



WATAUGA COUNTY, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



WATAUGA COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

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COUNTY OFFICIALS

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Finance Director

Watauga County, North Carolina

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Independent Auditor's Report

To the Board of Commissioners
Watauga County, North Carolina

Report on the Audit of Financial Statements

Opinions

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 the Watauga County, North Carolina as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Watauga County's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying 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 Watauga County as of June 30, 2022, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and major, annually budgeted special revenue fund, if applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of AppalCART, which represent 69.8 percent, 69.8 percent, and 53.5 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Watauga County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Watauga County District U Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions on pages 67 through 68, the Local Government Employees' Retirement System Schedules of the Watauga County District U Tourism Development Authority's Proportionate Share of Net Pension Liability and County Authority's Contributions on pages 71 through 72, and the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 69 through 70, the Law Enforcement Officers' Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 61 through 63, the Other Postemployment Benefits schedules of Changes in the Net OPEB Liability and Related Ratios, County Contributions, and Investment Returns on pages 64 through 66, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watauga County's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and component unit schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 *U.S. Code of*

Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors⁶ the combining and individual fund financial statements, budgetary schedules, other schedules, component unit schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 on our consideration of Watauga County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watauga County'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's internal control over financial reporting and compliance.

C. Randolph CPA, PLLC

West Jefferson, North Carolina

November 30, 2022

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Watauga County

Year Ended June 30, 2022

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, 2022. 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 \$217,034,343.
- The County's total net position increased by \$26,236,241 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 \$40,373,975 at the end of the year, representing 67% of total General Fund expenditures. This is an increase of \$5,500,071 in unassigned fund balance over the previous year.
- Total County debt decreased by \$5,000,000 in outstanding principal. The decrease was a result of principal payments for existing debt.
- The County:
 - Continued design of a new Valle Crucis school
 - Continued construction of new sports complex
 - Continued a Tower project to enhance emergency communications
 - Continued improvements at the County Landfill
 - Begin roof and HVAC replacements at the Human Services, Appalachian Enterprise Center and Law Enforcement buildings
- S&P Global Ratings reaffirmed the County's credit rating at AA and the County's financial stability.
- For the eighth 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.

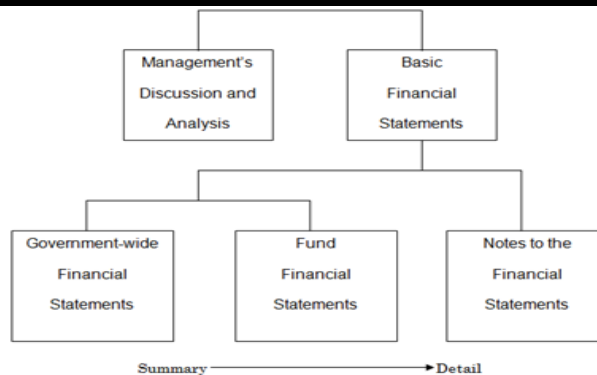
Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

Government-Wide Financial Analysis

Watauga County's Net Position

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$116,483,621	\$ 92,728,603	\$ 9,416,671	\$ 9,175,094	\$125,900,292	\$101,903,697
Capital assets, net	143,542,029	142,356,494	5,115,469	4,718,807	148,657,498	147,075,301
Total Assets	260,025,650	235,085,097	14,532,140	13,893,901	274,557,790	248,978,998
Total Deferred Outflows	6,454,588	6,177,285	487,609	438,621	6,942,197	6,615,906
Liabilities:						
Current liabilities	17,087,026	53,306,461	737,943	1,592,602	17,824,969	54,899,063
Other liabilities	39,581,035	2,509,072	1,240,012	327,359	40,821,047	2,836,431
Total Liabilities	56,668,061	55,815,533	1,977,955	1,919,961	58,646,016	57,735,494
Total Deferred Inflows	5,430,279	6,829,732	389,349	72,068	5,819,628	6,901,800
Net Position:						
Net investments in capital assets	106,042,522	98,766,137	5,115,469	4,718,807	111,157,991	103,484,944
Restricted	13,075,064	13,925,920	-	-	13,075,064	13,925,920
Unrestricted	85,264,312	65,925,060	7,536,976	7,621,686	92,801,288	73,546,746
Total Net Position	\$204,381,898	\$178,617,117	\$ 12,652,445	\$ 12,340,493	\$217,034,343	\$190,957,610

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 \$217,034,343 at June 30, 2022. The County's net position increased by a total of \$26,236,241 for the fiscal year. Net position is reported in three categories: Net investment in capital assets of \$111,157,991 restricted net position of \$13,075,064; and unrestricted net position of \$92,801,288.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2021, the increase in this category of net position correlates to reduced outstanding debt along with increased capital assets.

