaries and benefits		117,549	
Operating expenses		(22,427)	
Total Soil and Water Conservation	221,978	95,122	126,856
<b>Total Environmental Protection</b>	<b>513,572</b>	<b>373,591</b>	<b>139,981</b>
<b>Human Services</b>			
Public Health:	813,129	813,129	-
Mental Health:	171,194	171,194	-
Social Services:			
Salaries and benefits		3,265,664	
Operating expenses		265,608	
Capital outlay		2,041	
Beneficiary payments		1,715,544	
Total Social Services	5,751,826	5,248,857	502,969
Project on Aging:			
Salaries and benefits		1,073,035	
Operating expenses		180,017	
Capital outlay		-	
Total Project on Aging	1,639,043	1,253,052	385,991
Veterans Services:			
Salaries and benefits		126,473	
Operating expenses		1,283	
Total Veterans Services	134,217	127,756	6,461
<b>Total Human Services</b>	<b>8,509,409</b>	<b>7,613,988</b>	<b>895,421</b>
<b>Education</b>			
Public Schools - current		13,864,547	
Public Schools - capital outlay		1,854,115	
Community College - current		950,279	
Community College - capital outlay		50,000	
<b>Total Education</b>	<b>16,814,362</b>	<b>16,718,941</b>	<b>95,421</b>
<b>Cultural and Recreational</b>			
Library:	652,360	652,360	-
Recreation:			
Salaries and benefits		763,518	
Operating expenses		115,574	
Total Recreation	1,533,256	879,092	654,164
<b>Total Cultural and Recreational</b>	<b>2,185,616</b>	<b>1,531,452</b>	<b>654,164</b>
<b>Debt Service</b>			
Principal retirement		4,980,000	
Interest and fees		1,696,631	
<b>Total Debt Service</b>	<b>6,676,631</b>	<b>6,676,631</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>65,193,495</b>	<b>56,485,521</b>	<b>8,707,974</b>
Revenues over (under) expenditures	(3,633,963)	14,986,567	18,620,530

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets	\$ 10,000	\$ 32,330	\$ 22,330
Transfers to Capital Projects Fund	(6,174,808)	(6,174,808)	-
Transfers from Capital Projects Fund	1,617,000	1,617,000	-
Fund balance appropriated	<u>8,181,771</u>	<u>-</u>	<u>(8,181,771)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>3,633,963</u></b>	<b><u>(4,525,478)</u></b>	<b><u>(8,159,441)</u></b>
<b>Net change in fund balance</b>	<b>\$ <u>-</u></b>	<b>10,461,089</b>	<b>\$ <u>10,461,089</u></b>
<b>Fund balance, beginning of year</b>		<b>35,186,904</b>	
<b>Prior period adjustment</b>		<b><u>(10,926)</u></b>	
<b>Fund balance, beginning, restated</b>		<b>35,175,978</b>	
<b>Fund balance, end of year</b>		<b>\$ <u>45,637,067</u></b>	

**Watauga County, North Carolina**  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Investment earnings	\$ <u>-</u>	\$ <u>34,382</u>	\$ <u>34,382</u>
<b>Expenditures:</b>			
General government	<u>6,174,808</u>	<u>-</u>	<u>6,174,808</u>
Revenues over (under) expenditures	<u>(6,174,808)</u>	<u>34,382</u>	<u>6,209,190</u>
<b>Other financing sources (uses):</b>			
Transfer from other funds	6,174,808	6,174,808	-
Transfer to other funds	(4,281,000)	(4,281,000)	-
Appropriated fund balance	<u>4,281,000</u>	<u>-</u>	<u>(4,281,000)</u>
<b>Total other financing sources (uses)</b>	<u>6,174,808</u>	<u>1,893,808</u>	<u>(4,281,000)</u>
Net change in fund balance	\$ <u><u>-</u></u>	1,928,190	\$ <u><u>1,928,190</u></u>
<b>Fund balance, beginning of year</b>		<u>13,655,257</u>	
<b>Fund balance, end of year</b>		\$ <u><u>15,583,447</u></u>	

**Watauga County, North Carolina**  
**Recreation Center Project Fund**  
**Schedule of Revenues and Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Donations	\$ -	40,550	\$ -	\$ 40,550	\$ 40,550
Investment earnings	-	1,175,579	7,484	1,183,063	1,183,063
<b>Total revenues</b>	<u>-</u>	<u>1,216,129</u>	<u>7,484</u>	<u>1,223,613</u>	<u>1,223,613</u>
<b>Expenditures:</b>					
Land Improvements	15,445	15,445	-	15,445	-
Building and furniture, fixtures and equipment	35,404,447	34,793,547	60,672	34,854,219	550,228
Professional services/architect	4,390,000	3,039,258	-	3,039,258	1,350,742
<b>Total expenditures</b>	<u>39,809,892</u>	<u>37,848,250</u>	<u>60,672</u>	<u>37,908,922</u>	<u>(1,900,970)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(36,632,121)</u>	<u>(53,188)</u>	<u>(36,685,309)</u>	<u>3,124,583</u>
<b>Other financing sources:</b>					
Proceeds from installment obligations issued	18,490,000	18,490,000	-	18,490,000	-
Premium on installment obligations	1,723,277	1,723,277	-	1,723,277	-
Transfer from other Funds	19,596,615	19,596,615	-	19,596,615	-
<b>Total other financing sources</b>	<u>39,809,892</u>	<u>39,809,892</u>	<u>-</u>	<u>39,809,892</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>3,177,771</u>	<u>(53,188)</u>	<u>\$ 3,124,583</u>	<u>\$ 3,124,583</u>
<b>Fund balance at beginning of year</b>			<u>3,177,771</u>		
<b>Fund balance at end of year</b>			<u>\$ 3,124,583</u>		

