



**WATAUGA COUNTY, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



## WATAUGA COUNTY, NORTH CAROLINA

### BOARD OF COUNTY COMMISSIONERS

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Billy Kennedy, Vice Chairman

Larry Turnbow

Charlie Wallin

Perry Yates

### COUNTY OFFICIALS

Deron T. Geouque

County Manager

Misty Watson, CPA

Finance Director

**Watauga County, North Carolina**

Table of Contents

June 30, 2020

		<u>Page</u>
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-10
	<b>Basic Financial Statements:</b>	
	<b>Government-wide Financial Statements:</b>	
<u>Exhibit</u>	A Statement of Net Position	11
	B Statement of Activities	12
	<b>Fund Financial Statements:</b>	
	C Balance Sheet - Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
	D-1 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
	D-2 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
	E Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	16
	F Statement of Net Position - Proprietary Fund	17
	G Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	18
	H Statement of Cash Flows - Proprietary Fund	19
	I Statement of Fiduciary Net Position - Fiduciary Funds	20
	J Statement of Changes in Fiduciary Net Position - Fiduciary Funds	21
	<b>Notes to the Financial Statements</b>	22-56
	<b>Required Supplemental Financial Data:</b>	
<u>Schedule</u>	1 Schedule of Changes in the Net Pension Liability-Law Enforcement Officers' Special Separation Allowance Irrevocable Trust (LEOSSA)	57
	2 Schedule of the Net Pension Liability (LEOSSA)	58
	3 Schedule of County's Contributions (LEOSSA)	59
	4 Schedule of Changes in the OPEB Liability and Related Ratios (OPEB)	60
	5 Schedule of County's Contributions (OPEB)	61
	6 Schedule of Investment Returns (OPEB)	62

**Watauga County, North Carolina**

Table of Contents

June 30, 2020

7	Schedule of County's Proportionate Share of Net Pension Liability (Asset) (LGERS)	63
8	Schedule of County's Contributions (LGERS)	64
9	Schedule of County's Proportionate Share of Net Pension Liability (Asset) (RODSPF)	65
10	Schedule of County's Contributions (RODSPF)	66

**Combining and Individual Fund Schedules:**

**Schedule**

1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual	67-71
2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects Fund - Budget and Actual	72
3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Recreation Center Project Fund - Budget and Actual	73
4	Combining Balance Sheets - Nonmajor Governmental Funds	74
5	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	75

**Schedules of Revenues, Expenditures, and Changes in Fund  
Balances - Budget and Actual:**

6	Federal Equitable Sharing Fund	76
7	State Substance Abuse Tax Fund	77
8	Emergency Telephone System Fund	78
9	Fire District Funds	79
10	Occupancy Tax Fund	80
11	Solid Waste Fund	81
12	Combining Schedule of Fiduciary Net Position - Pension Trust Funds	82
13	Combining Schedule of Changes in Fiduciary Net Position - Pension Trust Funds	83
14	Combining Schedule of Changes in Assets and Liabilities - Agency Funds	84

**Other Schedules:**

15	Schedule of Ad Valorem Taxes Receivable	85
16	Analysis of Current Tax Levy - County-Wide Levy	86
17-A	Secondary Market Disclosures	87
17-B	Ten Largest Taxpayers	88
18	Analysis of Current Tax Levy - Fire Districts	89

**Watauga County, North Carolina**

Table of Contents

June 30, 2020

**Compliance Section:**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90-91
Independent Auditor's Report on Compliance for each major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	92-93
Independent Auditor's Report on Compliance for each major State programs and on Internal Control Over Compliance Required by the State Single Audit Implementation Act.	94-95
Schedule of Findings and Questioned Costs	96-97
Corrective Action Plan	98
Schedule of Prior Year Findings	99
Schedule of Expenditures of Federal and State Awards	100-102

## FINANCIAL SECTION

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

To the Board of 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, 2020, 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. 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, 2020, and the respective changes in financial position, and, where applicable, cash flows 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.

## ***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 57 through 59, 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 60 through 62, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and County's Contributions, on pages 63 through 64, 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 65 through 66, 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 Watauga County, North Carolina's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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 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 December 22, 2020, 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 the effectiveness of the Watauga County, North Carolina’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watauga County, North Carolina’s internal control over financial reporting and compliance.

*C. Randolph CPA, PLLC*

West Jefferson, North Carolina

December 22, 2020

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

## Watauga County

Year Ended June 30, 2020

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, 2020. 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

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the fiscal year by \$173,057,263.
- The County's total net position increased by \$17,795,967 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 \$25,226,121 at the end of the year, representing 46.1% of total General Fund expenditures. This is an increase of \$4,728,123 in unassigned fund balance over the previous year.
- Total County debt decreased by \$3,414,027 in outstanding principal. The decrease was a result of principal payments for existing debt and refunding the 2012 High School LOBS.
- The County:
  - Completed paving of the Anne Marie parking lot
  - Completed a wetlands and stream restoration at Brookshire
  - Purchased property in Valle Crucis
  - Continued a Tower project to enhance emergency communications
  - Continued a project to build a new recreation and community center
  - Began 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 sixth 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.

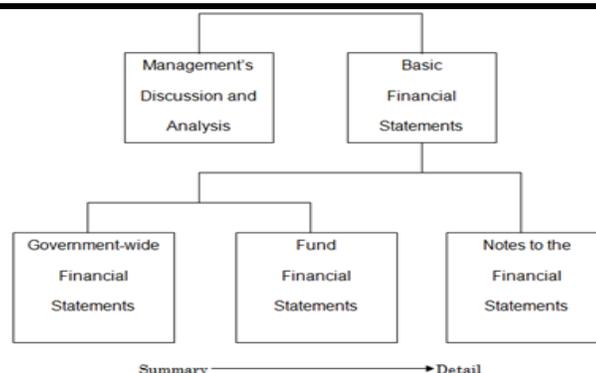
### Overview of the Financial Statements

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 74,390,164	\$ 83,302,688	\$ 7,963,452	\$ 7,759,834	82,353,616	\$ 91,062,522
Net capital assets	144,345,752	123,614,625	4,979,923	4,814,605	149,325,675	128,429,230
Total assets	218,735,916	206,917,313	12,943,375	12,574,439	231,679,291	219,491,752
Total deferred outflows of resources	5,192,167	4,158,089	347,947	374,287	5,539,664	4,532,376
Long-term liabilities outstanding	56,502,402	61,153,455	1,523,434	1,535,245	58,025,836	62,688,700
Other liabilities	3,866,025	4,686,052	332,792	333,029	4,198,817	5,019,081
Total liabilities	60,368,427	65,839,507	1,856,226	1,868,274	62,224,653	67,707,781
Total deferred inflows of resources	1,876,361	995,686	60,678	59,365	1,937,039	1,055,051
Net position:						
Net investment in capital assets	95,466,292	69,604,047	4,979,923	4,814,605	100,446,215	74,418,682
Restricted	10,559,753	18,911,192	-	-	10,559,753	18,911,192
Unrestricted	55,657,250	55,724,940	6,394,045	6,206,482	62,051,295	61,931,422
Total net position	\$ 161,683,295	\$ 144,240,209	\$ 11,373,968	\$ 11,021,087	\$ 173,057,263	\$ 155,261,296

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 \$173,057,263 at June 30, 2020. The County's net position increased by a total of \$17,795,967 for the fiscal year. Net position is reported in three categories: Net investment in capital assets of \$100,446,215 restricted net position of \$10,559,753; and unrestricted net position of \$62,051,295.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020, 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, 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	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,567,942	\$ 2,608,634	\$ 5,118,690	\$ 5,092,325	\$ 7,686,632	\$ 7,700,959
Operating grants and contributions	6,029,904	4,615,840	140,998	150,629	6,170,902	4,766,469
Capital grants	971,519	521,602	-	-	971,519	521,602
General revenues:						
Property taxes	41,013,750	36,029,382	-	-	41,013,750	36,029,382
Other taxes	17,220,231	15,600,007	-	-	17,220,231	15,600,007
Grant and contributions not restricted to specific programs	4,603,582	4,699,806	-	-	4,603,582	4,699,806
Other	989,620	1,370,455	127,692	126,841	1,117,312	1,497,296
Sale of capital assets	17,419	(453,952)	-	-	17,419	(453,952)
Total revenues	73,413,967	64,991,774	5,387,380	5,369,795	78,801,347	70,361,569
<b>Expenses</b>						
General government	9,675,488	9,016,992	-	-	9,675,488	9,016,992
Public safety	16,482,718	14,818,024	-	-	16,482,718	14,818,024
Transportation	231,493	224,792	-	-	231,493	224,792
Economic & physical development	2,829,166	2,544,199	-	-	2,829,166	2,544,199
Environment protection	549,279	383,857	-	-	549,279	383,857
Humans services	7,900,887	7,776,908	-	-	7,900,887	7,776,908
Cultural and recreation	1,892,470	2,122,231	-	-	1,892,470	2,122,231
Education	16,248,335	16,245,320	-	-	16,248,335	16,245,320
Interest on long-term debt	161,045	1,718,807	-	-	161,045	1,718,807
Solid Waste	-	-	5,034,499	5,015,059	5,034,499	5,015,059
Total expenses	55,970,881	54,851,130	5,034,499	5,015,059	61,005,380	59,866,189
Increase in net position	17,443,086	10,140,644	352,881	354,736	17,795,967	10,495,380
Net position, beginning	144,240,209	134,099,565	11,021,087	10,666,351	155,261,296	144,765,916
Net position, ending	\$ 161,683,295	\$144,240,209	\$11,373,968	\$11,021,087	\$173,057,263	\$155,261,296

**Governmental activities:** Governmental activities increased the County's net position by \$17,443,086, thereby accounting for 98% 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 98.59% 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 \$352,881, 2%. Key elements of this increase are as follows:

- Revenues for investment earnings 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 \$25,226,121 while total fund balance increased to \$35,186,904. 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 45.3 percent of total General Fund expenditures, while total fund balance represents 64.3 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 \$26,500,609.

Major budget increases include:

- \$500,000 for the community recreation center
- \$1,091,997 for carried forward projects
- \$375,000 for the purchase of the Valle Landing property
- \$367,129 for the Watauga Humane Society loan
- \$19,240,000 refunding of the 2012 High School LOBS
- \$204,165 unused funds for school projects
- \$381,935 for various capital projects where actual costs were below budget
- \$571,512 for school capital projects
- \$218,001 for Soil and Water grants
- \$184,459 for ROAP grant
- \$2,254,298 for CARES funding
- 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 \$2,062,375 more than the budgeted amount. Actual operating expenses were less than budgeted by \$8,675,469.

**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 \$6,394,045. The total increase in proprietary net position was \$352,881.

**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, 2020, totals \$149,325,675 (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;
- Completed paving of the Anne Marie Field;
- Completed a wetlands and stream restoration at Brookshire;
- Continued a Tower project to enhance emergency communications;
- Continued a project to build a new recreation and community center;
- Began construction on Landfill improvements

**Watauga County's Capital Assets, Net of Depreciation**  
**Figure 4**

	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>
	2020	2020	2020
Land	\$ 21,924,901	\$ 975,497	\$ 22,900,398
Buildings	74,463,058	2,692,694	77,155,752
Other improvements	1,729,414	49,003	1,778,417
Leasehold improvements	5,554,794	5,804	5,560,598
Equipment	936,978	569,640	1,506,618
Vehicles	884,084	648,670	1,532,754
Construction in progress	38,836,923	38,617	38,875,540
Intangible assets	15,600	-	15,600
<b>Total</b>	<b>\$ 144,345,752</b>	<b>\$ 4,979,923</b>	<b>\$ 149,325,675</b>

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, 2020, Watauga County had no bonded debt outstanding or authorized.

**Watauga County's Outstanding Debt**  
**Figure 5**

	<b>Governmental Activities</b>	
	<u>2019</u>	<u>2020</u>
Installment purchase	\$ 49,604,027	\$ 46,190,000

Watauga County's total debt decreased by \$3,414,027 or (6.9%) during the past fiscal year due to scheduled debt service payments and refunding of the 2012 High School LOBS. 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, 2020 is \$696,594,671. 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 \$68,630,207 budget for fiscal year 2021, which represents a 30% decrease from FY 2020 adopted budget. The decrease is primarily due to refunding 2012 high

- school LOBS in FY 2020;
- The County's unemployment rate has increased from 4.2 percent at the end of June 2019 to 6.2 percent at the end of June 2020;
- 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 2020 before businesses closed due to COVID-19. A decrease is projected in fiscal year 2021 due to unknown impacts of the COVID-19 pandemic.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

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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 24 percent decrease based on the uncertainty of the economy due to COVID-19. Other revenues are also expected to experience a decrease due to COVID-19.

Budgeted expenditures in the General Fund have decreased predominately due to large maintenance projects being budgeted in fiscal year ending June 30, 2020 and future capital school projects being reduced to \$500,000 due to the uncertainty of COVID-19. Capital purchases are allocated mainly for vehicles 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 \$500,000 and \$1,600,000 for county projects-mainly funding \$500,000 for emergency communications, \$1,000,000 for future maintenance and repairs, \$50,000 for economic development, and \$50,000 to Caldwell Community College.

**Businesses-type activities** – Budgeted revenues for solid waste service revenues are projected a slight decrease due to the sale of recycled scrap and investment income decreasing. Funds have been budgeted for capital additions for continued improvements at the tipping station.