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

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

- Higher current cash and cash equivalent assets;

Watauga County Changes in Net Position Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 4,361,245	\$ 2,912,305	\$ 5,842,974	\$ 5,959,494	\$ 10,204,219	\$ 8,871,799
Operating grants and contributions	9,023,742	5,955,236	163,047	148,684	9,186,789	6,103,920
Capital grants and contributions	3,704,460	727,051	-	-	3,704,460	727,051
General Revenues:						
Property taxes	42,855,265	42,040,508	-	-	42,855,265	42,040,508
Other taxes	25,770,704	22,845,335	-	-	25,770,704	22,845,335
Grants and contributions not restricted	5,534,392	5,082,329	-	-	5,534,392	5,082,329
Miscellaneous	399,248	-	2,625	1,400	401,873	1,400
Investment earnings	110,030	149,705	11,688	19,501	121,988	169,206
Sale of capital assets	59,081	32,330	-	-	59,081	32,330
Total Revenues	91,818,167	79,744,799	6,020,334	6,129,079	97,838,501	85,873,878
Expenses:						
General government	12,813,483	10,549,762	-	-	12,813,483	10,549,762
Public safety	17,468,662	17,704,726	-	-	17,468,662	17,704,726
Transportation	235,062	87,956	-	-	235,062	87,956
Economic and physical development	5,003,066	4,633,366	-	-	5,003,066	4,633,366
Environmental protection	526,336	381,960	-	-	526,336	381,960
Human services	8,579,197	8,424,661	-	-	8,579,197	8,424,661
Cultural and recreation	3,340,112	2,545,268	-	-	3,340,112	2,545,268
Education	16,605,388	16,925,191	-	-	16,605,388	16,925,191
Interest on long-term debt	1,482,080	1,586,125	-	-	1,482,080	1,586,125
Solid waste	-	-	5,548,874	5,162,554	5,548,874	5,162,554
Total Expenses	66,053,386	62,839,015	5,548,874	5,162,554	71,602,260	68,001,569
Increase in net position	25,764,781	16,905,784	471,460	966,525	26,236,241	17,872,309
Net position, beginning	178,617,117	161,683,295	12,340,493	11,373,968	190,957,610	173,057,263
Prior period adjustment - change in accounting principle	-	28,038	(159,508)	-	(159,508)	28,038
Net Position, beginning, restated	178,617,117	161,711,333	12,180,985	11,373,968	190,798,102	173,085,301
Net position, ending	\$ 204,381,898	\$ 178,617,117	\$ 12,652,445	\$ 12,340,493	\$ 217,034,343	\$ 190,957,610

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities: Governmental activities increased the County's net position by \$25,764,781, thereby accounting for 98.2 % of the total growth in the net position of Watauga County. Key elements of this increase are as follows:

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

Business-type activities: Business-type activities increased Watauga County's net position by \$471,460, 1.8%. Key elements of this increase are as follows:

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

Financial Analysis of the County's Funds

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 \$40,373,975 while total fund balance increased to \$51,692,442. 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 66.9 percent of total General Fund expenditures, while total fund balance represents 85.7 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 \$20,429,339.

The actual operating revenues for the General Fund were \$10,844,140 more than the budgeted amount. Actual operating expenses were less than budgeted by \$8,323,419.

Proprietary Funds - Watauga County's proprietary fund is used to provide information on the solid waste enterprise. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to \$7,536,976. The total increase in proprietary net position was \$471,460.

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, 2022, totals \$148,657,498 (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;
- Continued design of new Valle Crucis school;
- Continued construction of new sports complex;
- Continued a Tower project to enhance emergency communications;
- Continued improvements at the Landfill
- Begin roof and HVAC replacements at the Human Services, Appalachian Enterprise Center and Law Enforcement buildings

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 24,190,205	\$ 22,932,045	\$ 1,100,816	\$ 975,497	\$25,291,021	\$23,907,542
Buildings	106,654,697	109,395,663	2,520,898	2,606,796	109,175,595	112,002,459
Other improvements	1,263,633	1,508,804	26,629	29,401	1,290,262	1,538,205
Leasehold improvements	5,012,312	5,267,651	5,307	5,556	5,017,619	5,273,207
Equipment	999,969	1,152,203	422,660	492,501	1,422,629	1,644,704
Vehicles	913,220	720,798	244,377	426,273	1,157,597	1,147,071
Construction in progress	4,492,393	1,363,730	794,782	182,785	5,287,175	1,546,515
Intangible assets	15,600	15,600	-	-	15,600	15,600
Total	<u>\$ 143,542,029</u>	<u>\$ 142,356,494</u>	<u>\$ 5,115,469</u>	<u>\$ 4,718,809</u>	<u>\$ 148,657,498</u>	<u>\$ 147,075,303</u>

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, 2022, Watauga County had no bonded debt outstanding or authorized.