## Schedule 4

**Watauga County, North Carolina**  
**American Rescue Plan Funds**  
**Schedule of Revenues and Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
ARP Funds	\$ 10,911,724	\$ -	\$ 34,773	\$ 34,773	\$ (10,876,951)
Investment earnings	<u>-</u>	<u>-</u>	<u>1,772</u>	<u>1,772</u>	<u>1,772</u>
<b>Total revenues</b>	<u>10,911,724</u>	<u>-</u>	<u>36,545</u>	<u>36,545</u>	<u>(10,875,179)</u>
<b>Expenditures:</b>					
ARP Expenditures	<u>10,911,724</u>	<u>-</u>	<u>36,545</u>	<u>36,545</u>	<u>10,875,179</u>
<b>Total expenditures</b>	<u>10,911,724</u>	<u>-</u>	<u>36,545</u>	<u>36,545</u>	<u>(10,875,179)</u>
Revenues over (under) expenditures	<u>10,911,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>10,911,724</u>	<u>-</u>	<u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<b>Fund balance at beginning of year</b>			<u>-</u>		
<b>Fund balance at end of year</b>			\$ <u>-</u>		

**Watauga County, North Carolina**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

	Nonmajor Special Revenue Funds								Capital Project Fund	
	Federal Equitable Sharing Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Funds	Occupancy Tax Fund	Representative Payee Fund	Deed of Trust Fund	Fines and Forfeitures Fund	Valle Crucis School Project Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>										
Restricted cash and cash equivalents	\$ 118,643	\$ 32,106	\$ 373,477	\$ 4,931	\$ 269,532	\$ -	\$ -	\$ -	\$ -	798,689
Cash and cash equivalents	-	-	-	-	-	\$33,477	\$5,438	\$10,368	\$2,578,772	2,628,055
Due from other governments	-	-	28,621	20,050	-	-	-	-	-	48,671
Taxes receivable, net	-	-	-	90,137	342,749	-	-	-	-	432,886
Total assets	<u>\$ 118,643</u>	<u>\$ 32,106</u>	<u>\$ 402,098</u>	<u>\$ 115,118</u>	<u>\$ 612,281</u>	<u>\$ 33,477</u>	<u>\$ 5,438</u>	<u>\$ 10,368</u>	<u>\$ 2,578,772</u>	<u>\$ 3,908,301</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>										
<b>Liabilities:</b>										
Accounts payable and accrued liabilities	-	114	10,701	24,981	-	4,029	-	-	120,750	160,575
Due to other governments	-	-	-	-	612,281	-	5,438	10,368	-	628,087
Total Liabilities	<u>-</u>	<u>114</u>	<u>10,701</u>	<u>24,981</u>	<u>612,281</u>	<u>4,029</u>	<u>5,438</u>	<u>10,368</u>	<u>120,750</u>	<u>788,662</u>
<b>Deferred Inflows of Resources:</b>										
Taxes receivable	-	-	-	90,137	-	-	-	-	-	90,137
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,137</u>
<b>Fund Balances:</b>										
Restricted for:										
Stabilization by State Statute	-	-	28,621	-	-	-	-	-	-	28,621
Health services	-	-	-	-	-	29,448	-	-	-	29,448
Education	-	-	-	-	-	-	-	-	2,458,022	\$2,458,022
Public Safety	118,643	31,992	362,776	-	-	-	-	-	-	513,411
Total fund balances	<u>118,643</u>	<u>31,992</u>	<u>391,397</u>	<u>-</u>	<u>-</u>	<u>29,448</u>	<u>-</u>	<u>-</u>	<u>2,458,022</u>	<u>3,029,502</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 118,643</u>	<u>\$ 32,106</u>	<u>\$ 402,098</u>	<u>\$ 115,118</u>	<u>\$ 612,281</u>	<u>\$ 33,477</u>	<u>\$ 5,438</u>	<u>\$ 10,368</u>	<u>\$ 2,578,772</u>	<u>\$ 3,908,301</u>

**Watauga County, North Carolina**  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2021

	<b>Nonmajor Special Revenue Funds</b>										<b>Capital Project Fund</b>	
	<b>Federal Equitable Sharing Fund</b>	<b>State Substance Abuse Tax Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Fire Districts Fund</b>	<b>Occupancy Tax Fund</b>	<b>Representative Payee Fund</b>	<b>Deed of Trust Fund</b>	<b>Fines and Forfeitures Fund</b>	<b>Valle Crucis School Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>		
<b>REVENUES</b>												
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 3,472,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,472,535		
Other taxes and licenses	-	-	-	-	3,976,078	214,580	-	-	-	4,190,658		
Permits and fees	-	-	-	-	-	-	70,699	-	-	70,699		
Sales and services	-	9,688	343,448	-	-	-	-	204,328	-	204,328		
Restricted intergovernmental	-	-	-	-	-	-	-	-	-	353,136		
Investment earnings	307	93	745	-	-	-	-	-	272	1,417		
Total revenues	307	9,781	344,193	3,472,535	3,976,078	214,580	70,699	204,328	272	8,292,773		
<b>EXPENDITURES</b>												
General government	-	-	-	-	-	-	70,699	204,328	-	275,027		
Economic development	-	-	-	-	3,976,078	-	-	-	-	3,976,078		
Public safety	27,226	22,158	249,645	3,472,535	-	-	-	-	-	3,771,564		
Human services	-	-	-	-	-	213,170	-	-	-	213,170		
Education	-	-	-	-	-	-	-	-	206,250	206,250		
Total expenditures	27,226	22,158	249,645	3,472,535	3,976,078	213,170	70,699	204,328	206,250	8,442,089		
Excess (deficiency) of revenues over expenditures	(26,919)	(12,377)	94,548	-	-	1,410	-	-	(205,978)	(149,316)		
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfer from other funds	-	-	-	-	-	-	-	-	2,664,000	2,664,000		
Total other financing sources and uses	-	-	-	-	-	-	-	-	2,664,000	2,664,000		
Net change in fund balances	(26,919)	(12,377)	94,548	-	-	1,410	-	-	2,458,022	2,514,684		
Fund balances, beginning of year	145,562	44,369	285,923	-	-	-	-	-	-	475,854		
Prior period restatement - change in accounting principle	-	-	-	-	-	28,038	-	-	-	28,038		
Prior period adjustment	-	-	10,926	-	-	-	-	-	-	10,926		
Fund balance, beginning of year, restated	145,562	44,369	296,849	-	-	28,038	-	-	-	514,818		
Fund balances, end of year	\$ 118,643	\$ 31,992	\$ 391,397	\$ -	\$ -	\$ 29,448	\$ -	\$ -	\$ 2,458,022	\$ 3,029,502		