### **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, 2020

	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	\$ 49,229,693	\$ 7,548,657	\$ 56,778,350	\$ 3,400,999	\$ 4,184,097
Restricted cash and cash equivalents	1,002,437	-	1,002,437	-	-
Receivables (net)	1,562,677	335,584	1,898,261	19,898	-
Due from other governments	6,660,350	32,486	6,692,836	788,997	402,918
Prepaid expenses	-	46,725	46,725	27,717	-
Inventory	-	-	-	239,932	-
Total current assets	58,455,157	7,963,452	66,418,609	4,477,543	4,587,015
<b>Non-current assets</b>					
Net pension asset - ROD	111,264	-	111,264	-	-
Notes receivable	15,823,743	-	15,823,743	-	-
Capital assets:					
Land, intangible, and construction in progress	60,777,424	1,014,113	61,791,537	1,121,092	-
Other capital assets, net of depreciation	83,568,328	3,965,810	87,534,138	13,176,478	-
Total capital assets	144,345,752	4,979,923	149,325,675	14,297,570	-
Total non-current assets	160,280,759	4,979,923	165,260,682	14,297,570	-
Total assets	218,735,916	12,943,375	231,679,291	18,775,113	4,587,015
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension deferrals	2,819,883	236,504	3,056,387	-	40,298
Deferred charge on refunding of debt	1,388,100	-	1,388,100	-	-
OPEB deferrals	984,184	110,993	1,095,177	-	-
Total deferred outflows of resources	5,192,167	347,497	5,539,664	-	40,298
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	2,894,042	332,791	3,226,833	198,323	20,302
Accrued interest payable	139,449	-	139,449	-	-
Due to other governments	793,048	-	793,048	-	-
Liabilities payable from restricted assets	39,486	-	39,486	-	-
Debt service due within one year	5,351,507	140,472	5,491,979	55,846	13,481
Total current liabilities	9,217,532	473,263	9,690,795	254,169	33,783
<b>Long-term liabilities</b>					
Due in more than one year	51,150,895	1,382,963	52,533,858	35,991	68,819
Total liabilities	60,368,427	1,856,226	62,224,653	290,160	102,602
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension deferrals	221,573	913	222,486	-	3,017
OPEB deferrals	644,185	59,765	703,950	-	-
Unearned revenue	1,001,211	-	1,001,211	2,000	-
Prepaid taxes	9,392	-	9,392	-	-
Total deferred inflows of resources	1,876,361	60,678	1,937,039	2,000	3,017
<b>NET POSITION</b>					
Net investment in capital assets	95,466,292	4,979,923	100,446,215	14,297,570	-
Restricted for:					
Stabilization by State Statute	9,567,647	-	9,567,647	-	402,918
Register of Deeds' pension plan	123,116	-	123,116	-	-
Public safety	449,661	-	449,661	-	-
Register of Deeds Automation/Enhancement	50,656	-	50,656	-	-
Revaluation	368,673	-	368,673	-	-
Unrestricted	55,657,250	6,394,045	62,051,295	4,185,383	4,118,776
Total net position	\$ 161,683,295	\$ 11,373,968	\$ 173,057,263	\$ 18,482,953	\$ 4,521,694

The accompanying notes are an integral part of this statement

Watauga County, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2020

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	\$ 9,675,488	\$ 1,351,006	\$ -	\$ 624,408	\$ (7,700,074)	\$ -	\$ (7,700,074)			
Public safety	16,482,718	974,264	1,794,985	23,500	(13,689,969)	-	(13,689,969)			
Transportation	231,493	-	184,460	-	(47,033)	-	(47,033)			
Economic and physical development	2,829,166	-	140,898	-	(2,688,268)	-	(2,688,268)			
Environmental protection	549,279	-	141,827	-	(407,452)	-	(407,452)			
Human services	7,900,887	77,766	3,726,735	-	(4,096,386)	-	(4,096,386)			
Cultural and recreational	1,892,470	164,906	40,550	-	(1,687,014)	-	(1,687,014)			
Education	16,248,335	-	449	323,611	(15,924,275)	-	(15,924,275)			
Interest and fees on long-term debt	161,045	-	-	-	(161,045)	-	(161,045)			
Total governmental activities	<u>55,970,881</u>	<u>2,567,942</u>	<u>6,029,904</u>	<u>971,519</u>	<u>(46,401,516)</u>	<u>-</u>	<u>(46,401,516)</u>			
Business-type activities:										
Solid waste	5,034,499	5,118,690	140,998	-	-	225,189	225,189			
Total	<u>61,005,380</u>	<u>7,686,632</u>	<u>6,170,902</u>	<u>971,519</u>	<u>(46,401,516)</u>	<u>225,189</u>	<u>(46,176,327)</u>			
Component units:										
AppalCART	5,402,610	1,860,315	2,971,816	53,018				\$ (517,461)		
Watauga County District U Tourism Development Authority	1,551,966	-	-	-					\$ (1,551,966)	
General revenues:										
Taxes:										
Property taxes, levied for general purpose					41,013,750	-	41,013,750		-	
Local option sales tax					14,117,340	-	14,117,340		-	
Other taxes and licenses					3,102,891	-	3,102,891		2,055,015	
Grants and contributions not restricted to specific programs					4,603,582	-	4,603,582		-	
Investment earnings, unrestricted					989,620	121,213	1,110,833	27,308	53,154	
Gain (loss) sale of fixed assets					17,419	-	17,419		-	
Miscellaneous, unrestricted					-	6,479	6,479	18,751	343,866	
Total general revenues					63,844,602	127,692	63,972,294	46,059	2,452,035	
Change in net position					17,443,086	352,881	17,795,967	(471,402)	900,069	
Net position, beginning					144,240,209	11,021,087	155,261,296	18,954,355	3,621,625	
Net position, ending					<u>161,683,295</u>	<u>11,373,968</u>	<u>173,057,263</u>	<u>18,482,953</u>	<u>4,521,694</u>	

The accompanying notes are an integral part of this statement

**Watauga County, North Carolina**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2020

	General	Capital Projects Fund	Recreation Center Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 31,756,770	\$ 13,655,257	\$ 3,817,666	\$ -	\$ 49,229,693
Restricted cash and cash equivalents	419,329	-	-	583,108	1,002,437
Taxes receivable, net	927,429	-	-	383,778	1,311,207
Due from other governments	6,265,991	-	349,209	45,150	6,660,350
Accounts receivable, net	78,945	-	-	-	78,945
Notes receivable	15,823,743	-	-	-	15,823,743
Total assets	<u>\$ 55,272,207</u>	<u>\$ 13,655,257</u>	<u>\$ 4,166,875</u>	<u>\$ 1,012,036</u>	<u>\$ 74,106,375</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 1,904,938	\$ -	\$ 989,104	\$ -	\$ 2,894,042
Due to other governments	400,204	-	-	392,844	793,048
Liabilities to be paid from restricted assets	-	-	-	39,486	39,486
Total liabilities	<u>2,305,142</u>	<u>-</u>	<u>989,104</u>	<u>432,330</u>	<u>3,726,576</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes receivable	927,429	-	-	103,852	1,031,281
Prepaid taxes	9,392	-	-	-	9,392
Unearned revenue	1,001,211	-	-	-	1,001,211
Notes receivable	15,842,129	-	-	-	15,842,129
Total deferred inflows of resources	<u>17,780,161</u>	<u>-</u>	<u>-</u>	<u>103,852</u>	<u>17,884,013</u>
<b>FUND BALANCES</b>					
Restricted for:					
Stabilization by State Statute	9,541,454	-	-	26,193	9,567,647
Public safety	-	-	-	449,661	449,661
Register of Deeds	50,656	-	-	-	50,656
Revaluation	368,673	-	-	-	368,673
Committed for:					
Capital projects	-	13,655,257	3,177,771	-	16,833,028
Future years' appropriation	-	-	-	-	-
Unassigned	25,226,121	-	-	-	25,226,121
Total fund balances	<u>35,186,904</u>	<u>13,655,257</u>	<u>3,177,771</u>	<u>475,854</u>	<u>52,495,786</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,272,207</u>	<u>\$ 13,655,257</u>	<u>\$ 4,166,875</u>	<u>\$ 1,012,036</u>	<u>\$ 74,106,375</u>

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

Total Fund Balance, Governmental Funds	\$ 52,495,786
Net pension asset - ROD	111,264
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	144,345,752
Deferred charge on refunding of debt	1,388,100
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.	172,525
Deferred inflows for notes receivable	15,842,129
Deferred inflows of resources for taxes receivable	1,031,281
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,156,362
Contributions and administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	217,900
OPEB related deferrals, net	122,099
Pension related deferrals-all plans, net	1,441,948
Net OPEB liability	(2,176,887)
Net pension liability - LEOSSA	(269,573)
Net pension liability - LGERS	(4,117,962)
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.	<u>(50,077,429)</u>
Net position of governmental activities	<u>\$ 161,683,295</u>

The accompanying notes are an integral part of this statement

**Watauga County, North Carolina**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2020

	<u>Major Funds</u>			<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Recreation Center Project Fund</u>	<u>Other Governmental Funds</u>	
<b>REVENUES</b>					
Ad valorem taxes	\$ 37,373,588	\$ -	\$ -	\$ 3,353,317	\$ 40,726,905
Other taxes and licenses	15,134,357	-	-	2,085,874	17,220,231
Unrestricted intergovernmental	4,589,762	-	-	-	4,589,762
Restricted intergovernmental	6,433,277	-	-	408,606	6,841,883
Permits and fees	839,865	-	-	-	839,865
Sales and services	1,079,918	-	-	-	1,079,918
Investment earnings	562,276	160,957	266,387	6,686	996,306
Donations	212,418	-	40,550	-	252,968
Miscellaneous	561,864	-	-	-	561,864
<b>Total revenues</b>	<u>66,787,325</u>	<u>160,957</u>	<u>306,937</u>	<u>5,854,483</u>	<u>73,109,702</u>
<b>EXPENDITURES</b>					
Current:					
General government	8,925,571	-	-	-	8,925,571
Public safety	12,245,576	-	-	3,712,795	15,958,371
Transportation	231,493	-	-	-	231,493
Economic and physical development	713,133	-	-	2,085,874	2,799,007
Environmental protection	532,800	-	-	-	532,800
Human services	7,295,611	-	-	-	7,295,611
Cultural and recreational	1,447,796	-	22,578,906	-	24,026,702
Education	16,248,335	-	-	-	16,248,335
Debt service:					
Principal	5,264,027	-	-	-	5,264,027
Interest	1,778,703	-	-	-	1,778,703
<b>Total expenditures</b>	<u>54,683,045</u>	<u>-</u>	<u>22,578,906</u>	<u>5,798,669</u>	<u>83,060,620</u>
Revenues over (under) expenditures	<u>12,104,280</u>	<u>160,957</u>	<u>(22,271,969)</u>	<u>55,814</u>	<u>(9,950,918)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	22,983	-	-	-	22,983
Refunding of bonds	(19,055,720)	-	-	-	-
Refunding bonds	19,240,000	-	-	-	-
Transfers from other funds	3,619,091	7,136,100	500,000	-	11,255,191
Transfers to other funds	(7,636,100)	(3,619,091)	-	-	(11,255,191)
<b>Total other financing sources and uses</b>	<u>(3,809,746)</u>	<u>3,517,009</u>	<u>500,000</u>	<u>-</u>	<u>207,263</u>
Net change in fund balance	8,294,534	3,677,966	(21,771,969)	55,814	(9,743,655)
<b>Fund balance, beginning of year</b>	<u>26,892,370</u>	<u>9,977,291</u>	<u>24,949,740</u>	<u>420,040</u>	<u>62,239,441</u>
<b>Fund balance, end of year</b>	<u>\$ 35,186,904</u>	<u>\$ 13,655,257</u>	<u>\$ 3,177,771</u>	<u>\$ 475,854</u>	<u>\$ 52,495,786</u>

The accompanying notes 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, 2020

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

Net changes in fund balances - total governmental funds	\$	(9,743,655)
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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	\$	24,182,941	
Sale of assets not fully depreciated		(5,562)	
Depreciation expense for governmental assets		<u>(3,446,250)</u>	
			20,731,129

Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.	1,016,929
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.	217,900
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Benefit payments paid and administrative expense for the LEOSSA in the current fiscal year are not included on the Statement of Activities.	139,433
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Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs	(277,620)
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Expenses reported on fund statements that are capitalized on government-wide statements - Note Receivable - Watauga Humane Society	367,129
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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>286,845</u>	286,845
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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	(320,695)	
Pension expense-LGERS and ROD	(1,871,414)	
Compensated absences	(3,038)	
Pension expense-LEOSSA	(74,883)	
Amortization of bond premiums	<u>1,846,088</u>	
Combined adjustment		(423,942)

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	5,264,027	
Refunding of bonds	19,055,720	
Issuance of long term debt	(19,240,000)	
Decrease in accrued interest payable	<u>49,191</u>	
		<u>5,128,938</u>

Total changes in net position of governmental activities	\$	<u>17,443,086</u>
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The accompanying notes are an integral part of this statement

**Watauga County, North Carolina**  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund  
For the Year Ended June 30, 2020