Watauga County's Outstanding Debt
Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Net pension liability (LGRS)	\$ 2,331,009	\$ 5,346,006	\$ 222,122	\$ 482,609	\$ 2,553,131	\$ 5,828,615
Total pension liability (LEOSSA)	534,489	531,748	-	-	534,489	531,748
Total OPEB liability	2,698,146	2,684,407	257,107	249,051	2,955,253	2,933,458
Compensated absences	1,116,968	1,153,943	125,980	121,170	1,242,948	1,275,113
Accrued landfill closure and post closure costs	-	-	649,999	739,771	649,999	739,771
Leases	-	-	133,442	-	133,442	-
Premium on lobs	1,263,737	1,378,622	-	-	1,263,737	1,378,622
Premium on direct refunding	858,630	1,001,735	-	-	858,630	1,001,735
Direct placement installment	36,210,000	41,210,000	-	-	36,210,000	41,210,000
Total	<u>\$ 45,012,979</u>	<u>\$ 53,306,461</u>	<u>\$ 1,388,650</u>	<u>\$1,592,601</u>	<u>\$ 46,401,629</u>	<u>\$ 54,899,062</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Watauga County's total General Fund debt decreased by \$5,000,000 or (12%) during the past fiscal year due to scheduled debt service payments. There is no debt associated with the business activities. The State of North Carolina limits the amount of debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries less outstanding debt principal. The legal debt margin for Watauga County as of June 30, 2022 is \$736,696,757. 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's unemployment rate has decreased from 4.3 percent at the end of June 2021 to 3.6 percent at the end of June 2022;
- 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 2022 due to an increase in tourism related to COVID-19.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental activities – The County's property tax rate has been set at 31.8 cents per \$100 in property valuation. Sales tax revenue is projected with a 13.5 percent increase from fiscal year 2022 budget based on actual results in the previous fiscal year.

Budgeted expenditures in the General Fund have increased 22.4 percent predominately due to funding the School system's long-term capital and new roofs at the Human Services and Law Enforcement Center buildings. Capital purchases are allocated mainly for vehicles, a new Valle Crucis School, and continued expansion of emergency service tower operations with other projects still limited to primarily repairs and maintenance. Funds are allocated to be set aside this year for future capital school projects of \$8,700,000 and \$3,272,500 for county projects-mainly funding \$1,300,000 for emergency communications, \$500,000 for future maintenance and repairs, \$50,000 for economic development, \$50,000 for community recreation facilities, \$22,500 for potential flood mitigation, \$1,200,000 for future county facilities, \$500,000 for law enforcement expansion, and \$50,000 to Caldwell Community College.

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

Requests for Information

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.