**Watauga County, North Carolina**  
Federal Equitable Sharing Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Restricted intergovernmental - Federal	\$ 7,000	\$ -	\$ (7,000)
Investment earnings	<u>-</u>	<u>307</u>	<u>307</u>
<b>Total revenues</b>	<u>7,000</u>	<u>307</u>	<u>(6,693)</u>
<b>Expenditures:</b>			
Public safety	<u>33,143</u>	<u>27,226</u>	<u>5,917</u>
Revenues over (under) expenditures	<u>(26,143)</u>	<u>(26,919)</u>	<u>(776)</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>26,143</u>	<u>-</u>	<u>(26,143)</u>
Net change in fund balance	<u>\$ -</u>	<u>(26,919)</u>	<u>\$ (26,919)</u>
<b>Fund balance, beginning of year</b>		<u>145,562</u>	
<b>Fund balance, end of year</b>		<u>\$ 118,643</u>	



**Watauga County, North Carolina**  
State Substance Abuse Tax Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Restricted intergovernmental - State	\$ 36,650	\$ 9,688	\$ (26,962)
Investment earnings	<u>100</u>	<u>93</u>	<u>(7)</u>
<b>Total revenues</b>	<u>36,750</u>	<u>9,781</u>	<u>(26,969)</u>
<b>Expenditures:</b>			
Public safety	36,750	22,158	14,592
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>36,750</u>	<u>22,158</u>	<u>14,592</u>
Revenues over (under) expenditures	<u>-</u>	<u>(12,377)</u>	<u>(12,377)</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	(12,377)	\$ <u>(12,377)</u>
<b>Fund balance, beginning of year</b>		<u>44,369</u>	
<b>Fund balance, end of year</b>		\$ <u><u>31,992</u></u>	

**Watauga County, North Carolina**  
Emergency Telephone System Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Restricted intergovernmental:			
Emergency Telephone Surcharge funds	\$ 343,577	\$ 343,448	\$ (129)
Investment earnings	<u>-</u>	<u>745</u>	<u>745</u>
<b>Total revenues</b>	<u>343,577</u>	<u>344,193</u>	<u>616</u>
<b>Expenditures:</b>			
Public safety:			
Implementation services	48,718	41,326	7,392
Software	82,407	27,548	54,859
Training	6,625	6,681	(56)
Telephones	143,426	149,775	(6,349)
Hardware	62,401	24,315	38,086
Furniture	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>343,577</u>	<u>249,645</u>	<u>93,932</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing sources (uses):</b>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	94,548	<u>\$ 94,548</u>
<b>Fund balance, beginning of year</b>		285,923	
<b>Prior period adjustment</b>		10,926	
<b>Fund balance, beginning, restated</b>		<u>296,849</u>	
<b>Fund balance, end of year</b>		<u>\$ 391,397</u>	

**Watauga County, North Carolina**  
 Fire Districts Funds  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 3,540,690	\$ 3,472,535	\$ (68,155)
<b>Total revenues</b>	<u>3,540,690</u>	<u>3,472,535</u>	<u>(68,155)</u>
<b>Expenditures:</b>			
Public safety:			
Beaver Dam Fire Department	119,700	119,354	
Beech Mountain Fire Department	2,350	1,832	
Blowing Rock Fire Department	527,700	519,133	
Boone Fire Department	989,440	973,134	
Cove Creek Fire Department	273,600	266,600	
Creston Fire Department	7,050	6,131	
Deep Gap Fire Department	209,400	206,293	
Fall Creek Fire Department	10,025	9,790	
Foscoe Fire Department	586,400	572,761	
Meat Camp Fire Department	237,700	232,771	
Shawneehaw Fire Department	114,275	113,575	
Stewart Simmons Fire Department	266,700	257,049	
Todd Fire Department	67,200	66,816	
Zionville Fire Department	<u>129,150</u>	<u>127,296</u>	
<b>Total expenditures</b>	<u>3,540,690</u>	<u>3,472,535</u>	<u>68,155</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance, beginning of year</b>		<u>-</u>	
<b>Fund balance, end of year</b>		<u>\$ -</u>	

**Watauga County, North Carolina**  
Occupancy Tax Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Occupancy tax	\$ <u>4,219,500</u>	\$ <u>3,976,078</u>	\$ <u>(243,422)</u>
<b>Total revenues</b>	<u>4,219,500</u>	<u>3,976,078</u>	<u>(243,422)</u>
<b>Expenditures:</b>			
Tourism development	4,169,000	3,926,317	242,683
Administrative fee	<u>50,500</u>	<u>49,761</u>	<u>739</u>
<b>Total expenditures</b>	<u>4,219,500</u>	<u>3,976,078</u>	<u>243,422</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
<b>Fund balance, beginning of year</b>		<u>-</u>	
<b>Fund balance, end of year</b>		\$ <u><u>-</u></u>	

## Schedule 12

**Watauga County, North Carolina**  
 Representative Payee Fund  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ <u>218,017</u>	\$ <u>214,580</u>	\$ <u>(3,437)</u>
<b>Total revenues</b>	<u>218,017</u>	<u>214,580</u>	<u>(3,437)</u>
<b>Expenditures:</b>			
Human services			
Payments made for the benefit of beneficiaries	<u>218,017</u>	<u>213,170</u>	<u>4,847</u>
<b>Total expenditures</b>	<u>218,017</u>	<u>213,170</u>	<u>4,847</u>
Net change in fund balance	\$ <u><u>-</u></u>	1,410	\$ <u><u>1,410</u></u>
<b>Fund balance, beginning of year</b>		<u>-</u>	
Prior period restatement - change in accounting principle		28,038	
<b>Fund balance, beginning of year, restated</b>		<u>28,038</u>	
<b>Fund balance, end of year</b>		\$ <u><u>29,448</u></u>	