	<b>General Fund</b>			
	Budget		Actual Amounts	Variance with Final Budget-
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 36,473,161	\$ 36,473,161	\$ 37,373,588	\$ 900,427
Other taxes and licenses	13,265,000	13,397,000	15,134,357	1,737,357
Unrestricted intergovernmental	3,761,000	3,761,000	4,589,762	828,762
Restricted intergovernmental	4,527,979	7,958,333	6,433,277	(1,525,056)
Permits and fees	738,657	738,657	839,865	101,208
Sales and services	1,241,808	1,241,808	1,079,918	(161,890)
Investment earnings	254,000	254,000	562,276	308,276
Donations	30,500	401,110	212,418	(188,692)
Miscellaneous	499,881	499,881	561,864	61,983
Total revenues	<u>60,791,986</u>	<u>64,724,950</u>	<u>66,787,325</u>	<u>2,062,375</u>
<b>Expenditures:</b>				
General government	10,940,790	13,026,258	8,925,571	4,100,687
Public safety	12,096,913	14,765,674	12,245,576	2,520,098
Transportation	67,495	251,954	231,493	20,461
Economic and physical development	583,674	761,329	713,133	48,196
Environmental protection	415,876	645,607	532,800	112,807
Human services	8,346,855	8,449,485	7,295,611	1,153,874
Cultural and recreation	1,839,031	1,834,413	1,447,796	386,617
Education	15,614,953	16,529,658	16,248,335	281,323
Debt service:				
Principal retirement	4,799,027	5,264,027	5,264,027	-
Interest and other charges	2,295,109	1,830,109	1,778,703	51,406
Total expenditures	<u>56,999,723</u>	<u>63,358,514</u>	<u>54,683,045</u>	<u>8,675,469</u>
Revenues over (under) expenditures	<u>3,792,263</u>	<u>1,366,436</u>	<u>12,104,280</u>	<u>10,737,844</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	22,983	22,983
Refunding bonds	-	19,240,000	19,240,000	-
Refunding of bonds	-	(19,055,720)	(19,055,720)	-
Transfers from other funds	2,757,737	3,619,091	3,619,091	-
Transfers to other funds	(6,550,000)	(7,636,100)	(7,636,100)	-
Fund balance appropriated	-	2,466,293	-	(2,466,293)
Total other financing sources (uses)	<u>(3,792,263)</u>	<u>(1,366,436)</u>	<u>(3,809,746)</u>	<u>(2,443,310)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ 8,294,534	\$ <u>8,294,534</u>
Fund balance, beginning of year			<u>26,892,370</u>	
Fund balance, end of year			<u>\$ 35,186,904</u>	

The accompanying notes are an integral part of this statement

**Watauga County, North Carolina**  
Statement of Net Position  
Proprietary Fund  
June 30, 2020

	<b>Enterprise Fund</b>
	<b>Solid Waste Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,548,657
Receivables, net	335,584
Prepaid expense	46,725
Due from other governments	32,486
Total current assets	7,963,452
Non-current assets:	
Capital assets:	
Land and construction in progress	1,014,113
Other capital assets, net of depreciation	3,965,810
Total capital assets	4,979,923
Total assets	12,943,375
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB deferrals	110,993
Pension deferrals	236,504
Total deferred outflows of resources	347,497
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	332,791
Accrued compensated absences - current	18,727
Accrued landfill postclosure and closure costs - current	121,745
Total current liabilities	473,263
Non-current liabilities:	
Net pension liability	382,051
Net OPEB liability	201,964
Accrued landfill postclosure and closure costs - noncurrent	718,753
Accrued compensated absences	80,195
Total non-current liabilities	1,382,963
Total liabilities	1,856,226
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB deferrals	59,765
Pension deferrals	913
Total deferred inflows of resources	60,678
<b>NET POSITION</b>	
Net investment in capital assets	4,979,923
Unrestricted	6,394,045
Total net position	\$ 11,373,968

The accompanying notes are an integral part of this statement

**Watauga County, North Carolina**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2020

	<b>Enterprise Fund</b>
	<b>Solid Waste Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 4,961,239
Sale of recycled materials	157,451
	5,118,690
Total operating revenues	5,118,690
 <b>OPERATING EXPENSES:</b>	
Landfill operations	4,539,604
Recycling operations	81,986
Depreciation	412,909
	5,034,499
Total operating expenses	5,034,499
Operating income	84,191
 <b>NONOPERATING REVENUES:</b>	
Interest and investment revenue	121,213
Miscellaneous revenues	6,479
Restricted intergovernmental revenues	140,998
	268,690
Total nonoperating revenues	268,690
Change in net position	352,881
Total net position, beginning	11,021,087
Total net position, ending	\$ 11,373,968

The accompanying notes are an integral part of this statement

**Watauga County, North Carolina**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2020

	<b>Enterprise Fund</b>
	<b>Solid Waste Fund</b>
Cash flows from operating activities:	
Cash received from customers	\$ 5,148,526
Cash paid for goods and services	(3,135,106)
Cash paid to employees for services	(1,517,153)
Net cash provided by operating activities	496,267
Cash flows from noncapital financing activities:	
Restricted intergovernmental revenues	143,071
Miscellaneous revenues	6,479
Net cash provided by noncapital financing activities	149,550
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(578,228)
Net cash used by capital and related financing activities	(578,228)
Cash flows from investing activities:	
Interest on investments	121,213
Net cash provided by investing activities	121,213
Net increase in cash and cash equivalents	188,802
Cash and cash equivalents, July 1	7,359,855
Cash and cash equivalents, June 30	\$ <u>7,548,657</u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ <u>84,191</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	412,909
Changes in assets, liabilities, deferred outflows and inflows of resources:	
Increase in deferred outflow of resources - pensions	22,967
Increase in deferred inflow of resources - OPEB	3,107
Increase in deferred outflows of resources - OPEB	3,823
Increase in net pension liability	65,511
Increase in net OPEB liability	23,368
Decrease in deferred inflow of resources - pensions	(1,794)
Decrease in accrued landfill postclosure and closure costs	(96,737)
Increase in accounts receivable	29,836
Increase in prepaid expense	(46,725)
Increase in accounts payable	(236)
Decrease in accrued compensated absences	(3,953)
Total adjustments	412,076
Net cash provided by operating activities	\$ <u>496,267</u>

The accompanying notes are an integral part of this statement

**Watauga County, North Carolina**  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2020

	<u>Irrevocable Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,723,225	\$ 70,274
Accounts receivable	1,554	8,550
	<u>\$ 2,724,779</u>	<u>\$ 78,824</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 78,824
	<u>-</u>	<u>78,824</u>
Net position:		
Assets held in trust for postemployment benefits other than pensions	\$ 2,058,754	\$ -
Assets held in trust for law enforcement officers' special separation allowance benefits	666,025	-
	<u>\$ 2,724,779</u>	<u>\$ -</u>

**Watauga County, North Carolina**  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the Year Ended June 30, 2020

		<b>Irrevocable Trust Funds</b>
		<u>                    </u>
<b>Additions:</b>		
Employer contributions	\$	397,233
Interest earned		<u>55,977</u>
Total additions		<u>453,210</u>
 <b>Deductions:</b>		
Benefits		184,233
Administrative expense		<u>23,000</u>
Total deductions		<u>207,233</u>
Change in net position		245,977
 <b>Net position restricted for post employment benefits other than pensions and law enforcement officers' special separation allowance</b>		
Beginning of year		<u>2,478,802</u>
End of year	\$	<u><u>2,724,779</u></u>

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2020

## 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 Statute 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, 2020

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.

*Agency Funds* – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Trust Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Vehicle Tax-Towns Fund, which accounts for registered motor vehicle property taxes that are collected by the County for various municipalities within the County but are not revenues to the County; the Inmate Commissary Fund, which accounts for monies deposited with the County's Detention Center for the benefit of certain individuals; the Fine and Forfeitures Fund, which accounts for various fines and forfeitures that the County is required to remit to the Watauga County Board of Education, the Deed of Trust Fee Fund, which accounts for fees collected by the Register of Deeds

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

which are remitted to the State Treasurer on a monthly basis, and the Town of Boone Taxes Fund, which accounts for property taxes billed and collected by the County on behalf of the Town of Boone.

*Non-major Funds* – The County maintains five 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, and the Occupancy Tax 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.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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 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 Fund, the Federal Equitable Sharing, the State Substance Abuse Tax, the Emergency Telephone System, Fire Districts, Occupancy Tax Special Revenue Funds, and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinance is adopted for the Recreation Center 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) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a short-term bond fund investing in treasuries, government agencies, and money market investments allowed under G.S. 159-30, has no rating and has a duration of .15 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2020

## 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. AppalCART the Authority consider demand deposits and investments purchased with an 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	\$ 368,673
	Register of Deeds	50,656
Federal Equitable Sharing Fund	Law enforcement	145,562
State Substance Abuse Tax Fund	Law enforcement	45,124
Emergency Telephone Fund	911 eligible expenditures	265,584
Occupancy Tax Fund	Tourism	112,918
Fire District Funds	Unexpended collections	13,920
Total Governmental Activities		<u>\$1,002,437</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, 2019.

## 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

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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 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,

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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.

### **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.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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].

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 Community Recreation Center – portion of fund balance restricted for unspent bond proceeds.

*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**

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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, 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, 2020, the County's deposits had a carrying amount of \$24,605,358 and a bank balance of \$25,660,332. Of the bank balance, \$864,639 was covered by federal depository insurance and the remainder is covered by collateral held under the Pooling Method. At June 30, 2020, Watauga County had \$3,000 cash on hand.

At June 30, 2020, AppalCART's deposits had a carrying amount of \$1,290,988 and a bank balance of \$1,301,988. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,051,988 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2020, the Authority's deposits had a carrying amount of \$1,854,767 and a bank balance of \$1,917,536. 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, 2020, 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	20,141,337	14,154,520	5,986,817	-
Government Agencies	Fair Value Level 2	1,505,838	-	-	1,505,838
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	2,294,422	2,294,422	N/A	N/A
NC Capital Management Trust – Term Portfolio*	Fair Value Level 1	12,024,331	12,024,331	-	-

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

Total:		<u>\$35,965,928</u>	<u>\$28,473,273</u>	<u>\$5,986,817</u>	<u>\$1,505,838</u>
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\*As of June 30, 2020, the NCCMT Term Portfolio had a duration of .15 years. Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P. The NCCMT Term Portfolio has no rating.

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, 2020, the County's investments in commercial paper were rated A1 by Standard & Poor's and P1 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 as of June 30, 2020. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Agencies with Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation are rated AA+ 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, 2020, AppalCART's investment stated at fair value, consisted of \$2,110,011 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. AppalCART has no formal policy on interest rate risk or credit risk on its investments.

At June 30, 2020, the Authority's investments consisted of the following:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Government Portfolio	\$ 108,104	N/A	AAAM
NC Capital Management Trust – Term Portfolio	2,221,226	.15 years	Unrated
	<u>\$2,329,330</u>		

*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

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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 as of June 30, 2020. The Authority's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

### 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
2016	\$ 670,350	\$ 189,374	\$ 859,724
2017	762,996	146,877	909,873
2018	765,574	78,502	844,076
2019	873,126	-	873,126
Total	\$ 3,072,046	\$ 414,753	\$ 3,486,799

### 4. Receivables

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts	Taxes Receivable	Interest Receivable	Total
<b>Governmental Activities:</b>				
General	\$ 78,945	\$ 1,054,289	\$ 155,214	\$ 1,288,448
Other Governmental	-	396,352	17,311	413,663
Total receivables	78,945	1,450,641	172,525	1,702,111
Allowance for doubtful accounts	-	(139,434)	-	(139,434)
Total-governmental activities	\$ 78,945	\$ 1,311,207	\$ 172,525	\$ 1,562,677
<b>Business-type Activities</b>				
Solid Waste	\$ 410,703	\$ -	\$ -	\$ 410,703
Allowance for doubtful accounts	(75,119)	-	-	(75,119)
Total-business-type activities	\$ 335,584	\$ -	\$ -	\$ 335,584

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

Governmental activities:	
NC Dept of Natural and Cultural Resources	\$ 35,908
NC DOR	5,484,111
Watauga County Register of Deeds	7,047
NC Dept of Public Instruction	207,830
NC Dept of Public Safety	98,231
Town of Blowing Rock	125,665
Caldwell Community College & Technical Institute	15,332
High Country Council of Governments	2,105

## WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2020

Town of Beech Mountain	128,859
Town of Boone	17,060
Town of Seven Devils	20,467
Watauga County Clerk of Court	19,109
Watauga County District U TDA	3,784
NC DHHS	468,649
Emergency Telephone System	26,193
Total-governmental activities	\$ 6,660,350
Business-type activities:	
NCDOR	\$ 32,486

### 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, 2020 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 balance as of June 30, 2020 was \$348,743.