BASIC FINANCIAL STATEMENTS

Watauga County, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	AppalCART	Watauga County District U Tourism Development Authority
ASSETS					
Current assets					
Cash and cash equivalents	\$ 80,858,908	\$ 8,743,292	\$ 89,602,200	\$ 3,877,247	\$ 6,676,412
Restricted cash and cash equivalents	9,613,019	-	9,613,019	-	-
Receivables (net)	1,729,751	435,231	2,164,982	107,842	-
Due from other governments	7,174,477	60,089	7,234,566	360,738	614,590
Lease receivable - current	259,126	-	259,126	-	-
Notes receivable - current	833,447	-	833,447	-	-
Prepaid expenses	-	46,725	46,725	1,157	-
Inventory	-	-	-	322,828	-
Total current assets	<u>100,468,728</u>	<u>9,285,337</u>	<u>109,754,065</u>	<u>4,669,812</u>	<u>7,291,002</u>
Non-current assets					
Net pension asset - ROD	129,861	-	129,861	-	-
Lease receivable - noncurrent	924,527	-	924,527	-	-
Notes receivable	14,960,505	-	14,960,505	-	-
Right to use leased asset, net of amortization	-	131,334	131,334	-	-
Capital assets:					
Land, intangible, and construction in progress	28,698,196	1,895,597	30,593,793	1,121,092	-
Other capital assets, net of depreciation	114,843,833	3,219,872	118,063,705	11,170,855	-
Total capital assets	<u>143,542,029</u>	<u>5,115,469</u>	<u>148,657,498</u>	<u>12,291,947</u>	<u>-</u>
Total non-current assets	<u>159,556,922</u>	<u>5,246,803</u>	<u>164,803,725</u>	<u>12,291,947</u>	<u>-</u>
Total assets	<u>260,025,650</u>	<u>14,532,140</u>	<u>274,557,790</u>	<u>16,961,759</u>	<u>7,291,002</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	4,281,892	359,936	4,641,828	-	43,152
Deferred charge on refunding of debt	832,860	-	832,860	-	-
OPEB deferrals	1,339,836	127,673	1,467,509	-	-
Total deferred outflows of resources	<u>6,454,588</u>	<u>487,609</u>	<u>6,942,197</u>	<u>-</u>	<u>43,152</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	2,376,607	353,702	2,730,309	338,900	103,071
Accrued interest payable	50,479	-	50,479	-	-
Due to other governments	1,043,304	-	1,043,304	-	-
Insurance proceeds	-	235,602	235,602	-	-
Liabilities payable from restricted assets	173,743	-	173,743	-	-
Unearned revenue	8,010,949	-	8,010,949	-	-
Debt service due within one year	5,431,944	148,639	5,580,583	59,784	8,349
Total current liabilities	<u>17,087,026</u>	<u>737,943</u>	<u>17,824,969</u>	<u>398,684</u>	<u>111,420</u>
Long-term liabilities					
Due in more than one year	39,581,035	1,240,012	40,821,047	44,876	73,970
Total liabilities	<u>56,668,061</u>	<u>1,977,955</u>	<u>58,646,016</u>	<u>443,560</u>	<u>185,390</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	3,502,249	317,346	3,819,595	-	5,846
OPEB deferrals	755,617	72,003	827,620	-	-
Leases	1,167,742	-	1,167,742	-	-
Prepaid taxes	4,671	-	4,671	-	-
Total deferred inflows of resources	<u>5,430,279</u>	<u>389,349</u>	<u>5,819,628</u>	<u>-</u>	<u>5,846</u>
NET POSITION					
Net investment in capital assets	106,042,522	5,115,469	111,157,991	12,291,947	-
Restricted for:					
Stabilization by State Statute	11,212,358	-	11,212,358	-	614,590
Register of Deeds' pension plan	138,118	-	138,118	-	-
Education	884,171	-	884,171	-	-
Public safety	700,123	-	700,123	-	-
Health services	20,871	-	20,871	-	-
Register of Deeds Automation/Enhancement	119,423	-	119,423	-	-
Transportation	-	-	-	200,000	-
Unrestricted	85,264,312	7,536,976	92,801,288	4,026,252	6,528,328
Total net position	<u>\$ 204,381,898</u>	<u>\$ 12,652,445</u>	<u>\$ 217,034,343</u>	<u>\$ 16,518,199</u>	<u>\$ 7,142,918</u>

The accompanying footnotes are an integral part of this statement

Watauga County, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

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	Development Authority	
Primary government:											
Governmental Activities:											
General government	\$ 12,813,483	\$ 1,503,821	\$ 433,849	\$ 2,329,404	\$ (8,546,409)	\$ -	\$ (8,546,409)				
Public safety	17,468,662	1,047,884	3,623,250	32,492	(12,765,036)	-	(12,765,036)				
Transportation	235,062	-	167,567	-	(67,495)	-	(67,495)				
Economic and physical development	5,003,066	-	163,676	-	(4,839,390)	-	(4,839,390)				
Environmental protection	526,336	-	119,911	-	(406,425)	-	(406,425)				
Human services	8,579,197	59,852	4,514,940	-	(4,004,405)	-	(4,004,405)				
Cultural and recreational	3,340,112	1,749,688	-	-	(1,590,424)	-	(1,590,424)				
Education	16,605,388	-	549	1,342,564	(15,262,275)	-	(15,262,275)				
Interest and fees on long-term debt	1,482,080	-	-	-	(1,482,080)	-	(1,482,080)				
Total governmental activities	66,053,386	4,361,245	9,023,742	3,704,460	(48,963,939)	-	(48,963,939)				
Business-type activities:											
Solid waste	5,548,874	5,842,974	163,047	-	-	457,147	457,147				
Total	71,602,260	10,204,219	9,186,789	3,704,460	(48,963,939)	457,147	(48,506,792)				
Component units:											
AppalCART	5,773,492	2,519,886	2,364,061	285,661				(603,884)			
Watauga County District U Tourism Development Authority	1,620,412	-	-	-						(1,620,412)	
General revenues:											
Taxes:											
Property taxes, levied for general purpose					42,855,265		42,855,265				
Local option sales tax					19,606,458		19,606,458				
Other taxes and licenses					6,164,246		6,164,246			3,926,317	
Grants and contributions not restricted to specific programs					5,534,392		5,534,392				
Investment earnings, unrestricted					110,030	11,688	121,718	3,387		11,489	
Gain (loss) sale of fixed assets					399,248	59,081	458,329	(3,753)			
Miscellaneous, unrestricted					74,728,720	2,625	77,353,745			303,830	
Total general revenues					144,683,119	74,728,720	220,411,839	(366)		4,241,636	
Change in net position					471,460	14,313	485,773	(604,250)		2,621,224	
Prior period adjustment					178,617,117	12,340,493	190,957,610	17,122,449		4,521,694	
Total net position, beginning as previously reported					178,617,117	(159,508)	178,457,609	-		4,521,694	
Total net position, beginning, as restated					204,381,898	12,180,985	216,562,883	17,122,449		4,521,694	
Net position, ending					204,381,898	12,652,445	217,034,343	16,518,190		7,142,918	