**Watauga County, North Carolina**  
**Deed of Trust Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Permits and fees			
Register of deeds	\$ 72,000	\$ 70,699	\$ (1,301)
<b>Total revenues</b>	<u>72,000</u>	<u>70,699</u>	<u>(1,301)</u>
<b>Expenditures:</b>			
General government			
Payments of fees collected to the State of N.C.	72,000	70,699	1,301
<b>Total expenditures</b>	<u>72,000</u>	<u>70,699</u>	<u>1,301</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
<b>Fund balance, beginning of year</b>		-	
Prior period restatement - change in accounting principle		-	
<b>Fund balance, beginning of year, restated</b>		-	
<b>Fund balance, end of year</b>		\$ <u>-</u>	

## Schedule 14

**Watauga County, North Carolina**  
**Fines and Forfeitures Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Permits and fees			
Register of deeds	\$ 210,000	\$ 204,328	\$ (5,672)
<b>Total revenues</b>	<u>210,000</u>	<u>204,328</u>	<u>(5,672)</u>
<b>Expenditures:</b>			
General government			
Payments of penalties, fines and forfeitures to the Watauga County Board of Education	<u>210,000</u>	<u>204,328</u>	<u>5,672</u>
<b>Total expenditures</b>	<u>210,000</u>	<u>204,328</u>	<u>5,672</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
<b>Fund balance, beginning of year</b>		-	
Prior period restatement - change in accounting principle		-	
<b>Fund balance, beginning of year, restated</b>		-	
<b>Fund balance, end of year</b>		\$ <u>-</u>	

**Watauga County, North Carolina**  
Valle Crucis School Project Fund  
Schedule of Revenues and Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2021

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Investment earnings	\$ -	\$ -	\$ 272	\$ 272	\$ 272
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>272</u>	<u>272</u>	<u>272</u>
<b>Expenditures:</b>					
Professional services/architect	<u>2,664,000</u>	<u>-</u>	<u>206,250</u>	<u>206,250</u>	<u>2,457,750</u>
<b>Total expenditures</b>	<u>2,664,000</u>	<u>-</u>	<u>206,250</u>	<u>206,250</u>	<u>(2,457,750)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(205,978)</u>	<u>(205,978)</u>	<u>2,458,022</u>
<b>Other financing sources:</b>					
Transfer from other Funds	<u>2,664,000</u>	<u>-</u>	<u>2,664,000</u>	<u>2,664,000</u>	<u>-</u>
<b>Total other financing sources</b>	<u>2,664,000</u>	<u>-</u>	<u>2,664,000</u>	<u>2,664,000</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	2,458,022	\$ <u>2,458,022</u>	\$ <u>2,458,022</u>
<b>Fund balance at beginning of year</b>			<u>-</u>		
<b>Fund balance at end of year</b>			\$ <u>2,458,022</u>		



## Watauga County, North Carolina

## Solid Waste Fund

## Schedule of Revenues and Expenditures Budget and Actual (NON-GAAP)

For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 5,049,024	\$ 5,689,417	\$ 640,393
Sale of recycled materials	150,000	270,077	120,077
Total	<u>5,199,024</u>	<u>5,959,494</u>	<u>760,470</u>
Non-operating revenues:			
Miscellaneous revenue	32,549	1,400	(31,149)
Investment earnings	5,348	19,501	14,153
Restricted intergovernmental revenues	140,470	148,684	8,214
Total	<u>178,367</u>	<u>169,585</u>	<u>(8,782)</u>
Total revenues	<u>5,377,391</u>	<u>6,129,079</u>	<u>751,688</u>
<b>Expenditures:</b>			
Landfill operations:			
Salaries and employee benefits		1,414,018	
Other operating expenditures		3,262,510	
Total landfill operations	<u>5,108,844</u>	<u>4,676,528</u>	<u>432,316</u>
Recycling operations:			
Salaries and employee benefits		59,206	
Other operating expenses		57,053	
Total recycling operations	<u>121,814</u>	<u>116,259</u>	<u>5,555</u>
Capital outlay:			
Capital outlay	<u>1,900,936</u>	<u>152,037</u>	<u>1,748,899</u>
Total expenditures	<u>7,131,594</u>	<u>4,944,824</u>	<u>2,186,770</u>
Revenues under/(over) expenditures	<u>(1,754,203)</u>	<u>1,184,255</u>	<u>2,938,458</u>
<b>Other financing sources:</b>			
Sale of fixed assets	-	32,819	32,819
Appropriated fund balance	1,754,203	-	(1,754,203)
Total other financing sources	<u>1,754,203</u>	<u>32,819</u>	<u>(1,721,384)</u>
Revenues over expenditures and other sources	<u>\$ -</u>	<u>1,217,074</u>	<u>\$ 1,217,074</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

## Reconciling items:

Increase in deferred outflow of resources - pensions	41,556
Increase in net pension liability	(100,558)
Decrease in deferred inflow of resources - pensions	468
Increase in deferred outflow of resources - OPEB	49,568
Increase in deferred inflow of resources - OPEB	(11,858)
Increase in net OPEB liability	(47,087)
Decrease in accrued landfill post closure and closure costs	100,727
Capital outlay	152,037
Depreciation	(413,153)
Decrease in accrued compensated absences	(22,249)
Total reconciling items	<u>(250,549)</u>

Change in net position \$ 966,525

**Watauga County, North Carolina**  
Combining Schedule of Fiduciary Net Position  
Irrevocable Trust Funds  
For the Year Ended June 30, 2021

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 750,688	\$ 2,219,361	\$ 2,970,049
	<u>\$ 750,688</u>	<u>\$ 2,219,361</u>	<u>\$ 2,970,049</u>
<b>Net position:</b>			
Assets held in trust for retirement benefits	\$ 750,688	\$ 2,219,361	\$ 2,970,049
	<u>\$ 750,688</u>	<u>\$ 2,219,361</u>	<u>\$ 2,970,049</u>

**Watauga County, North Carolina**  
Combining Schedule of Changes in Fiduciary Net Position  
Irrevocable Trust Funds  
For the Year Ended June 30, 2021