### 6. Capital Assets

#### **Primary Government:**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 21,544,911	\$ 379,990	\$ -	\$ 21,924,901
Intangible	15,600	-	-	15,600
Construction in progress	16,189,455	23,027,458	379,990	38,836,923
Total capital assets not being depreciated	37,749,967	23,407,448	379,990	60,777,424
<b>Capital assets being depreciated:</b>				
Buildings	101,449,060	-	-	101,449,060
Other improvements	5,412,681	477,000	-	5,889,681
Leasehold improvements	7,546,816	125,345	-	7,672,161
Equipment	6,554,734	309,687	112,201	6,752,220
Vehicles and motorized equipment	2,625,601	243,451	156,997	2,712,055
Total capital assets being depreciated	123,588,892	1,155,483	269,198	124,475,177
Less accumulated depreciation for:				
Buildings	24,957,706	2,028,296	-	26,986,002
Other improvements	3,698,044	462,223	-	4,160,267
Leasehold improvements	1,854,368	262,999	-	2,117,367
Equipment	5,615,645	311,375	111,778	5,815,242
Vehicles and motorized equipment	1,598,472	381,357	151,858	1,827,971
Total accumulated depreciation	37,724,234	3,446,250	263,636	40,906,848
Total capital assets being depreciated, net	85,864,658			83,568,329

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

<b>Governmental activity capital assets, net</b>	<b>\$ 123,614,625</b>	<b>\$144,345,752</b>
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Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 1,943,252
Public safety	572,482
Economic and physical development	30,159
Environmental protection	9,967
Human services	370,341
Cultural and recreational	520,049
Total depreciation expense	<b>\$ 3,446,250</b>

	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	-	38,617
Total capital assets not being depreciated	975,497	38,617	-	1,014,113
<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	1,729,909	419,489	-	2,149,398
Vehicles	1,881,082	120,122	-	2,001,204
Total capital assets being depreciated	8,529,664	539,611	-	9,069,276
Less accumulated depreciation for:				
Improvements	373,721	23,197	-	396,918
Leasehold improvements	313,908	248	-	314,156
Building	1,374,201	85,898	-	1,460,099
Equipment	1,487,090	92,668	-	1,579,758
Vehicles	1,141,636	210,898	-	1,352,534
Total accumulated depreciation	4,690,556	412,909	-	5,103,464
Total capital assets being depreciated, net	3,839,108			3,965,811
<b>Business-type capital assets, net</b>	<b>\$ 4,814,605</b>			<b>\$ 4,979,923</b>

**Construction commitments**

The County has one active construction project as of June 30, 2020. The governmental project includes the Community Recreation Center. At June 30, 2020, the government's commitments with contractors are as follows:

	Spent-to-date	Remaining Commitment
Community Recreation Center	\$ 36,753,343	\$ 143,455
Total	\$ 36,753,343	\$ 143,455

**Discretely presented component units**

Capital asset activity for the AppalCART for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

**Capital assets not being depreciated:**

Land	\$ 1,114,242	\$ -	\$ -	\$ 1,114,242
Construction in progress	6,850	-	-	6,850
Total capital assets not being depreciated	<u>1,121,092</u>	-	-	<u>1,121,092</u>

**Capital assets being depreciated:**

Buildings	6,713,329	-	-	6,713,329
Land improvements	11,156	-	-	11,156
Office furniture and equipment	515,240	-	-	515,240
Shop equipment	394,433	3,486	37,223	360,696
Vehicles	12,755,757	50,695	1,280,558	11,525,894
Total capital assets being depreciated	<u>19,126,315</u>	<u>54,181</u>	<u>1,317,781</u>	<u>19,126,315</u>

Less accumulated depreciation for:

Buildings	815,361	135,789	-	951,150
Land improvements	11,156	536	-	11,692
Office furniture and equipment	277,918	63,644	-	341,562
Shop equipment	334,306	11,943	37,223	309,026
Vehicles	4,603,249	1,013,716	1,280,558	4,336,407
Total accumulated depreciation	<u>6,041,990</u>	<u>1,225,628</u>	<u>1,317,781</u>	<u>5,949,837</u>

Total capital assets being depreciated, net	<u>14,347,925</u>			<u>13,176,478</u>
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<b>Business-type activities capital assets, net</b>	<u>\$15,649,017</u>			<u>\$14,297,570</u>
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**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Salaries and benefits	Due to other governments	Total
Governmental activities:				
General	\$ 1,458,718	\$ 446,220	\$ 400,204	\$ 2,305,142
Recreation center project fund	989,104	-	-	989,104
Other governmental funds	39,486	-	392,844	432,330
Total-governmental activities	<u>\$ 2,487,308</u>	<u>\$ 446,220</u>	<u>\$ 793,048</u>	<u>\$ 3,726,576</u>
Business-type activities:				
Solid Waste	<u>\$ 301,254</u>	<u>\$ 31,537</u>	<u>\$ -</u>	<u>\$ 332,791</u>

**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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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).

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

*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 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, 2020, was 9.7% of compensation for law enforcement officers and 9.05% 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 \$1,113,164 for the year ended June 30, 2020.

*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, 2020, the County reported a liability of \$4,500,013 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

County's proportion was 0.16478% (measured as of June 30, 2019), which was a decrease of 0.00081% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$2,024,641. At June 30, 2020, 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	\$ 770,516	\$ -
Changes of assumptions	733,428	-
Net difference between projected and actual earnings on pension plan investments	109,762	-
Changes in proportion and differences between County contributions and proportionate share of contributions	58,807	10,753
County contributions subsequent to the measurement date	<u>1,113,164</u>	<u>-</u>
Total	\$ <u>2,785,677</u>	\$ <u>10,753</u>

\$1,113,164 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	\$ 815,227
2022	259,403
2023	452,383
2024	134,746
2025	-
Thereafter	-
Total	\$ <u>1,661,759</u>

At June 30, 2020, the Authority reported a liability of \$68,819 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the Authority's proportion was 0.00252% (measured as of June 30, 2019), which was a decrease of 0.00010% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Authority recognized pension expense of \$29,323. At June 30, 2020, 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	\$ 11,784	\$ -
Changes of assumptions	11,216	-
Net difference between projected and actual earnings on	1,679	-

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

pension plan investments

Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	3,017
Authority contributions subsequent to the measurement date	15,619	-
Total	\$ <u>40,298</u>	\$ <u>3,017</u>

\$15,619 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:

Year ended June 30:	
2021	\$ 11,034
2022	2,781
2023	6,120
2024	1,727
2025	-
Thereafter	-
Total	\$ <u>21,662</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 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	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, 2018 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

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 2018 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.

*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:

	<b>1% Decrease (6.0%)</b>	<b>Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
County's proportionate share of the net pension liability (asset)	\$ 10,292,353	\$ 4,500,013	\$ (314,595)
Authority's proportionate share of the net pension liability (asset)	\$ 157,402	\$ 68,819	\$ (4,811)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

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, 2019, the valuation date:

Retirees receiving benefits	3
Inactive members entitled to but not receiving benefits	0
Active plan members	42
Total	45

*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, 2020, the County contributed \$139,433, or 6.95% 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Based on service, ranging from 3.50 to 7.35 percent, including inflation
Investment rate of return	3.50 percent, net of pension plan investment expense, including inflation
Mortality	Pre-retirement mortality rates bases on the RP-2014 Employee tables, projected forward generationally using Scale MP-2015 Post-retirement rate based on the RP-2014 Healthy Annuitant tables, projected forward generationally using Scale MP-2015; rates loaded by 4% for males

*Discount rate.* The discount rate used to measure the total pension liability was 3.50%. 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, 2019.

*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 3.50% 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, 2019.

*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 3.50 percent, as well as what the net pension

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net pension liability	\$354,466	\$269,573	\$192,057

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

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance as of June 30, 2018; measurement date</b>	\$ 751,983	\$ 470,475	\$ 281,508
<b>Changes for the year:</b>			
Service cost	59,759	-	59,759
Interest	30,735	-	30,735
Benefit changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	29,530	-	29,530
Contributions – employer	-	130,091	(130,091)
Contributions – employee	-	-	-
Net investment income	-	11,387	(11,387)
Benefits paid	(35,091)	(35,091)	-
Plan administrative expenses	-	(9,519)	9,519
Net changes	84,933	96,868	(11,935)
<b>Balance as of June 30, 2019; measurement date</b>	\$ 836,916	\$ 567,343	\$ 269,573

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

The assumed rate of return was decreased from 3.87% to 3.50% 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, 2020, the County recognized pension expense of \$74,883. 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, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of the June 30, 2019 measurement date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,847	\$ 151,384
Changes of assumptions	75,407	54,984
Net difference between projected and actual earnings on	17,807	-

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

pension plan investments			
County benefit payments and admin expenditures		139,433	-
subsequent to the measurement date			
Total	\$	<u>253,494</u>	\$ <u>206,368</u>

The County paid \$129,433 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 the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2021	\$	(6,115)
2022		(7,852)
2023		(9,617)
2024		(11,537)
2025		(13,232)
Thereafter		<u>(43,954)</u>
Total	\$	<u>(92,307)</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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR 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, 2020 were \$138,222, which consisted of \$112,759 from the County and \$25,463 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, 2020 to these plans were \$779,113 which consisted of \$487,439 from the County and \$291,674 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

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

(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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the 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 \$5,956 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$111,264 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the County's proportion was .56359%, which was a decrease of .05254% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$13,263. At June 30, 2020, 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	\$ -	\$ 5,365
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,138	-
Changes in proportion and differences between County contributions and proportionate share of contributions	10,123	-
County contributions subsequent to the measurement date	5,956	-
Total	\$ 17,217	\$ 5,365

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

\$5,956 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, 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	\$ 2,869
2022	3,644
2023	1,582
2024	(2,198)
2025	-
Thereafter	-
Total	\$ <u>5,897</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 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, 2018 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, 2020 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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.

## WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2020

*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 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)	\$7,496	\$(111,264)	\$6,127

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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 December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018. The net pension liability (asset) for LEOSSA was measured as of June 30, 2019, with an actuarial valuation date of that same date. 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)	\$ 4,500,013	\$ (111,264)	\$ -	\$ 4,388,749
Proportion of the Net Pension Liability (Asset)	0.16478%	-0.56359%	n/a	n/a
Net Pension Liability	-	-	\$ 269,573	\$ 269,573
Pension Expense	\$ 2,024,641	\$ 13,263	\$ 74,883	\$ 2,112,787

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 770,516	\$ -	\$ 20,847	\$ 791,363
Changes of assumptions	733,428	-	75,407	808,835
Net difference between projected and actual earnings on pension plan investments	109,762	1,138	17,807	128,707
Changes in proportion and differences between County contributions and proportionate share of contributions	58,807	10,123	-	68,930
County contributions (LGERS,ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,113,164	5,956	139,433	1,258,553
Total	<u>\$ 2,785,677</u>	<u>\$ 17,217</u>	<u>\$ 253,494</u>	<u>\$ 3,056,388</u>
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	\$ -	\$ 5,365	\$ 151,384	\$ 156,749
Changes of assumptions	-	-	54,984	54,984
Changes in proportion and differences between County contributions and proportionate share of contributions	10,753	-	-	10,753
Total	<u>\$ 10,753</u>	<u>\$ 5,365</u>	<u>\$ 206,368</u>	<u>\$ 222,486</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, 2019 and June 30, 2020, the HCB Plan membership consisted of the following:

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

	<u>2019</u>	<u>2020</u>
Inactive plan members or beneficiaries currently receiving benefit payments	24	24
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	<u>249</u>	<u>249</u>
Total	<u>273</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 \$257,800.

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 3.5 percent.

*Rate of return.* For the year ended June 30, 2019, the annual money weighted rate of return on investments, net of investment expense, was 1.80 percent.

**Net OPEB Liability of the County**

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

Total OPEB Liability	\$ 4,290,310
Plan fiduciary net position	<u>1,911,459</u>
County's net OPEB liability	<u>\$ 2,378,851</u>

Plan fiduciary net position as a percentage of Total OPEB Liability is 44.55%.

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 3.0 percent

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

Salary increases	Based on service, ranging from 7.35 percent for Uniformed Employees grading down to 3.50 percent over 40 years, and 7.75% for General Employees grading down to 3.50 percent over 24 years, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	7.0 percent grading down to 4.5 percent over 10 years
Healthy mortality rates	
Pre-retirement	RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015
Post-retirement	RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 115 percent (male) and 79 percent (female) for general employees and by 104 percent (male) for sworn law enforcement officers.

Total OPEB liabilities were rolled forward to June 30, 2019 and June 30, 2020 for the employer and the plan, respectively, utilizing updated procedures incorporating the actuarial assumptions.

The actuarial assumptions used in the June 30, 2019 valuation were based on the NCLGERS assumption study for the five-year period ended December 31, 2014.

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 3.50 percent. The discount rate incorporates a municipal bond rate which is 3.50 percent as reported in the Bond Buyer for the 20 Year general obligation bonds as of June 30, 2019.

*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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50 percent)	Discount Rate (3.50 percent)	1% Increase (4.50 percent)
Net OPEB liability (asset)	\$ 2,736,927	\$ 2,378,851	\$ 2,053,574

*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:

	1% Decrease in Trend Rates	Healthcare Cost Trend Rate (7.0 percent decreasing to 4.5 percent over 10 years)	1% Increase in Trend Rates
Net OPEB liability (asset)	\$ 2,073,296	\$ 2,378,851	\$ 2,743,756

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2020

*Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2020, the County reported a net OPEB liability of \$2,378,851. The total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2019.

At June 30, 2020, the components of the net OPEB liability of the County, as measured at June 30, 2019, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2018	\$ 4,012,410	\$ 1,768,745	\$ 2,243,665
Changes for the Year:			-
Service Cost	248,114	-	248,114
Interest	162,144	-	162,144
Differences between Expected and Actual experience	(114,921)	-	(114,921)
Changes of assumptions	124,063	-	124,063
Contributions	-	264,000	(264,000)
Net Investment Income	-	32,752	(32,752)
Administrative expense	-	(12,538)	12,538
Benefit Payments	(141,500)	(141,500)	-
Net Changes	277,900	142,714	135,186
Balances at June 30, 2019	\$ 4,290,310	\$ 1,911,459	\$ 2,378,851

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

For the year ended June 30, 2020, the County recognized OPEB expense of \$390,855. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 528,885	\$ 204,660
Changes of assumptions	241,052	499,290
Net Difference between projected and actual earnings on plan investments	67,440	-
County contributions subsequent to the measurement date	257,800	-
Total	\$ 1,095,177	\$ 703,950

\$257,800 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2020

2021	\$	38,638
2022		34,089
2023		29,205
2024		21,584
2025		(19,105)
Thereafter		29,016
	\$	<u>133,427</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, 2020, the County made contributions to the State for death benefits of \$8,848 for general employees and \$3,224 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 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 postclosure costs of \$486,980. The County will recognize the postclosure costs over the remaining 4 years.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

**(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 \$353,518 reported as landfill closure and postclosure care liability at June 30, 2020 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 \$486,980 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2020.