The accompanying footnotes are an integral part of this statement

Watauga County, North Carolina
 Governmental Funds
 Balance Sheet
 June 30, 2022

	Major Funds				Non-Major Funds	Total Governmental Funds
	General	Capital Projects Fund	Valle Crucis Project Fund	ARP Project Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 46,641,073	\$ 33,132,685	\$ 1,048,015	-	\$ 37,135	\$ 80,858,908
Restricted cash and cash equivalents	261,089	-	-	7,584,566	1,767,364	9,613,019
Taxes receivable, net	1,016,416	-	-	-	453,996	1,470,412
Lease receivable	1,183,653	-	-	-	-	1,183,653
Due from other governments	7,124,573	-	-	-	49,904	7,174,477
Accounts receivable, net	71,048	-	-	-	-	71,048
Notes receivable	15,793,952	-	-	-	-	15,793,952
Total assets	\$ 72,091,804	\$ 33,132,685	\$ 1,048,015	7,584,566	\$ 2,308,399	\$ 116,165,469
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,454,446	\$ -	\$ 163,844	758,317	\$ -	\$ 2,376,607
Due to other governments	392,755	-	-	-	650,549	1,043,304
Unearned revenue	427,714	-	-	6,819,179	764,056	8,010,949
Liabilities to be paid from restricted assets	141,666	-	-	-	32,077	173,743
Total liabilities	2,416,581	-	163,844	7,577,496	1,446,682	11,604,603
DEFERRED INFLOWS OF RESOURCES						
Taxes receivable	1,016,416	-	-	-	111,498	1,127,914
Prepaid taxes	4,671	-	-	-	-	4,671
Lease receivable	1,167,742	-	-	-	-	1,167,742
Notes receivable	15,793,952	-	-	-	-	15,793,952
Total deferred inflows of resources	17,982,781	-	-	-	111,498	18,094,279
FUND BALANCES						
Restricted for:						
Stabilization by State Statute	11,183,133	-	-	-	29,225	11,212,358
Public safety	-	-	-	-	700,123	700,123
Register of Deeds	119,423	-	-	-	-	119,423
Education	-	-	884,171	-	-	884,171
Health services	-	-	-	-	20,871	20,871
American Rescue Plan	-	-	-	7,070	-	7,070
Committed for:						
Capital projects	-	33,132,685	-	-	-	33,132,685
Nonspendable for:						
Leases	15,911	-	-	-	-	15,911
Unassigned	40,373,975	-	-	-	-	40,373,975
Total fund balances	51,692,442	33,132,685	884,171	7,070	750,219	86,466,587
Total liabilities, deferred inflows of resources, and fund balances	\$ 72,091,804	\$ 33,132,685	\$ 1,048,015	7,584,566	\$ 2,308,399	\$ 116,165,469

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

Total Fund Balance, Governmental Funds	\$ 86,466,587
Net pension asset - ROD	129,861
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	143,542,029
Deferred charge on refunding of debt	832,860
Other assets are not available to pay for current period expenditures and therefore are unavailable in the funds - accrued interest taxes receivable	188,291
Deferred inflows for notes receivable	15,793,952
Deferred inflows of resources for taxes receivable	1,127,914
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,576,339
Contributions and administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	318,637
OPEB related deferrals, net	265,582
Pension related deferrals-all plans, net	(796,696)
Net OPEB liability	(2,698,146)
Net pension liability - LEOSSA	(534,489)
Net pension liability - LGERS	(2,331,009)
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.	(39,499,814)
Net position of governmental activities	\$ 204,381,898

The accompanying footnotes 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, 2022