	<b>LEO Special Separation Allowance</b>	<b>Other Post Employment Benefits</b>	<b>Totals</b>
<b>Additions:</b>			
Employer contributions	\$ 137,936	\$ 293,500	\$ 431,436
Interest	<u>163</u>	<u>6,607</u>	<u>6,770</u>
Total additions	<u>138,099</u>	<u>300,107</u>	<u>438,206</u>
<b>Deductions:</b>			
Benefits	43,436	126,500	169,936
Administrative expense	<u>10,000</u>	<u>13,000</u>	<u>23,000</u>
Total deductions	<u>53,436</u>	<u>139,500</u>	<u>192,936</u>
Change in net position	84,663	160,607	245,270
Net position, beginning	666,025	2,058,754	2,724,779
Net position, ending	<u>\$ 750,688</u>	<u>\$ 2,219,361</u>	<u>\$ 2,970,049</u>

**Watauga County, North Carolina**  
Combining Statement of Fiduciary Net Position  
Custodial Funds  
June 30, 2021

	<b>Municipal Tax Fund</b>	<b>Inmate Commissary Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 107	\$ 68,853	\$ 68,960
Total assets	<u>\$ 107</u>	<u>\$ 68,853</u>	<u>\$ 68,960</u>
<b>Net position:</b>			
Restricted for:			
Individuals, organizations and other governments	107	68,853	68,960
Total net position	<u>\$ 107</u>	<u>\$ 68,853</u>	<u>\$ 68,960</u>

**Watauga County, North Carolina**  
Combining Statement of Changes in Fiduciary Net Position  
Custodial Funds  
June 30, 2021

	<b>Municipal Tax Fund</b>	<b>Inmate Commissary Fund</b>	<b>Totals</b>
<b>Additions:</b>			
Ad valorem taxes for other governments	\$ 6,752,810	\$ -	\$ 6,752,810
Collections on behalf of inmates	-	246,593	246,593
Total additions	<u>6,752,810</u>	<u>\$ 246,593</u>	<u>\$ 6,999,403</u>
<b>Deductions:</b>			
Tax distributions to other governments	6,772,701	-	6,772,701
Payments on behalf of inmates	<u>        </u>	<u>191,108</u>	<u>191,108</u>
Total deductions	<u>6,772,701</u>	<u>191,108</u>	<u>6,963,809</u>
Change in net position	(19,891)	55,485	35,594
Net position, beginning, as previously reported	-	-	-
Prior period restatement - change in accounting principle	<u>19,998</u>	<u>13,368</u>	<u>33,366</u>
Net position, restated	<u>19,998</u>	<u>13,368</u>	<u>33,366</u>
Net position, ending	<u>\$ 107</u>	<u>\$ 68,853</u>	<u>\$ 68,960</u>

**Watauga County, North Carolina**  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
For the Year Ended June 30, 2021

		<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
<b><u>Fiscal year:</u></b>					
<b>2020</b>	<b>- 2021</b>	\$ -	\$ 38,503,645	\$ 38,072,704	\$ 430,941
<b>2019</b>	<b>- 2020</b>	529,836	-	302,971	226,865
<b>2018</b>	<b>- 2019</b>	146,195	-	55,007	91,188
<b>2017</b>	<b>- 2018</b>	117,107	-	49,400	67,707
<b>2016</b>	<b>- 2017</b>	68,286	-	17,460	50,826
<b>2015</b>	<b>- 2016</b>	44,002	-	11,745	32,257
<b>2014</b>	<b>- 2015</b>	41,237	-	12,255	28,982
<b>2013</b>	<b>- 2014</b>	31,355	-	5,137	26,218
<b>2012</b>	<b>- 2013</b>	28,652	-	5,933	22,719
<b>2011</b>	<b>- 2012</b>	21,423	-	18,848	2,575
<b>2010</b>	<b>- 2011</b>	14,746	-	14,746	-
		<u>\$ 1,042,839</u>	<u>\$ 38,503,645</u>	<u>\$ 38,566,206</u>	<u>980,278</u>
Plus: 2021 - 2022 receivable					2,385
Less: Allowance for uncollectible accounts General Fund					<u>(129,918)</u>
Ad valorem taxes receivable - net General Fund					<u>\$ 852,745</u>

**Reconcilement with revenues:**

Ad valorem taxes - General Fund		\$ 38,677,716
Reconciling items:		
Advertising and interest collected	(179,875)	
Taxes written off	14,204	
Prior year releases and refunds	54,161	
Total reconciling items		<u>(111,510)</u>
Total collections and credits		<u>\$ 38,566,206</u>

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Year Ended June 30, 2021

				Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 8,932,612,718	\$ 0.00403	\$ 36,069,135	\$ 36,069,135	\$ -
Motor vehicles	546,439,950	0.00403	2,202,153	-	2,202,153
Penalties	-		7,672	7,672	-
Total	9,479,052,668		38,278,960	36,076,807	2,202,153
Discoveries:					
Property taxed at current year's rate	130,413,340	0.00403	555,835	555,835	-
Penalties	-		54	54	-
Total	130,413,340		555,889	555,889	-
Abatements:	(82,184,615)		(331,204)	(331,204)	-
Total property valuation	\$ 9,527,281,393				
		Net levy	38,503,645	36,301,492	2,202,153
Uncollected taxes at June 30, 2021			430,941	426,331	4,610
Current year's taxes collected			\$ 38,072,704	\$ 35,875,161	\$ 2,197,543
Current levy collection percentage			98.88%	98.83%	99.79%

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Year Ended June 30, 2021

**Secondary Market Disclosures:**

## Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 8,702,888,763
Personal Property	719,474,340
Public Service Companies	<u>104,918,290</u>
Total Assessed Valuation	\$ 9,527,281,393
 Tax Rate per \$100	 0.403
 Net Levy (Includes penalties, discoveries, releases and abatements)	 \$ <u><u>38,503,645</u></u>

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2021:

<b>Fire Protection District</b>	<b>Tax Rate per \$100</b>	<b>Net Levy</b>
Beech Mountain Rural	\$ 0.05	\$ 1,666
Blowing Rock	0.05	513,463
Boone Rural	0.06	968,814
Cove Creek	0.05	258,310
Cove Creek Rural	0.05	324
Deep Gap	0.05	205,953
Foscoe	0.05	488,342
Foscoe Rural	0.05	76,844
Meat Camp	0.05	233,304
Northwest Watauga	0.05	123,674
Shawneehaw	0.05	106,228
Shawneehaw Rural	0.05	6,590
Stewart Simmons	0.085	257,427
Todd	0.07	67,041
Zionville	0.05	<u>125,976</u>
 <b>Total Net Fire Protection District Levies</b>		 \$ <u><u>3,433,956</u></u>



**Watauga County, North Carolina**  
 Ten Largest Taxpayers  
 For the Year Ended June 30, 2021

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2020 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>	
Blue Ridge Electric Membership Coop	Electric Utility	\$ 80,614,340	0.85	%
Wallace Loft LLC	Rental Properties	46,504,000	0.49	
BR Development Group LLC	Real Estate Development	25,229,900	0.26	
The Standard at Boone LLC	Commercial Rental Properties	23,994,400	0.25	
MV of Boone LLC	Rental Properties	23,480,200	0.25	
Blue Ridge Preservation Inc	Real Estate Development	17,716,000	0.19	
Meadowview at Boone LLC	Rental Properties	17,906,700	0.19	
Skyline Terrace Apartments LLC	Commercial Rental Properties	23,670,900	0.25	
Templeton Properties LP	Commercial Rental Properties	15,739,530	0.17	
Highland Crossing-B, LLC	Real Estate Development	15,743,220	0.17	
		<u>\$ 290,599,190</u>	<u>3.06</u>	<u>%</u>

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 Fire Districts  
 For the Year Ended June 30, 2021

	<b>Northwest Watauga Fire District</b>	<b>Beech Mtn. Rural Fire Service District</b>	<b>Blowing Rock Rural Fire District</b>	<b>Boone Rural Fire District</b>	<b>Cove Creek Fire District</b>
<b>Tax rate per \$100</b>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.06</u>	\$ <u>0.05</u>
<b>Net levy</b>	\$ 123,674	\$ 1,666	\$ 513,463	\$ 968,814	\$ 258,310
<b>Uncollected taxes at June 30, 2021</b>	<u>1,746</u>	<u>1</u>	<u>1,407</u>	<u>11,167</u>	<u>4,630</u>
<b>Current year's taxes collected</b>	\$ <u>121,928</u>	\$ <u>1,665</u>	\$ <u>512,056</u>	\$ <u>957,647</u>	\$ <u>253,680</u>
<b>Current levy collection percentage</b>	<u>98.59%</u>	<u>99.94%</u>	<u>99.73%</u>	<u>98.85%</u>	<u>98.21%</u>

	<b>Cove Creek Rural Fire Service District</b>	<b>Deep Gap Fire District</b>	<b>Foscoe Fire District</b>	<b>Foscoe Rural Fire Service District</b>	<b>Meat Camp Fire District</b>
<b>Tax rate per \$100</b>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>
<b>Net levy</b>	\$ 324	\$ 205,953	\$ 488,342	\$ 76,844	\$ 233,304
<b>Uncollected taxes at June 30, 2021</b>	<u>-</u>	<u>3,557</u>	<u>4,403</u>	<u>1,005</u>	<u>4,287</u>
<b>Current year's taxes collected</b>	\$ <u>324</u>	\$ <u>202,396</u>	\$ <u>483,939</u>	\$ <u>75,839</u>	\$ <u>229,017</u>
<b>Current levy collection percentage</b>	<u>100.00%</u>	<u>98.27%</u>	<u>99.10%</u>	<u>98.69%</u>	<u>98.16%</u>

	<b>Shawnheehaw Fire District</b>	<b>Shawnheehaw Rural Fire Service District</b>	<b>Stewart Simmons Fire District</b>	<b>Todd Fire District</b>	<b>Zionville Fire District</b>
<b>Tax rate per \$100</b>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.085</u>	\$ <u>0.07</u>	\$ <u>0.05</u>
<b>Net levy</b>	\$ 106,228	\$ 6,590	\$ 257,427	\$ 67,041	\$ 125,976
<b>Uncollected taxes at June 30, 2021</b>	<u>1,329</u>	<u>179</u>	<u>3,032</u>	<u>699</u>	<u>2,958</u>
<b>Current year's taxes collected</b>	\$ <u>104,899</u>	\$ <u>6,411</u>	\$ <u>254,395</u>	\$ <u>66,342</u>	\$ <u>123,018</u>
<b>Current levy collection percentage</b>	<u>98.75%</u>	<u>97.28%</u>	<u>98.82%</u>	<u>98.96%</u>	<u>97.65%</u>

## COMPLIANCE SECTION

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## **C. Randolph CPA, PLLC**

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### **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 Auditor's Report**

To the Board of County Commissioners  
Watauga County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises Watauga County, North Carolina's basic financial statements, and have issued our report thereon dated November 29, 2021. Our report includes a reference to other auditors who audited the financial statements of AppalCART, as described in our report on Watauga County's financial statements. This report does not include the results of other auditors' testing of internal control over financial or compliance and other matters that are reported separately by those auditors. The financial statements of the Watauga County District U Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Watauga County, North Carolina'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 Watauga County, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Watauga County, North Carolina's internal control.

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

Our consideration of internal control 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Watauga County, North Carolina's financial statements are free from 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 determination of 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.

*C. Randolph CPA, PLLC*

West Jefferson, North Carolina

November 29, 2021

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## **C. Randolph CPA, PLLC**

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### **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act**

#### **Independent Auditors Report**

To the Board of County Commissioners  
Watauga County, North Carolina

#### **Report on Compliance for Each Major Federal Program**

We have audited Watauga County, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Watauga County, North Carolina's major federal programs for the year ended June 30, 2021. Watauga County, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Watauga County, North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. 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. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Watauga County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Watauga County, North Carolina's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Watauga County, North Carolina 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, 2021.