#### 4. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources as of June 30, 2020 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	\$ 1,049,887	\$ 554,274	\$ -
Pensions and OPEB – difference between expected and actual experience	1,320,248	361,409	-
Pensions and OPEB – difference between projected and actual investment earnings	196,147	-	-
Pensions and OPEB – change in proportion and difference between employer contributions and proportionate share of contributions	68,930	10,753	-
Contributions to pension and OPEB plans in	1,516,353	-	-
Deferred charge on refunding of debt	1,388,100	-	-
Note receivable	-	-	15,842,129
Prepaid taxes not yet earned (General)	-	9,392	9,392
Unearned revenue (General)	-	1,001,211	1,001,211
Taxes receivable, net (General)	-	-	927,429
Taxes Receivable, net (Special Revenue)	-	-	103,852
Total	\$ 5,539,664	\$ 1,937,039	\$ 17,884,013

#### 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 \$76,935,630 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 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.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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 direct placement installment purchase was executed in the amount of \$1,290,274 for Qualified School Construction Bonds on June 14, 2010 for school renovations. This installment purchase calls for 10 annual principal payments of \$129,028 plus interest at 5.8 percent with a federal interest credit giving an effective rate of zero percent prior to federal sequestration reductions affecting the annual reimbursement of interest. The balance was paid in full during the current fiscal year.

The second and third 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, 2020 of \$29,020,000. Series B was for

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

\$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.

The fourth 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, 2020 is \$17,170,000. 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, 2020, including \$8,979,336 of interest, are:

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2021	\$ 4,980,000	\$ 1,696,631	\$ -	\$ -
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	-	-
2026-2030	17,275,000	2,273,905	-	-
2031-2033	3,960,000	303,000	-	-
<b>Total payments</b>	<b>\$ 46,190,000</b>	<b>\$ 8,979,336</b>	<b>\$ -</b>	<b>\$ -</b>

**b. General Obligation Indebtedness**

The County has no general obligation debt outstanding or authorized as of June 30, 2020. At June 30, 2020, Watauga County had a legal debt margin of \$696,594,671.

**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 thirteen 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 defeased 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 \$1,195,953 and the annual amortization of \$91,996 in interest expense are 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, 2020:

	Balance			Current Portion of	
<b><u>Governmental activities:</u></b>	July 1, 2019	Increases	Decreases	Balance	Balance
Net pension liability (LRS)	\$ 3,611,821	\$ 506,141	\$ -	\$ 4,117,962	\$ -
Net pension liability (LEOSA)	281,508	-	11,935	269,573	-
Net OPEB liability	2,065,069	111,818	-	2,176,887	-

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2020

Direct Placement Installment purchases	49,604,027	19,240,000	22,654,027	46,190,000	4,980,000
Premium on LOBS	1,608,392	-	114,885	1,493,507	114,885
Premium on advance refunding	2,927,156	-	1,731,203	1,195,953	91,996
Compensated absences	1,055,482	1,654,848	1,651,810	1,058,520	164,626
Total governmental activities	<u>\$ 61,153,455</u>	<u>\$ 21,512,807</u>	<u>\$ 26,163,860</u>	<u>\$ 56,502,402</u>	<u>\$5,351,507</u>

**Business-type activities:**

Net pension liability (LGERS)	\$ 316,540	\$ 65,511	\$ -	\$ 382,051	\$ -
Net OPEB liability	178,596	23,368	-	201,964	-
Accrued landfill closure and post closure costs	937,235	25,008	121,745	840,498	121,745
Compensated absences	102,874	139,666	143,619	98,921	18,727
Total business-type activities	<u>\$ 1,535,245</u>	<u>253,553</u>	<u>\$ 265,365</u>	<u>\$ 1,523,434</u>	<u>140,472</u>

**Discretely presented component units:**

**AppalCART**

Compensated absences	<u>\$ 81,675</u>	<u>\$ 66,008</u>	<u>\$ 55,846</u>	<u>\$ 91,837</u>	<u>\$ 55,846</u>
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**Watauga County TDA**

Net pension liability (LGERS)	\$ 62,155	\$ 6,664	\$ -	\$ 68,819	\$ -
Compensated absences	10,283	13,786	10,588	13,481	13,481
Total Watauga County TDA	<u>\$ 72,438</u>	<u>\$ 20,450</u>	<u>\$ 10,588</u>	<u>\$ 82,300</u>	<u>\$ 13,481</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, 2020, consist of the following:

From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions	\$ 7,136,100
From the General Fund to the Recreation Center Project Fund for the Community Recreation Center	500,000
From the Capital Projects Fund to the General Fund	3,619,091
Total	<u>\$ 11,255,191</u>

**D. Net Investment in Capital Assets**

	Governmental	Business-type
Capital assets	\$ 144,345,752	\$ 4,979,923
Less long-term debt	46,190,000	-
Less LOBs premium	1,493,507	-
Less advance refunding premium	1,195,953	-
Net investment in capital assets	<u>\$ 95,466,292</u>	<u>\$ 4,979,923</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

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2020

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. 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	\$35,186,904
Less:	
Stabilization by State Statute	9,541,454
Register of Deeds Automation/Enhancement	50,656
Tax Revaluation	368,673
Remaining fund balance	<u>\$25,226,121</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 - \$3,214,904
	Recreation Center Project Fund - \$191,090
	State Substance Fund - \$26,143
	Enterprise Fund - \$552,691

### 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, 2020. 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, 2020. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$746,920 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.

## WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2020

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 paid membership fees of \$27,299 and purchased services in the amount of \$1,975 with the Council during the fiscal year ended June 30, 2020. The County was the sub recipient of three grants totaling \$335,829. The first grant is for \$300,694 in Home and Community Care Block Grant funds and the second is for \$21,039 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 \$14,096 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, 2020, the County has evaluated subsequent events for potential recognition and disclosure through December 22, 2020 – the date the financial statements were available to be issued.

## Required Supplemental Financial Data

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

### **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 Five Fiscal Years

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

\*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 3.87% to 3.50% 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 Five Fiscal Years**

	<u>2020**</u>	<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016*</u>
Total pension liability (TPL)	\$ 836,916	\$ 751,983	\$ 690,594	\$ 849,033	\$ 790,118
Plan net position	<u>567,343</u>	<u>470,475</u>	<u>399,608</u>	<u>273,313</u>	<u>272,885</u>
Net pension liability	<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	67.79%	62.56%	57.86%	32.19%	34.54%
Covered payroll	2,005,514	2,005,514	1,837,013	1,883,580	1,837,735
Net pension liability as a percentage of covered payroll	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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Based on service, ranging from 3.50 - 7.35%, including inflation
Investment Rate of Return	3.50%, net of pension plan investment expense, including inflation
Mortality	
Pre-retirement	RP-2014 Employee tables, projected forward generationally with Scale MP-2015
Post-retirement	RP-2014 Healthy Annuitant tables, projected forward generationally with Scale MP-2015. Rates loaded by 4% for males.

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

**Schedule 3**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined employer contribution	\$ 103,230	\$ 88,544	\$ 109,308	\$ 95,479	\$ 60,285
Contributions in relation to the contractually required contribution	139,433	130,091	109,744	143,399	39,727
Contribution deficiency (excess)	<u>\$ (36,203)</u>	<u>\$ (41,547)</u>	<u>\$ (436)</u>	<u>\$ (47,920)</u>	<u>\$ 20,558</u>
County's covered payroll	\$ 2,005,514	\$ 2,005,514	\$ 1,837,013	\$ 1,823,288	\$ 1,883,580
Contributions as a percentage of covered payroll	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	12.5 years
Asset valuation method	Market value of assets
Investment Rate of Return	3.5%, including inflation, net of pension plan investment expense
Inflation	3.00%
Salary increases	Based on service, ranging from 3.50% to 7.35%, including inflation
Mortality	
Pre-retirement	RP-2014 Employee tables, projected forward generationally with Scale MP-2015
Post-retirement	RP-2014 Healthy Annuitant tables, projected forward generationally with Scale MP-2015. Rates multiplied by 104%.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>				
Service cost	\$ 248,114	\$ 204,963	\$ 245,616	\$ 196,127
Interest	162,144	133,400	104,379	128,565
Benefit changes	-	-	-	-
Difference between expected and actual experience	(114,921)	705,179	(166,570)	-
Changes of assumptions and other inputs	124,063	(491,388)	(209,201)	264,995
Benefit payments, including refunds of member contributions	<u>(141,500)</u>	<u>(122,100)</u>	<u>(107,800)</u>	<u>(120,700)</u>
<b>Net change in total OPEB liability</b>	<u>277,900</u>	<u>430,054</u>	<u>(133,576)</u>	<u>468,987</u>
<b>Total OPEB liability-beginning</b>	<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>4,290,310</u>	<u>4,012,410</u>	<u>3,582,356</u>	<u>3,715,932</u>
<b>Plan fiduciary net position</b>				
Contributions-employer	\$ 264,000	\$ 264,800	\$ 872,800	\$ 207,436
Contributions-member	-	-	-	-
Net investment income	32,752	22,310	10,714	7,889
Benefit payments, including refunds of member contributions	(141,500)	(122,100)	(107,800)	(120,700)
Administrative expense	<u>(12,538)</u>	<u>(25,000)</u>	<u>-</u>	<u>(4,800)</u>
<b>Net change in plan fiduciary net position</b>	<u>142,714</u>	<u>140,010</u>	<u>775,714</u>	<u>89,825</u>
<b>Plan fiduciary net position-beginning</b>	<u>1,768,745</u>	<u>1,628,735</u>	<u>853,021</u>	<u>763,196</u>
<b>Plan fiduciary net position-ending (b)</b>	<u>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>\$ 2,378,851</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	44.55%	44.08%	45.47%	22.96%
Covered employee payroll	\$ 11,825,259	\$ 11,480,834	\$ 10,715,512	\$ 10,160,128
Plan Net OPEB Liability as percentage of covered employee payroll	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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 272,198	\$ 227,672	\$ 253,925	\$ 179,656	\$ 171,685	\$ 171,685	\$ 177,098	\$ 177,098	\$ 189,788	\$ 160,959
Contributions in relation to the actuarially determined contribution	257,800	264,000	256,000	872,800	207,436	230,450	205,575	211,783	169,359	160,959
Contribution deficiency (excess)	\$ 14,398	\$ (36,328)	\$ (2,075)	\$ (693,144)	\$ (35,751)	\$ (58,765)	\$ (28,477)	\$ (34,685)	\$ 20,429	\$ -
Covered payroll	\$ 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	\$ 10,666,529
Contributions as a percentage of covered payroll	2.18%	2.30%	2.38%	8.59%	1.97%	2.30%	1.98%	2.12%	1.61%	1.51%

**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, 2019

Discount rate 3.50% as of June 30, 2019 and 3.87% as of June 30, 2018 measurement

Actuarial cost method Projected Unit Credit

Amortization method Open 30-year level percent of pay as of June 30, 2018

Remaining amortization period 30-years

Asset valuation method Market Value

Inflation rate 3%

Retirement age 2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 115% (male) and 79% (female) for General Employees and by 104% (male) for Uniformed Employees

Salary increases Based on service, 7.35% for Uniformed Employees grading down to 3.50% over 40 years, and 7.75% for General Employees grading down to 3.50% over 24 years, including inflation

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 RP-2014 Healthy Annuitant base rates projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 115% (male) and 79% (female) for General Employees and by 104% (male) for Uniformed Employees

Healthcare trend costs 7.00% grading down to 4.50% over 10 years

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

**Schedule 6**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	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 Seven Fiscal Years\*

	<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) %	0.16478%	0.16559%	0.16785%	0.17390%	0.17404%	(0.17777)%	0.18070%
County's proportionate share of the net pension liability (asset) \$	\$ 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	\$ 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	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%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\*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 Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,113,164	\$ 937,359	\$ 861,878	\$ 798,115	\$ 732,167	\$ 761,648	\$ 738,196
Contributions in relation to the contractually required contribution	1,113,164	937,359	861,878	798,115	732,167	761,648	738,196
Contribution deficiency (excess)	<u>\$ -</u>						
County's covered payroll	\$ 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	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 Seven Fiscal Years\*

	<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) %	(0.56359)%	(0.61613%)	(0.65062%)	(0.66734%)	(0.65929%)	(0.6297%)	(0.6609%)
County's proportionate share of the net pension liability (asset) \$	\$ (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%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