	Major Funds			Non-Major Funds	Total Governmental Funds	
	General Fund	Capital Projects Fund	Valle Crucis Project Fund	ARP Project Fund		Other Governmental Funds
REVENUES						
Ad valorem taxes	\$ 39,147,623	\$ -	\$ -	\$ -	\$ 3,485,508	\$ 42,633,131
Other taxes and licenses	21,337,654	-	-	-	4,433,050	25,770,704
Unrestricted intergovernmental	5,534,392	-	-	-	-	5,534,392
Restricted intergovernmental	6,626,242	-	1,105,000	4,057,772	382,496	12,171,510
Permits and fees	1,050,677	-	-	-	72,949	1,123,626
Sales and services	2,546,392	-	-	-	196,547	2,742,939
Investment earnings	58,604	41,658	1,788	7,070	910	110,030
Donations	603,629	-	-	-	-	603,629
Miscellaneous	773,389	100,711	0	-	-	874,100
Total revenues	<u>77,678,602</u>	<u>142,369</u>	<u>1,106,788</u>	<u>4,064,842</u>	<u>8,571,460</u>	<u>91,564,061</u>
EXPENDITURES						
Current:						
General government	11,474,354	-	-	932,593	284,171	12,691,118
Public safety	13,982,998	-	-	-	3,677,690	17,660,688
Transportation	235,062	-	-	-	-	235,062
Economic and physical development	700,298	-	-	-	4,302,768	5,003,066
Environmental protection	525,795	-	-	-	-	525,795
Human services	8,351,796	-	-	-	138,859	8,490,655
Cultural and recreational	2,142,683	-	-	-	-	2,142,683
Education	16,443,495	-	2,880,639	-	-	19,324,134
Debt service:						
Principal	5,000,000	-	-	-	-	5,000,000
Interest	1,472,398	-	-	-	-	1,472,398
Total expenditures	<u>60,328,879</u>	<u>-</u>	<u>2,880,639</u>	<u>932,593</u>	<u>8,403,488</u>	<u>72,545,599</u>
Revenues over (under) expenditures	<u>17,349,723</u>	<u>142,369</u>	<u>(1,773,851)</u>	<u>3,132,249</u>	<u>167,972</u>	<u>19,018,462</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	73,526	-	-	-	-	73,526
Transfers from other funds	7,154,183	21,635,873	200,000	-	-	28,990,056
Transfers to other funds	(18,511,290)	(4,229,004)	-	(3,125,179)	(3,124,583)	(28,990,056)
Total other financing sources and uses	<u>(11,283,581)</u>	<u>17,406,869</u>	<u>200,000</u>	<u>(3,125,179)</u>	<u>(3,124,583)</u>	<u>73,526</u>
Net change in fund balance	6,066,142	17,549,238	(1,573,851)	7,070	(2,956,611)	19,091,988
Fund balance, beginning of year	45,637,067	15,583,447	2,458,022	-	3,696,063	67,374,599
Prior period adjustment	(10,767)	-	-	-	10,767	-
Fund balance, beginning, restated	<u>45,626,300</u>	<u>15,583,447</u>	<u>2,458,022</u>	<u>-</u>	<u>3,706,830</u>	<u>67,374,599</u>
Fund balance, end of year	<u>\$ 51,692,442</u>	<u>\$ 33,132,685</u>	<u>\$ 884,171</u>	<u>\$ 7,070</u>	<u>\$ 750,219</u>	<u>\$ 86,466,587</u>

The accompanying footnotes 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, 2022

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

Net changes in fund balances - total governmental funds	\$	19,091,988
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$ 5,349,003	
Sale of assets not fully depreciated	(14,445)	
Depreciation expense for governmental assets	<u>(4,149,023)</u>	
		1,185,535
Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.		1,446,549
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		318,637
Benefit payments paid and administrative expense for the LEOSSA in the current fiscal year are not included on the Statement of Activities.		129,790
Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs		(277,620)
Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the funds	(27,118)	(27,118)
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>222,134</u>	222,134
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	(427,834)	
Pension expense-LGERS and ROD	(1,054,947)	
Compensated absences	36,975	
Pension expense-LEOSSA	(147,246)	
Amortization of bond premiums	<u>257,990</u>	
Combined adjustment		(1,335,062)
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	5,000,000	
Decrease in accrued interest payable	<u>9,948</u>	
		<u>5,009,948</u>
Total changes in net position of governmental activities	\$	<u><u>25,764,781</u></u>

The accompanying footnotes 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, 2022