## Report on Internal Control over Compliance

Management of Watauga County, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Watauga County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Watauga County, North Carolina's 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

*C. Randolph CPA, PLLC*

West Jefferson, North Carolina

November 29, 2021

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## **C. Randolph CPA, PLLC**

*Certified Public Accountant*

560 Beaver Creek School Rd.  
West Jefferson, North Carolina 28694

Phone: (336) 846-3211

Fax: (336) 846-1142

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### **Independent Auditor's Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance with OMB Uniform Guidance; and State Single Audit Implementation Act**

#### **Independent Auditor's Report**

To the Board of County Commissioners  
Watauga County, North Carolina

#### **Report on Compliance for Each Major State Program**

We have audited Watauga County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Watauga County, North Carolina's major state programs for the year ended June 30, 2021. Watauga County, North Carolina's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Watauga County, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. 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 applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Watauga County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Watauga County, North Carolina's compliance.

#### **Opinion on Each Major State Program**

In our opinion, Watauga County, North Carolina 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, 2021.



## Report on Internal Control over Compliance

Management of Watauga County, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Watauga County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Watauga County, North Carolina's 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

*C. Randolph CPA, PLLC*

West Jefferson, North Carolina

November 29, 2021

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## WATAUGA COUNTY, NORTH CAROLINA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

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#### I. Summary of Auditor's Results

##### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐yes ☒no
- Significant deficiency(ies) identified? ☐yes ☒none reported

Noncompliance material to financial statements noted? ☐yes ☒no

##### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐yes ☒no
- Significant deficiency(ies) identified? ☐yes ☒none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐yes ☒no

Identification of major federal programs:

<u>Program Name or Cluster</u>	<u>CFDA #</u>
Medicaid Cluster	93.778
Coronavirus Relief Fund	21.019

Dollar threshold used to distinguish between Type A and Type B programs is \$750,000.

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

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## WATAUGA COUNTY, NORTH CAROLINA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

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#### State Awards

Internal control over major State programs:

- Material weakness(es) identified? ☐yes ☒no
- Significant deficiency(ies) identified? ☐yes ☒none reported

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

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

☐yes ☒no

Identification of major State programs:

State Program

Public School Building Capital Fund  
State Foster Care Benefits Program

Federal Program – State Match

Medicaid Cluster

#### **II. Financial Statement Findings**

None noted.

#### **III. Federal Award Findings and Questioned Costs**

None noted.

#### **IV. State Award Findings and Questioned Costs**

None noted.



# WATAUGA COUNTY

## FINANCE OFFICE

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814 West King St., Suite 216 - Boone, NC 28607 - Phone (828) 265-8007  
Fax (828) 265-8006

### **Corrective Action Plan For the Year Ended June 30, 2021**

#### **II. Financial Statement Findings**

None noted.

#### **III. Federal Award Findings and Questioned Costs**

None noted.

#### **IV. State Award Findings and Questioned Costs**

None noted.

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**WATAUGA COUNTY, NORTH CAROLINA**

**Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2021**

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None noted.

**WATAUGA COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2021**

Grantor/Pass-Through Grantor/Program/Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<b>Federal Awards:</b>						
<u>U.S. Department of Agriculture</u>						
Passed-through the N.C. Department of Health and Human Services:						
<u>Division of Social Services:</u>						
<u>SNAP Cluster</u>						
Administration:						
Supplemental Nutrition Assistance Program	10.561		225,378	-	-	225,378
Total SNAP Cluster			225,378	-	-	225,378
Total U.S. Department of Agriculture			225,378	-	-	225,378
<u>U.S. Department of Homeland Security</u>						
Passed-through the N.C. Department of Public Safety:						
Emergency Management Performance Grant	97.042		39,378	-	-	39,378
		EMW-2020-SS-00023-				
Homeland Security Grant	97.067	2040036	25,350	-	-	-
Total U.S. Department of Homeland Security			64,728	-	-	39,378
<u>U.S. Department of Justice</u>						
Bulletproof Vest Partnership Program	16.607		3,632	-	-	3,632
State Criminal Alien Assistance Program	16.606		-	-	-	1,021
Total U.S. Department of Justice			3,632	-	-	4,653
<u>U.S. Department of Treasury</u>						
Passed-through NC State Board of Elections						
		Subgrant 2020 CARES Act				
COVID-19 Coronavirus Relief Fund	21.019	Supplemental Funds	25,056	-	-	-
Office of State Budget and Management/NC Pandemic Office:						
NC Pandemic Recovery Fund						
Coronavirus Relief Funds	21.019		996,937	-	826,437	-
Coronavirus State and Local Fiscal Recovery Funds	21.027		34,773	-	-	-
			1,031,710	-	826,437	-
<u>U.S. Department of Housing and Urban Development</u>						
Community Development Block Grant - CV	14.228		116,741	-	106,302	-
<u>U.S. Election Assistance Commission</u>						
COVID-19 2020 Help America Vote Act Election Security Grants - CARES Act						
Funds	90.404	03-25-95	70,585	-	-	-
2020 Help America Vote Act Election Security Grant (HAVA)	90.404	NC20101001-95	72,029	-	-	-
Total U.S. Election Assistance Commission			142,614	-	-	-
<u>U.S. Department of Health &amp; Human Services</u>						
<u>Administration on Aging:</u>						
Passed-through High Country Council of Governments:						
<u>Aging Cluster:</u>						
Home and Community Care Block Grant (HCCBG)						
CARES Act	93.045		83,195	-	-	-
Families First Coronavirus Response Act	93.045		16,122	-	-	-
Special Programs for the Aging - Title III B - Access Services	93.044		4,876	150,803	-	17,275
Special Programs for the Aging - Title III C - Congregate Meals	93.045		2,966	175	-	340
Special Programs for the Aging - Title III C - Home Delivered Meals	93.045		140,759	8,279	-	16,557
Nutrition Services Incentive Program (NSIP)	93.053		16,041	-	-	-
Total Aging Cluster			263,959	159,257	-	34,172
Passed-through N.C. Department of Insurance:						
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations						
	93.779		9,099	-	-	-
<u>Administration for Children and Families:</u>						
Passed-through the N.C. Department of Health and Human Services:						
<u>Division of Social Services:</u>						
Family Preservation	93.556		16,735	-	-	-
<u>Temporary Assistance for Needy Families Cluster:</u>						
Workfirst administrative	93.558		20,327	-	-	12,871
WorkFirst services	93.558		97,086	-	-	66,734
Total Temporary Assistance for Needy Families Cluster			117,413	-	-	79,605
Child Support Enforcement	93.563		210,293	122	-	108,212
<u>Low-Income Home Energy Assistance Block Grant:</u>						
Administration	93.568		163,083	-	-	-
Crisis Intervention Payments	93.568		191,546	-	-	-
LIEAP COV. 19	93.568		68,701	-	-	-
Permanency Planning	93.645		10,398	-	-	3,466
Social Services Block Grant	93.667		38,055	-	-	2,396
Total Low-Income Home Energy Assistance Block Grant:			471,783	-	-	5,862
Total Division of Social Services			816,224	122	-	193,679
<u>Medicaid Cluster:</u>						
Medical Assistance Program:						
Administration	93.778		1,319,049	328	-	692,721
Total Medical Assistance Program			1,319,049	328	-	692,721