\*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 Seven Fiscal Years**

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

	Final Budget	Actual	Variance
<b>REVENUES:</b>			
Taxes - ad valorem:			
Current year		\$ 36,968,186	
Prior years		264,641	
Advertising and interest		140,761	
Total Taxes - ad valorem	\$ 36,473,161	37,373,588	\$ 900,427
Taxes - other:			
Local option sales taxes		14,117,340	
Real estate transfer tax		623,216	
ABC Bottle tax		23,213	
Heavy equipment rental tax		10,293	
Gross receipts tax		54,828	
Video programming tax		305,467	
Total Taxes - other	13,397,000	15,134,357	1,737,357
Unrestricted Intergovernmental:			
Miscellaneous revenues from Towns		2,014,547	
Medicaid hold harmless		2,394,238	
Tax collection fees		120,182	
Occupancy tax administrative fee		32,604	
Payments in lieu of taxes		28,191	
Total Unrestricted Intergovernmental	3,761,000	4,589,762	828,762
Restricted Intergovernmental:			
Grants-Federal and State		6,016,238	
Public School Building Capital Fund - Lottery		323,611	
Federal Interest Credit		7,134	
Court facilities fees		86,294	
Total Restricted Intergovernmental	7,958,333	6,433,277	(1,525,056)
Permits and Fees:			
Sheriff's office permits and fees		119,092	
Planning and inspection fees		321,462	
Register of deeds fees		328,379	
Fire inspection fees		10,571	
Child Support fees		60,361	
Total Permits and Fees	738,657	839,865	101,208
Sales and Services:			
POA services		11,497	
TDA Financial and other services		12,000	
Recreation fees		164,906	
Reimbursement for Inmates		105,427	
Rent		412,555	
DMV notary/passport processing fees		157,400	
Blowing Rock communication services		180,603	
Election revenues		35,530	
Total Sales and Service	1,241,808	1,079,918	(161,890)
Investment earnings:	254,000	562,276	308,276
Miscellaneous:			
Other		561,864	
Donations		212,418	
Total Miscellaneous	900,991	774,282	(126,709)
<b>TOTAL REVENUES</b>	<b>64,724,950</b>	<b>66,787,325</b>	<b>2,062,375</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, 2020

	Final Budget	Actual	Variance
<b>EXPENDITURES:</b>			
<b>General Government</b>			
Governing Body:			
Salaries and benefits		\$ 54,445	
Operating expenses		4,574	
Total Governing Body	\$ 62,085	59,019	\$ 3,066
Administration:			
Salaries and benefits		422,822	
Operating expenses		10,741	
Total Administration	450,903	433,563	17,340
Finance:			
Salaries and benefits		327,230	
Operating expenses		64,251	
Total Finance	401,738	391,481	10,257
Tax Administration:			
Salaries and benefits		941,558	
Operating expenses		158,748	
Total Tax Administration	1,153,718	1,100,306	53,412
Tax Revaluation:			
Operating expenses		174	
Total Tax Revaluation	50,000	174	49,826
Tag Office:			
Salaries and benefits		217,865	
Operating expenses		3,646	
Total Tag Office	242,261	221,511	20,750
Legal Services:			
Operating expenses	87,200	86,155	1,045
Court facilities:			
Operating expenses	5,289	5,011	278
Board of Elections:			
Salaries and benefits		266,444	
Operating expenses		138,426	
Total Board of Elections	476,416	404,870	71,546
Register of Deeds:			
Salaries and benefits		472,407	
Operating expenses		57,398	
Capital outlay		3,625	
Total Register of Deeds	551,934	533,430	18,504
General Administration:			
Operating expenses		1,107,710	
Capital outlay		368,643	
Total General Administration	1,985,070	1,476,353	508,717
Information Technologies:			
Salaries and benefits		480,804	
Operating expenses		450,127	
Capital outlay		62,693	
Total Information Technologies	1,104,875	993,624	111,251

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020

	Final Budget	Actual	Variance
Maintenance:			
Salaries and benefits		\$ 1,196,469	
Operating expenses		30,124	
Total Maintenance	\$ 1,330,822	1,226,593	\$ 104,229
Public Buildings:			
Operating expenses		1,161,176	
Capital outlay		832,305	
Total Public Buildings	5,123,947	1,993,481	3,130,466
<b>Total General Government</b>	<b>13,026,258</b>	<b>8,925,571</b>	<b>4,100,687</b>
<b>Public Safety</b>			
Sheriff's Office:			
Salaries and benefits		3,701,804	
Operating expenses		425,486	
Capital outlay		323,400	
Total Sheriff's Office	4,839,670	4,450,690	388,980
Detention Center:			
Salaries and benefits		1,647,186	
Operating expenses		640,231	
Capital outlay		9,385	
Total Detention Center	2,356,496	2,296,802	59,694
Emergency Services:			
Salaries and benefits		846,089	
Operating expenses		53,817	
Capital outlay		87,543	
Total Emergency Services	1,076,006	987,449	88,557
Emergency Management:			
Salaries and benefits		278,112	
Operating expenses		1,968,735	
Capital outlay		35,655	
Total Emergency Management	4,127,551	2,282,502	1,845,049
Planning and Inspections:			
Salaries and benefits		602,256	
Operating expenses		19,168	
Total Planning and Inspections	679,626	621,424	58,202
Other Emergency Services:	1,543,071	1,471,249	71,822
Animal Control:			
Salaries and benefits		128,279	
Operating expenses		7,181	
Total Animal Control	143,254	135,460	7,794
<b>Total Public Safety</b>	<b>14,765,674</b>	<b>12,245,576</b>	<b>2,520,098</b>
<b>Transportation</b>			
Transportation:	251,954	231,493	20,461
<b>Economic and Physical Development</b>			
Special Appropriations:	533,385	531,493	1,892
Economic Development:	227,944	181,640	46,304
<b>Total Economic and Physical Development</b>	<b>761,329</b>	<b>713,133</b>	<b>48,196</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, 2020

	Final Budget	Actual	Variance
<b>Environmental Protection</b>			
Cooperative Extension:			
Salaries and benefits		\$ 259,749	
Operating expenses		14,436	
Total Cooperative Extension	\$ 285,581	274,185	\$ 11,396
Soil and Water Conservation:			
Salaries and benefits		107,747	
Operating expenses		150,868	
Total Soil and Water Conservation	360,026	258,615	101,411
<b>Total Environmental Protection</b>	<b>645,607</b>	<b>532,800</b>	<b>112,807</b>
<b>Human Services</b>			
Public Health:	746,920	746,920	-
Mental Health:	171,194	171,194	-
Social Services:			
Salaries and benefits		3,103,336	
Operating expenses		283,892	
Capital outlay		2,825	
Beneficiary payments		1,585,465	
Total Social Services	5,906,038	4,975,518	930,520
Project on Aging:			
Salaries and benefits		1,085,206	
Operating expenses		186,731	
Capital outlay		6,510	
Total Project on Aging	1,496,914	1,278,447	218,467
Veterans Services:			
Salaries and benefits		122,053	
Operating expenses		1,479	
Total Veterans Services	128,419	123,532	4,887
<b>Total Human Services</b>	<b>8,449,485</b>	<b>7,295,611</b>	<b>1,153,874</b>
<b>Education</b>			
Public Schools - current		13,664,548	
Public Schools - capital outlay		1,583,508	
Community College - current		950,279	
Community College - capital outlay		50,000	
<b>Total Education</b>	<b>16,529,658</b>	<b>16,248,335</b>	<b>281,323</b>
<b>Cultural and Recreational</b>			
Library:	652,360	652,360	-
Recreation:			
Salaries and benefits		702,633	
Operating expenses		92,803	
Total Recreation	1,182,053	795,436	386,617
<b>Total Cultural and Recreational</b>	<b>1,834,413</b>	<b>1,447,796</b>	<b>386,617</b>
<b>Debt Service</b>			
Principal retirement		5,264,027	
Interest and fees		1,778,703	
<b>Total Debt Service</b>	<b>7,094,136</b>	<b>7,042,730</b>	<b>51,406</b>
<b>TOTAL EXPENDITURES</b>	<b>63,358,514</b>	<b>54,683,045</b>	<b>8,675,469</b>
Revenues over (under) expenditures	1,366,436	12,104,280	10,737,844

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets	\$ -	\$ 22,983	\$ 22,983
Transfers to Recreation Center Project Fund	(500,000)	(500,000)	-
Transfers to Capital Projects Fund	(7,136,100)	(7,136,100)	-
Refunding bonds issues	19,240,000	19,240,000	-
Payment to refunded escrow	(19,055,720)	(19,055,720)	-
Transfers from Capital Projects Fund	3,619,091	3,619,091	-
Fund balance appropriated	<u>2,466,293</u>	<u>-</u>	<u>(2,466,293)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(1,366,436)</u></b>	<b><u>(3,809,746)</u></b>	<b><u>(2,443,310)</u></b>
<b>Net change in fund balance</b>	<b>\$ <u>-</u></b>	<b>8,294,534</b>	<b>\$ <u>8,294,534</u></b>
<b>Fund balance, beginning of year</b>		<b><u>26,892,370</u></b>	
<b>Fund balance, end of year</b>		<b>\$ <u>35,186,904</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Investment earnings	\$ <u>          -</u>	\$ <u>    160,957</u>	\$ <u>    160,957</u>
<b>Expenditures:</b>			
General government	<u>    6,754,165</u>	<u>                  -</u>	<u>    6,754,165</u>
Revenues over (under) expenditures	<u>   (6,754,165)</u>	<u>        160,957</u>	<u>    6,915,122</u>
<b>Other financing sources (uses):</b>			
Transfer from other funds	7,136,100	7,136,100	-
Transfer to other funds	(3,619,091)	(3,619,091)	-
Appropriated fund balance	<u>    3,237,156</u>	<u>                  -</u>	<u>   (3,237,156)</u>
<b>Total other financing sources (uses)</b>	<u>    6,754,165</u>	<u>    3,517,009</u>	<u>   (3,237,156)</u>
Net change in fund balance	\$ <u>                  -</u>	3,677,966	\$ <u>    3,677,966</u>
<b>Fund balance, beginning of year</b>		<u>    9,977,291</u>	
<b>Fund balance, end of year</b>		\$ <u>   13,655,257</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, 2020**

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Donations	\$ -	-	\$ 40,550	\$ 40,550	\$ 40,550
Investment earnings	-	909,192	266,387	1,175,579	1,175,579
<b>Total revenues</b>	<b>-</b>	<b>909,192</b>	<b>306,937</b>	<b>1,216,129</b>	<b>1,216,129</b>
<b>Expenditures:</b>					
Land Improvements	15,445	15,445	-	15,445	-
Building and furniture, fixtures and equipment	35,404,447	12,750,672	22,122,014	34,872,686	531,761
Professional services/architect	4,390,000	2,582,366	456,892	3,039,258	1,350,742
<b>Total expenditures</b>	<b>39,809,892</b>	<b>15,348,483</b>	<b>22,578,906</b>	<b>37,927,389</b>	<b>(1,882,503)</b>
Revenues over (under) expenditures	-	(14,439,291)	(22,271,969)	(36,751,810)	3,058,082
<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	-
Transfer from other Funds	19,596,615	19,096,615	500,000	19,596,615	-
<b>Total other financing sources</b>	<b>39,809,892</b>	<b>19,096,615</b>	<b>500,000</b>	<b>39,809,892</b>	<b>-</b>
Net change in fund balance	\$ -	4,657,324	(21,771,969)	\$ 3,058,082	\$ 3,058,082
<b>Fund balance at beginning of year</b>			<u>24,949,740</u>		
<b>Fund balance at end of year</b>			<u>\$ 3,177,771</u>		

**Watauga County, North Carolina**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020

	<b>Nonmajor Special Revenue Funds</b>					
	<b>Federal Equitable Sharing Fund</b>	<b>State Substance Abuse Tax Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Fire Districts Funds</b>	<b>Occupancy Tax Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS:</b>						
Restricted cash and cash equivalents	\$ 145,562	\$ 45,124	\$ 265,584	\$ 13,920	\$ 112,918	\$ 583,108
Due from other governments	-	-	26,193	18,957	-	45,150
Taxes receivable, net	-	-	-	103,852	279,926	383,778
Total assets	\$ 145,562	\$ 45,124	\$ 291,777	\$ 136,729	\$ 392,844	\$ 1,012,036
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable and accrued liabilities	-	755	5,854	32,877	-	39,486
Due to other governments	-	-	-	-	392,844	392,844
Total Liabilities	-	755	5,854	32,877	392,844	432,330
Deferred Inflows of Resources:						
Taxes receivable	-	-	-	103,852	-	103,852
Total deferred inflows of resources	-	-	-	103,852	-	103,852
Fund Balances:						
Restricted for:						
Stabilization by State Statute	-	-	26,193	-	-	26,193
Public Safety	145,562	44,369	259,730	-	-	449,661
Total fund balances	145,562	44,369	285,923	-	-	475,854
Total liabilities, deferred inflows of resources, and fund balances	\$ 145,562	\$ 45,124	\$ 291,777	\$ 136,729	\$ 392,844	\$ 1,012,036

**Watauga County, North Carolina**  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2020

**Nonmajor Special Revenue Funds**

	<u>Federal Equitable Sharing Fund</u>	<u>State Substance Abuse Tax Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Fire Districts Fund</u>	<u>Occupancy Tax Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>REVENUES</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 3,353,317	\$ -	\$ 3,353,317
Other taxes and licenses	-	-	-	-	2,085,874	2,085,874
Restricted intergovernmental	54,061	40,235	314,310	-	-	408,606
Investment earnings	1,850	730	4,106	-	-	6,686
Total revenues	<u>55,911</u>	<u>40,965</u>	<u>318,416</u>	<u>3,353,317</u>	<u>2,085,874</u>	<u>5,854,483</u>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Economic development	-	-	-	-	2,085,874	2,085,874
Public safety	3,375	29,676	326,427	3,353,317	-	3,712,795
Total expenditures	<u>3,375</u>	<u>29,676</u>	<u>326,427</u>	<u>3,353,317</u>	<u>2,085,874</u>	<u>5,798,669</u>
Net change in fund balances	52,536	11,289	(8,011)	-	-	55,814
Fund balances, beginning of year	<u>93,026</u>	<u>33,080</u>	<u>293,934</u>	<u>-</u>	<u>-</u>	<u>420,040</u>
Fund balances, end of year	<u>\$ 145,562</u>	<u>\$ 44,369</u>	<u>\$ 285,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,854</u>