	General Fund			
	Budget		Actual Amounts	Variance with Final Budget-
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 38,267,926	\$ 38,267,926	\$ 39,147,623	\$ 879,697
Other taxes and licenses	14,660,000	14,978,000	21,337,654	6,359,654
Unrestricted intergovernmental	3,760,000	3,760,000	5,534,392	1,774,392
Restricted intergovernmental	5,146,507	6,751,143	6,626,242	(124,901)
Permits and fees	766,117	766,192	1,050,677	284,485
Sales and services	1,553,745	1,673,581	2,546,392	872,811
Investment earnings	51,000	51,000	58,604	7,604
Donations	30,500	39,750	603,629	563,879
Miscellaneous	544,345	546,870	773,389	226,519
Total revenues	<u>64,780,140</u>	<u>66,834,462</u>	<u>77,678,602</u>	<u>10,844,140</u>
Expenditures:				
General government	10,721,240	15,866,002	11,474,354	4,391,648
Public safety	14,378,030	15,523,360	13,982,998	1,540,362
Transportation	67,495	235,062	235,062	-
Economic and physical development	89,752	732,286	700,298	31,988
Environmental protection	438,169	552,001	525,795	26,206
Human services	9,512,820	10,129,248	8,351,796	1,777,452
Cultural and recreation	2,885,469	2,426,065	2,142,683	283,382
Education	16,030,876	16,715,876	16,443,495	272,381
Debt service:				
Principal retirement	5,000,000	5,000,000	5,000,000	-
Interest and other charges	1,472,398	1,472,398	1,472,398	-
Total expenditures	<u>60,596,249</u>	<u>68,652,298</u>	<u>60,328,879</u>	<u>8,323,419</u>
Revenues over (under) expenditures	<u>4,183,891</u>	<u>(1,817,836)</u>	<u>17,349,723</u>	<u>19,167,559</u>
Other financing sources (uses):				
Sale of capital assets	10,000	10,000	73,526	63,526
Transfers from other funds	1,944,109	4,029,004	7,154,183	3,125,179
Transfers to other funds	(6,138,000)	(18,511,290)	(18,511,290)	-
Fund balance appropriated	-	16,290,122	-	(16,290,122)
Total other financing sources (uses)	<u>(4,183,891)</u>	<u>1,817,836</u>	<u>(11,283,581)</u>	<u>(13,101,417)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ 6,066,142	\$ <u>6,066,142</u>
Fund balance, beginning of year			45,637,067	
Prior period adjustment			<u>(10,767)</u>	
Fund balance, beginning, restated			<u>45,626,300</u>	
Fund balance, end of year			<u>\$ 51,692,442</u>	

The accompanying footnotes are an integral part of this statement

Watauga County, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2022

	Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,743,292
Receivables, net	435,231
Prepaid expense	46,725
Due from other governments	60,089
Total current assets	9,285,337
Non-current assets:	
Capital assets:	
Land and construction in progress	1,895,597
Other capital assets, net of depreciation	3,219,872
Total capital assets	5,115,469
Right to use leased asset, net of amortization	131,334
Total assets	14,532,140
DEFERRED OUTFLOWS OF RESOURCES	
OPEB deferrals	127,673
Pension deferrals	359,936
Total deferred outflows of resources	487,609
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	353,702
Accrued compensated absences - current	15,950
Insurance proceeds	235,602
Leases - current	10,944
Accrued landfill post closure and closure costs - current	121,745
Total current liabilities	737,943
Non-current liabilities:	
Net pension liability	222,122
Net OPEB liability	257,107
Accrued landfill post closure and closure costs - noncurrent	528,254
Leases	122,498
Accrued compensated absences	110,031
Total non-current liabilities	1,240,012
Total liabilities	1,977,955
DEFERRED INFLOWS OF RESOURCES	
OPEB deferrals	72,003
Pension deferrals	317,346
Total deferred inflows of resources	389,349
NET POSITION	
Net investment in capital assets	5,115,469
Unrestricted	7,536,976
Total net position	\$ 12,652,445

The accompanying footnotes 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, 2022

	Enterprise Fund
	Solid Waste Fund
OPERATING REVENUES:	
Charges for services	\$ 5,377,303
Sale of recycled materials	465,671
	5,842,974
Total operating revenues	5,842,974
 OPERATING EXPENSES:	
Landfill operations	5,071,454
Recycling operations	105,525
Depreciation and amortization	371,895
	5,548,874
Total operating expenses	5,548,874
Operating income	294,100
 NONOPERATING REVENUES:	
Interest and investment revenue	11,688
Miscellaneous revenues	2,625
Restricted intergovernmental revenues	163,047
	177,360
Total nonoperating revenues	177,360
Change in net position	471,460
Total net position, beginning as previously reported	12,340,493
Prior period adjustment	(159,508)
Total net position, beginning, as restated	12,180,985
Total net position, ending	\$ 12,652,445