Division of Social Services:					
Administration					
Health choice	93.767	46,537	28	-	8,696
Total N.C. Health Choice		46,537	28	-	8,696
Foster Care and Adoption Cluster (Note 3)					
Adoption Assistance	93.659	3,889	-	-	2,969
Title IV-E Foster Care	93.658	145,715	5,077	-	130,056
Foster Care - Direct Benefit Payments	93.658	455,558	89,261	-	87,096
Adoption/Foster Care Special Provision	93.658	(6,911)	-	-	-
Total Foster Care and Adoption Cluster (Note 3)		598,251	94,338	-	220,121
Subsidized Child Care (Note 3)					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund - Administration	93.596	225	-	-	-
Total Child Care Development Fund Cluster		225	-	-	-
Total Subsidized Child Care (Note 3)		225	-	-	-
<u>Health Care Financing Administration</u>					
Passed-through the N.C. Department of Health and Human Services:					
Medical Assistance Program					
Chafee Foster Care Independence - Direct Benefit Payment	93.674	17,280	1,104	-	-
Total Division of Medical Assistance		17,280	1,104	-	-
Total U.S. Department of Health & Human Services		3,070,624	255,177	-	1,149,389
Total Federal Awards		4,680,483	255,177	932,739	1,418,798
<b>State Awards:</b>					
<u>N.C. Department of Health and Human Services:</u>					
Passed-through Region D Council of Governments:					
Senior center general purchases	20/21 AANCT3GP	-	14,019	-	-
<u>Division of Social Services</u>					
State Foster Care Benefits Program	State Foster Care 21	-	225,981	-	163,629
APS/CPS Assessments		-	1,949	-	-
Total N.C. Department of Health and Human Services		-	241,949	-	163,629
<u>N.C. Department of Public Safety:</u>					
Division of Administration, Community Programs					
2020 Corona Virus Protection	PROJ014515	-	4,704	-	-
Juvenile Crime Prevention Council Programs		-	139,176	139,176	41,678
Tier II grant - 2020	T2-2020 - 2070062	-	933	-	-
Total N.C. Department of Public Safety		-	144,813	139,176	41,678
<u>N.C. Department of Public Instruction:</u>					
NC Public School Building Capital-Lottery Proceeds					
Public School National Forest Service		-	299,623	299,623	-
Total N.C. Department of Public Instruction		-	448	448	-
		-	300,071	300,071	-
<u>N.C. Department of Agriculture and Consumer Services:</u>					
Soil Conservation Assistance					
Soil Conservation Technician Cost Sharing	G4010029601SSWC	-	3,600	-	69,904
Total N.C. Department of Agriculture	G4010029601SSWC	-	25,217	-	25,217
		-	28,817	-	95,121
<u>N.C. Department of Natural and Cultural Resources:</u>					
Ward's Mill Dam Removal					
Total N.C. Department of Natural and Cultural Resources	Contract # 7964	-	36,797	-	-
		-	36,797	-	-
<u>N.C. Division of Veteran's Affairs</u>					
Veteran's Service Program					
Total N.C. Division of Veteran's Affairs	143B-1211C4	-	2,182	-	127,756
		-	2,182	-	127,756
<u>N.C. Department of Environmental Quality</u>					
Middlefork Greenway Section 4					
Total N.C. Department of Environment Quality	Contract # 7397	-	103,714	-	103,714
		-	103,714	-	103,714
Total State Awards		-	858,343	439,247	531,898
Total Federal and State Awards		\$ 4,680,483	\$ 1,113,520	\$ 1,371,986	\$ 1,950,696

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

1. Basis of Presentation:

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State award activity of Watauga County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Watauga County, it is not intended to and does not present the financial position, changes in net position or cash flows of Watauga County.

2. Summary of Significant Account 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered Federal awards to the County and are included in this schedule.

3. Indirect Cost Rate

The County has elected not to use the 10-percent minimis indirect cost rate as allowed under the Uniform Guidance.

4. Cluster of Programs:

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

Subsidized Child Care  
Foster Care and Adoption

5. Benefit Payments Issued by the State:

The amounts listed below were paid directly to individual recipients by the State from Federal and State moneys. County personnel are involved with certain functions, primarily, eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

Program Title	CFDA No.		Federal		State
Special Supplemental Nutrition Program for Women Infant and Children	10.557	\$	-	\$	314,148
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$	6,037,287	\$	-
Temporary Assistance for Needy Families	93.558		35,381		-
Adoption Assistance	93.659		253,902		45,668
Medical Assistance Program	93.778		30,299,813		11,700,613
Children's Health Insurance Program	93.767		728,388		146,179
Child Welfare Services Adoption	N/A		-		137,925
State/County Special Assistance Program	N/A		-		211,430
		\$	37,354,771	\$	12,555,963