**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, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Restricted intergovernmental - Federal	\$ -	\$ 54,061	\$ 54,061
Investment earnings	<u>-</u>	<u>1,850</u>	<u>1,850</u>
<b>Total revenues</b>	<u>-</u>	<u>55,911</u>	<u>55,911</u>
<b>Expenditures:</b>			
Public safety	<u>35,634</u>	<u>3,375</u>	<u>32,259</u>
Revenues over (under) expenditures	<u>(35,634)</u>	<u>52,536</u>	<u>88,170</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>35,634</u>	<u>-</u>	<u>(35,634)</u>
Net change in fund balance	<u>\$ -</u>	<u>52,536</u>	<u>\$ 52,536</u>
<b>Fund balance, beginning of year</b>		<u>93,026</u>	
<b>Fund balance, end of year</b>		<u>\$ 145,562</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, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Restricted intergovernmental - State	\$ 25,000	\$ 40,235	\$ 15,235
Investment earnings	<u>100</u>	<u>730</u>	<u>630</u>
<b>Total revenues</b>	<u>25,100</u>	<u>40,965</u>	<u>15,865</u>
<b>Expenditures:</b>			
Public safety	34,450	29,676	4,774
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>34,450</u>	<u>29,676</u>	<u>4,774</u>
Revenues over (under) expenditures	<u>(9,350)</u>	<u>11,289</u>	<u>20,639</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>9,350</u>	<u>-</u>	<u>(9,350)</u>
Net change in fund balance	<u>\$ -</u>	11,289	<u>\$ 11,289</u>
<b>Fund balance, beginning of year</b>		<u>33,080</u>	
<b>Fund balance, end of year</b>		<u>\$ 44,369</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Restricted intergovernmental:			
Emergency Telephone Surcharge funds	\$ 314,311	\$ 314,310	\$ (1)
Investment earnings	<u>-</u>	<u>4,106</u>	<u>4,106</u>
<b>Total revenues</b>	<u>314,311</u>	<u>318,416</u>	<u>4,105</u>
<b>Expenditures:</b>			
Public safety:			
Implementation services	51,118	48,640	2,478
Software	107,081	91,445	15,636
Training	6,885	1,707	5,178
Telephones	97,601	107,964	(10,363)
Hardware	84,790	71,352	13,438
Furniture	<u>8,475</u>	<u>5,319</u>	<u>3,156</u>
<b>Total expenditures</b>	<u>355,950</u>	<u>326,427</u>	<u>29,523</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>41,639</u>	<u>-</u>	<u>(41,639)</u>
<b>Total Other Financing sources (uses):</b>	<u>41,639</u>	<u>-</u>	<u>(41,639)</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,011)</u>	<u>\$ (8,011)</u>
<b>Fund balance, beginning of year</b>		<u>293,934</u>	
<b>Fund balance, end of year</b>		<u>\$ 285,923</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, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Ad valorem taxes	\$ 3,436,250	\$ 3,353,317	\$ (82,933)
<b>Total revenues</b>	<b>3,436,250</b>	<b>3,353,317</b>	<b>(82,933)</b>
<b>Expenditures:</b>			
Public safety:			
Beaver Dam Fire Department	114,300	105,718	
Beech Mountain Fire Department	1,950	1,626	
Blowing Rock Fire Department	512,000	505,674	
Boone Fire Department	963,000	941,927	
Cove Creek Fire Department	265,200	255,815	
Creston Fire Department	6,300	5,936	
Deep Gap Fire Department	207,500	202,355	
Fall Creek Fire Department	11,050	9,587	
Foscoe Fire Department	569,800	558,717	
Meat Camp Fire Department	228,000	221,380	
Shawneehaw Fire Department	114,300	106,910	
Stewart Simmons Fire Department	248,500	249,751	
Todd Fire Department	65,850	65,558	
Zionville Fire Department	128,500	122,363	
<b>Total expenditures</b>	<b>3,436,250</b>	<b>3,353,317</b>	<b>82,933</b>
Net change in fund balance	\$ -	-	\$ -
<b>Fund balance, beginning of year</b>		-	
<b>Fund balance, end of year</b>		\$ -	

**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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Occupancy tax	\$ <u>2,088,000</u>	\$ <u>2,085,874</u>	\$ <u>(2,126)</u>
<b>Total revenues</b>	<u>2,088,000</u>	<u>2,085,874</u>	<u>(2,126)</u>
<b>Expenditures:</b>			
Tourism development	2,057,000	2,055,015	1,985
Administrative fee	<u>31,000</u>	<u>30,859</u>	<u>141</u>
<b>Total expenditures</b>	<u>2,088,000</u>	<u>2,085,874</u>	<u>2,126</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>	

**Watauga County, North Carolina**  
Solid Waste Fund  
Schedule of Revenues and Expenditures Budget and Actual (NON-GAAP)  
For the Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 4,962,479	\$ 4,961,239	\$ (1,240)
Sale of recycled materials	358,350	157,451	(200,899)
Total	<u>5,320,829</u>	<u>5,118,690</u>	<u>(202,139)</u>
Non-operating revenues:			
Miscellaneous revenue	45,100	6,479	(38,621)
Investment earnings	-	121,213	121,213
Restricted intergovernmental revenues	123,550	140,998	17,448
Total	<u>168,650</u>	<u>268,690</u>	<u>100,040</u>
Total revenues	<u>5,489,479</u>	<u>5,387,380</u>	<u>(102,099)</u>
<b>Expenditures:</b>			
Landfill operations:			
Salaries and employee benefits		1,462,365	
Other operating expenditures		3,053,166	
Total landfill operations	<u>4,929,634</u>	<u>4,515,531</u>	<u>414,103</u>
Recycling operations:			
Salaries and employee benefits		54,788	
Other operating expenses		27,198	
Total recycling operations	<u>147,643</u>	<u>81,986</u>	<u>65,657</u>
Capital outlay:			
Capital outlay	<u>1,677,258</u>	<u>586,009</u>	<u>1,091,249</u>
Total expenditures	<u>6,754,535</u>	<u>5,183,526</u>	<u>1,571,009</u>
Revenues under/(over) expenditures	<u>(1,265,056)</u>	<u>203,854</u>	<u>1,468,910</u>
<b>Other financing sources:</b>			
Appropriated fund balance	<u>1,265,056</u>	-	<u>(1,265,056)</u>
Total other financing sources	<u>1,265,056</u>	-	<u>(1,265,056)</u>
Revenues over expenditures and other sources	<u>\$ -</u>	<u>203,854</u>	<u>\$ 203,854</u>

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

## Reconciling items:

Increase in deferred outflow of resources - pensions	(22,967)
Increase in net pension liability	(65,511)
Decrease in deferred inflow of resources - pensions	1,794
Increase in deferred outflow of resources - OPEB	(3,823)
Increase in deferred inflow of resources - OPEB	(3,107)
Increase in net OPEB liability	(23,368)
Decrease in accrued landfill postclosure and closure costs	96,737
Capital outlay	578,228
Depreciation	(412,909)
Decrease in accrued compensated absences	3,953
Total reconciling items	<u>149,027</u>

Change in net position \$ 352,881

**Watauga County, North Carolina**  
Combining Schedule of Fiduciary Net Position  
Irrevocable Trust Funds  
For the Year Ended June 30, 2020

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 664,471	\$ 2,058,754	\$ 2,723,225
Accounts receivable	1,554	-	1,554
	<u>\$ 666,025</u>	<u>\$ 2,058,754</u>	<u>\$ 2,724,779</u>
<b>Net position:</b>			
Assets held in trust for retirement benefits	<u>\$ 666,025</u>	<u>\$ 2,058,754</u>	<u>\$ 2,724,779</u>

**Watauga County, North Carolina**  
Combining Schedule of Changes in Fiduciary Net Position  
Irrevocable Trust Funds  
For the Year Ended June 30, 2020

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
<b>Additions:</b>			
Employer contributions	\$ 139,433	\$ 257,800	\$ 397,233
Interest	<u>13,682</u>	<u>42,295</u>	<u>55,977</u>
Total additions	<u>153,115</u>	<u>300,095</u>	<u>453,210</u>
<b>Deductions:</b>			
Benefits	44,433	139,800	184,233
Administrative expense	<u>10,000</u>	<u>13,000</u>	<u>23,000</u>
Total deductions	<u>54,433</u>	<u>152,800</u>	<u>207,233</u>
Change in net position	98,682	147,295	245,977
Net position, beginning	567,343	1,911,459	2,478,802
Net position, ending	<u>\$ 666,025</u>	<u>\$ 2,058,754</u>	<u>\$ 2,724,779</u>

**Watauga County, North Carolina**  
 Agency Funds  
 Combining Schedule of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance July 1, 2020
<b>Social Services Trust:</b>				
Assets:	\$ <u>40,798</u>	\$ <u>186,996</u>	\$ <u>195,728</u>	\$ <u>32,066</u>
Liabilities:	\$ <u>40,798</u>	\$ <u>186,996</u>	\$ <u>195,728</u>	\$ <u>32,066</u>
<b>Vehicle Tax-Towns:</b>				
Assets:	\$ <u>11</u>	\$ <u>180,348</u>	<u>180,348</u>	\$ <u>11</u>
Liabilities:	\$ <u>11</u>	\$ <u>180,348</u>	\$ <u>180,348</u>	\$ <u>11</u>
<b>Town of Boone Taxes:</b>				
Assets:	\$ <u>2,258</u>	\$ <u>6,439,404</u>	\$ <u>6,421,675</u>	\$ <u>19,987</u>
Liabilities:	\$ <u>2,258</u>	\$ <u>6,439,404</u>	\$ <u>6,421,675</u>	\$ <u>19,987</u>
<b>Inmate Commissary:</b>				
Assets:	\$ <u>15,635</u>	\$ <u>169,055</u>	\$ <u>171,322</u>	\$ <u>13,368</u>
Liabilities:	\$ <u>15,635</u>	\$ <u>169,055</u>	\$ <u>171,322</u>	\$ <u>13,368</u>
<b>Fines and Forfeitures:</b>				
Assets:	\$ <u>20,510</u>	\$ <u>255,038</u>	\$ <u>266,998</u>	\$ <u>8,550</u>
Liabilities:	\$ <u>20,510</u>	\$ <u>255,038</u>	\$ <u>266,998</u>	\$ <u>8,550</u>
<b>Deed of Trust Fee:</b>				
Assets:	\$ <u>3,838</u>	\$ <u>51,373</u>	\$ <u>50,369</u>	\$ <u>4,842</u>
Liabilities:	\$ <u>3,838</u>	\$ <u>51,373</u>	\$ <u>50,369</u>	\$ <u>4,842</u>
<b>Total - All Agency Funds</b>				
Assets:	\$ <u>83,050</u>	\$ <u>7,282,214</u>	\$ <u>7,286,440</u>	\$ <u>78,824</u>
Liabilities:	\$ <u>83,050</u>	\$ <u>7,282,214</u>	\$ <u>7,286,440</u>	\$ <u>78,824</u>

**Watauga County, North Carolina**  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 For the Year Ended June 30, 2020

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019 - 2020	\$ -	\$ 37,498,022	\$ 36,968,186	\$ 529,836
2018 - 2019	321,272	-	175,653	146,195
2017 - 2018	170,231	-	53,124	117,107
2016 - 2017	87,628	-	19,562	68,286
2015 - 2016	57,006	-	13,012	44,002
2014 - 2015	52,618	-	11,381	41,237
2013 - 2014	37,571	-	6,216	31,355
2012 - 2013	32,500	-	3,848	28,652
2011 - 2012	22,793	-	1,370	21,423
2010 - 2011	20,446	-	5,700	14,746
2009 - 2010	13,157	-	13,157	-
	<u>\$ 815,222</u>	<u>\$ 37,498,022</u>	<u>\$ 37,271,209</u>	<u>1,042,839</u>
Plus: 2020 - 2021 receivable				11,451
Less: Allowance for uncollectible accounts General Fund				<u>(126,861)</u>
Ad valorem taxes receivable - net General Fund				<u>\$ 927,429</u>

**Reconciliation with revenues:**

Ad valorem taxes - General Fund		\$ 37,373,588
Reconciling items:		
Advertising and interest collected	(140,761)	
Taxes written off	10,957	
Penalties payable to WCS	5,225	
Prior year releases and refunds	22,200	
Total reconciling items	<u>(102,379)</u>	
Total collections and credits		<u>\$ 37,271,209</u>

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Year Ended June 30, 2020

	Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 8,745,342,678	\$ 0.00403	\$ 35,243,755	\$ 35,243,755	\$ -
Motor vehicles	451,834,739	0.00403	1,820,894	-	1,820,894
Penalties	-		6,054	6,054	-
Total	<u>9,197,177,417</u>		<u>37,070,703</u>	<u>35,249,809</u>	<u>1,820,894</u>
<b>Discoveries:</b>					
Property taxed at current year's rate	119,606,651	0.00403	555,915	555,915	-
Penalties	-		266	266	-
Total	<u>119,606,651</u>		<u>556,181</u>	<u>556,181</u>	<u>-</u>
<b>Abatements:</b>					
	<u>(31,975,682)</u>		<u>(128,862)</u>	<u>(128,862)</u>	<u>-</u>
Total property valuation	\$ <u>9,284,808,386</u>				
			<b>Net levy</b>	37,498,022	1,820,894
			<b>Uncollected taxes at June 30, 2020</b>	529,836	11,973
			<b>Current year's taxes collected</b>	\$ <u>36,968,186</u>	\$ <u>1,808,921</u>
			<b>Current levy collection percentage</b>	<u>98.59%</u>	<u>99.34%</u>

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Year Ended June 30, 2020

**Secondary Market Disclosures:**

Assessed Valuation:		
Assessment Ratio		100%
Real Property	\$ 9,006,362,766	
Personal Property	173,329,860	
Public Service Companies	<u>105,115,760</u>	
Total Assessed Valuation	\$ 9,284,808,386	
Tax Rate per \$100		0.403
Net Levy (Includes penalties, discoveries, releases and abatements)	\$ <u><u>37,498,022</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, 2020:

Fire Protection District	Tax Rate per \$100	Net Levy
Beech Mountain Rural	\$ 0.05	\$ 1,608
Blowing Rock	0.05	503,381
Boone Rural	0.06	947,915
Cove Creek	0.05	255,539
Cove Creek Rural	0.05	324
Deep Gap	0.05	202,599
Foscoe	0.05	482,584
Foscoe Rural	0.05	75,645
Meat Camp	0.05	227,532
Northwest Watauga	0.05	118,190
Shawneehaw	0.05	104,910
Shawneehaw Rural	0.05	6,810
Stewart Simmons	0.085	242,583
Todd	0.07	65,231
Zionville	0.05	<u>122,659</u>
<b>Total Net Fire Protection District Levies</b>		<b>\$ <u><u>3,357,510</u></u></b>

**Watauga County, North Carolina**  
 Ten Largest Taxpayers  
 For the Year Ended June 30, 2020

Taxpayer	Type of Business	2019 Assessed Valuation	Percentage of Total Assessed Valuation	
Blue Ridge Electric Membership Coop	Electric Utility	\$ 83,904,980	0.90	%
Wallace Loft LLC	Rental Properties	46,504,000	0.50	
BR Development Group LLC	Real Estate Development	25,661,800	0.28	
The Standard at Boone LLC	Commercial Rental Properties	13,391,850	0.14	
MV of Boone LLC	Rental Properties	23,480,200	0.25	
Dugger Valley Inv Group LLC	Real Estate Development	23,317,700	0.25	
Meadowview at Boone LLC	Rental Properties	17,906,700	0.19	
Skyline Terrace Apartments LLC	Commercial Rental Properties	13,797,200	0.15	
Templeton Properties LP	Commercial Rental Properties	15,707,880	0.17	
Highland Crossing-B, LLC	Real Estate Development	15,743,220	0.17	
		<u>\$ 279,415,530</u>	<u>3.02</u>	%

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 Fire Districts  
 For the Year Ended June 30, 2020

	<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>	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.05
<b>Net levy</b>	\$ 118,190	\$ 1,608	\$ 503,381	\$ 947,915	\$ 255,539
<b>Uncollected taxes at June 30, 2020</b>	5,439	1	4,431	14,134	5,645
<b>Current year's taxes collected</b>	\$ 112,751	\$ 1,607	\$ 498,950	\$ 933,781	\$ 249,894
<b>Current levy collection percentage</b>	95.40%	99.94%	99.12%	98.51%	97.79%
	<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>	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
<b>Net levy</b>	\$ 324	\$ 202,599	\$ 482,584	\$ 75,645	\$ 227,532
<b>Uncollected taxes at June 30, 2020</b>	-	3,874	5,364	894	7,551
<b>Current year's taxes collected</b>	\$ 324	\$ 198,725	\$ 477,220	\$ 74,751	\$ 219,981
<b>Current levy collection percentage</b>	100.00%	98.09%	98.89%	98.82%	96.68%
	<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>	\$ 0.05	\$ 0.05	\$ 0.085	\$ 0.07	\$ 0.05
<b>Net levy</b>	\$ 104,910	\$ 6,810	\$ 242,583	\$ 65,231	\$ 122,659
<b>Uncollected taxes at June 30, 2020</b>	801	230	2,535	226	3,024
<b>Current year's taxes collected</b>	\$ 104,109	\$ 6,580	\$ 240,048	\$ 65,005	\$ 119,635
<b>Current levy collection percentage</b>	99.24%	96.62%	98.95%	99.65%	97.53%

## COMPLIANCE SECTION

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

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### **Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

To the 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, 2020, and the related notes to the financial statements, which collectively comprise Watauga County, North Carolina's basic financial statements, and have issued our report thereon dated December 22, 2020. Our report includes a reference to other auditors who audited the financial statements of AppalCART, as described in our report on the 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 the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*C. Randolph CPA, PLLC*

West Jefferson, North Carolina

December 22, 2020

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**Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance Required By The Uniform Guidance**To the Board of 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, 2020. 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 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, 2020.

***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

December 22, 2020

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**Independent Auditor's Report On Compliance For Each Major State Program And On Internal Control  
Over Compliance Required By The Uniform Guidance and State Single Audit Implementation Act**

To the Board of 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, 2020. 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 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 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 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 state programs for the year ended June 30, 2020.

***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 an 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

December 22, 2020

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**WATAUGA COUNTY, NORTH CAROLINA**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

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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 that are not considered to be material weaknesses? 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

The following were audited as major federal program for Watauga County for the fiscal year ended June 30, 2020:

<u>Program Name or Cluster</u>	<u>CFDA #</u>
Medicaid Cluster	93.778, 93.777, 93.775
Coronavirus Relief Fund	21.019

The threshold for determining Federal Type A programs for Watauga County 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, 2020**

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**State Awards**

Internal control over major state programs:

- Material weakness(es) identified? \_\_\_yes      x  no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_yes      x  none reported

Type of 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      x  no

Major State programs for Watauga County for the fiscal year ended June 30, 2020 are:

State Program

Public School Building Capital Fund

NC Clean Water Management Trust Fund – Brookshire Wetlands and Stream Restoration

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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### **Corrective Action Plan For the Year Ended June 30, 2020**

#### **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, 2020**

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**Finding 2019-001**

**Status:** Corrected.

**Finding 2019-002**

**Status:** Corrected.

**Finding 2019-003**

**Status:** Corrected.

**WATAUGA COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2020**

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		216,900	-	-	216,900
Total SNAP Cluster			216,900	-	-	216,900
Total U.S. Department of Agriculture			216,900	-	-	216,900
<u>U.S. Department of Homeland Security</u>						
Passed-through the N.C. Department of Public Safety:						
Emergency Management Performance Grant	97.042		38,904	-	-	38,904
Disaster Grant - Public Assistance	97.036		50,044	16,232	-	-
Total U.S. Department of Homeland Security			88,948	16,232	-	38,904
<u>U.S. Department of Justice</u>						
Bulletproof Vest Partnership Program	16.607		2,357	-	-	2,357
Equitable Sharing Program	16.922		54,062	-	-	-
State Criminal Alien Assistance Program	16.606		363	-	-	1,021
Total U.S. Department of Justice			56,782	-	-	3,378
<u>U.S. Department of Treasury</u>						
Office of State Budget and Management/NC Pandemic Office:						
CRF	21.019		1,267,361	-	540,656	-
<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)						
Families First Coronavirus Response Act	93.045		32,854	-	-	-
Special Programs for the Aging - Title III B - Access Services	93.044		11,333	159,195	-	18,948
Special Programs for the Aging - Title III C - Congregate Meals	93.045		50,992	2,999	-	6,000
Special Programs for the Aging - Title III C - Home Delivered Meals	93.045		71,949	4,232	-	8,465
Nutrition Services Incentive Program (NSIP)	93.053		21,039	-	-	-
Total Aging Cluster			188,167	166,426	-	33,413
Passed-through N.C. Department of Insurance:						
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779		6,571	-	-	-
<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		15,891	-	-	-
<u>Temporary Assistance for Needy Families Cluster:</u>						
Workfirst administrative	93.558		44,509	-	-	36,385
WorkFirst services	93.558		149,720	-	-	129,612
Total Temporary Assistance for Needy Families Cluster			194,229	-	-	165,997
Child Support Enforcement	93.563		214,507	-	-	110,624
<u>Low-Income Home Energy Assistance Block Grant:</u>						
Administration	93.568		178,599	-	-	-
Crisis Intervention Payments	93.568		180,690	-	-	-
Permanency Planning	93.645		16,453	-	-	5,484
Social Services Block Grant	93.667		206,087	-	-	57,804
Total Low-Income Home Energy Assistance Block Grant:			581,829	-	-	63,288
Total Division of Social Services			1,006,456	-	-	339,909
<u>Medicaid Cluster:</u>						
Medical Assistance Program:						
Administration	93.778		957,179	1,097	-	364,878
Total Medical Assistance Program			957,179	1,097	-	364,878
Division of Social Services:						
Administration						
Health choice	93.767		53,599	1,261	-	3,664
Total N.C. Health Choice			53,599	1,261	-	3,664
Foster Care and Adoption Cluster (Note 3)						
Adoption Assistance	93.659		5,266	-	-	4,234
Title IV-E Foster Care	93.658		159,930	9,310	-	132,571
Foster Care - Direct Benefit Payments	93.658		322,860	70,363	-	63,234
Adoption/Foster Care Special Provision	93.658		22,086	-	-	5,801
Total Foster Care and Adoption Cluster (Note 3)			510,142	79,673	-	205,840

<u>Subsidized Child Care (Note 3)</u>					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund - Administration	93.596	<u>77,568</u>	-	-	-
Total Child Care Development Fund Cluster		<u>77,568</u>	-	-	-
Total Subsidized Child Care (Note 3)		<u>77,568</u>	-	-	-
<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	<u>31,572</u>	<u>3,230</u>	-	-
Total Division of Medical Assistance		<u>31,572</u>	<u>3,230</u>	-	-
Total U.S. Department of Health & Human Services		<u>2,831,254</u>	<u>251,687</u>	-	<u>947,704</u>
Total Federal Awards		<u>4,461,245</u>	<u>267,919</u>	<u>540,656</u>	<u>1,206,886</u>
<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	19/20 AANCT3GP	-	14,096	-	-
<u>Division of Social Services</u>					
State Foster Care Benefits Program	State Foster Care 20	-	<u>230,346</u>	-	<u>161,565</u>
Total N.C. Department of Health and Human Services		-	<u>244,442</u>	-	<u>161,565</u>
<u>N.C. Department of Public Safety:</u>					
Division of Administration, Community Programs					
Juvenile Crime Prevention Council Programs		-	140,898	140,898	33,731
Tier II grant - 2019	T2-2019-MOA1791	-	<u>983</u>	-	-
Total N.C. Department of Public Safety		-	<u>141,881</u>	<u>140,898</u>	<u>33,731</u>
<u>N.C. Department of Public Instruction:</u>					
NC Public School Building Capital-Lottery Proceeds					
Public School National Forest Service		-	323,611	323,611	-
Total N.C. Department of Public Instruction		-	<u>449</u>	<u>449</u>	-
<u>N.C. Department of Transportation:</u>					
Employment Transportation Operating Assistance		-	15,562	-	-
Elderly and Disabled Transportation Assistance		-	50,955	-	-
Rural General Public Program		-	<u>97,481</u>	-	-
Total N.C. Department of Transportation		-	<u>163,998</u>	-	-
<u>N.C. Department of Agriculture and Consumer Services:</u>					
Soil Conservation Assistance	G4010029601SSWC	-	3,600	-	260,043
Soil Conservation Technician Cost Sharing	G4010029601SSWC	-	<u>25,572</u>	-	<u>25,572</u>
Total N.C. Department of Agriculture		-	<u>29,172</u>	-	<u>285,615</u>
<u>N.C. Department of Natural and Cultural Resources:</u>					
Stream Initiative for Ted Mackorell Soccer Complex	Grant # 7675	-	18,001	-	-
Ward's Mill Dam Removal	Contract # 7964	-	94,654	-	-
<u>NC Clean Water Management Trust Fund:</u>					
Brookshire Wetlands and Stream Restoration	Contract #2017-425	-	<u>365,000</u>	-	-
Total N.C. Department of Natural and Cultural Resources		-	<u>477,655</u>	-	-
<u>N.C. Division of Veteran's Affairs</u>					
Veteran's Service Program	143B-1211C4	-	2,182	-	123,533
Total N.C. Division of Veteran's Affairs		-	<u>2,182</u>	-	<u>123,533</u>
Total State Awards		-	<u>1,383,390</u>	<u>464,958</u>	<u>604,444</u>
Total Federal and State Awards		<u>\$ 4,461,245</u>	<u>\$ 1,651,309</u>	<u>\$ 1,005,614</u>	<u>\$ 1,811,330</u>

**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, 2020. 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. 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

4. 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	\$ -	\$ 376,752
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 3,294,481	\$ -
Temporary Assistance for Needy Families	93.558	39,935	-
Adoption Assistance	93.659	212,770	47,850
Medical Assistance Program	93.778	24,136,155	11,056,836
Children's Health Insurance Program	93.767	848,627	57,564
Child Welfare Services Adoption	N/A	-	167,244
State/County Special Assistance Program	N/A	-	170,760
		<u>\$ 28,531,968</u>	<u>\$ 11,877,006</u>

5. Coronavirus Relief Funds

Watauga County received \$2,264,398 of funding from the Coronavirus Relief Fund (21.019). At least twenty-five (25%) of the funds are mandated to go to municipalities within Watauga County, at the discretion of the County. Municipalities are to have a plan to spend these funds by September 1, 2020, or any funds received are to be returned to the County. Counties and municipalities are liable to the State for funds not spent in accordance with US Dept of Treasury, the granting agency, guidelines. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under state statute, municipalities are liable to the State, not the County, for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.