The accompanying footnotes are an integral part of this statement

Watauga County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	Enterprise Fund
	Solid Waste Fund
Cash flows from operating activities:	
Cash received from customers	\$ 5,843,903
Cash paid for goods and services	(3,330,489)
Cash paid to employees for services	(1,700,369)
Net cash provided by operating activities	813,045
Cash flows from noncapital financing activities:	
Restricted intergovernmental revenues	141,982
Payment on leases	(10,938)
Leases	144,380
Right to use assets	(144,380)
Miscellaneous revenues	2,625
Net cash provided by noncapital financing activities	133,669
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(755,511)
Net cash used by capital and related financing activities	(755,511)
Cash flows from investing activities:	
Interest on investments	11,688
Net cash provided by investing activities	11,688
Net increase in cash and cash equivalents	202,891
Cash and cash equivalents, July 1	8,540,401
Cash and cash equivalents, June 30	\$ 8,743,292
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 294,100
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	371,895
Changes in assets, liabilities, deferred outflows and inflows of resources:	
Increase in deferred outflow of resources - pensions	(81,876)
Increase in deferred inflow of resources - OPEB	380
Increase in deferred outflows of resources - OPEB	32,888
Increase in net pension liability	(260,487)
Increase in net OPEB liability	8,056
Decrease in deferred inflow of resources - pensions	316,901
Decrease in accrued landfill post closure and closure costs	(89,772)
Decrease in accounts receivable	930
Increase in prepaid expense	(46,725)
Increase in accounts payable	26,343
Increase in insurance proceeds	235,602
Increase in accrued compensated absences	4,810
Total adjustments	518,945
Net cash provided by operating activities	\$ 813,045

The accompanying footnotes are an integral part of this statement

Watauga County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	<u>Irrevocable Trust Funds</u>	<u>Custodial Funds</u>
Assets		
Cash and cash equivalents	\$ 3,293,488	\$ 35,278
Accounts receivable	-	-
	<u>3,293,488</u>	<u>35,278</u>
Liabilities and Net Position		
Liabilities:		
Accounts payable and accrued liabilities	-	-
	<u>-</u>	<u>-</u>
Net position:		
Assets held in trust for postemployment benefits other than pensions	2,452,775	-
Assets held in trust for law enforcement officers' special separation allowance benefits	840,713	-
Individuals, organizations and other governments	-	35,278
Total fiduciary net position	<u>\$ 3,293,488</u>	<u>\$ 35,278</u>

The accompanying footnotes are an integral part of this statement

Watauga County, North Carolina
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2022

	<u>Irrevocable Trust Funds</u>	<u>Custodial Funds</u>
Additions:		
Employer contributions	\$ 478,790	\$ -
Interest earned	2,239	-
Ad valorem taxes collected for other governments	-	7,681,918
Collections on behalf of inmates	-	176,151
	<hr/>	<hr/>
Total additions	481,029	7,858,069
	<hr/>	<hr/>
Deductions:		
Benefits	133,590	-
Administrative expense	24,000	-
Tax distributions to other governments	-	7,676,427
Payment on behalf of inmates	-	215,324
	<hr/>	<hr/>
Total deductions	157,590	7,891,751
	<hr/>	<hr/>
Net increase (decrease) in fiduciary net position	323,439	(33,682)
Net position - beginning	<u>2,970,049</u>	<u>68,960</u>
Net position - ending	<u>\$ 3,293,488</u>	<u>\$ 35,278</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

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, 2022

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.

Valle Crucis School Project Fund – This is a project fund to account for the new Valle Crucis School project.

American Rescue Plan Project Fund – This is a project fund to account for the American Rescue Plan expenditures.

The County reports the following major enterprise fund:

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

The County reports the following other fund types:

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

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

Non-major Funds – The County maintains nine legally budgeted non-major funds. The Federal Equitable Sharing Fund, the State Substance Abuse Tax Fund, the Emergency Telephone System Fund, the Fire Districts Funds, the Occupancy Tax Fund, Recreation Center Project Fund, the Representative Payee Fund, the Fines and Forfeitures Fund, the Deed of Trust Fund, the Opioid Settlement Fund and the SCIF Project Fund are all reported as non-major special revenue funds.

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

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 Funds, the Federal Equitable Sharing, the State Substance Abuse Tax, the Emergency Telephone System, Fire Districts, Occupancy Tax, Representative Payee, Fines, Opioid Funds and Forfeitures and Deed of Trust Special Revenue Funds, and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Recreation Center Project fund, the Valle Crucis School Project, the SCIF Project fund and the ARP Project fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The budget officer is authorized by the budget ordinance to transfer appropriation within a fund not to exceed 10% of the total departmental appropriation of the department whose allocation is reduced; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the County, AppalCART, and the Authority to invest in obligations of the United States of obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

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

Cash and Cash Equivalents

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

The County pools money from several funds, except the OPEB Irrevocable Trust Fund, the LEOSSA Irrevocable Trust Fund, the DSS Trust Fund, and the Inmate Commissary Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The County, AppalCART and the Authority consider demand deposits and investments purchased with an 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	Customer deposits	\$ 141,666
	Register of Deeds	119,423
ARP Project Fund	Governmental activities	7,584,566
Federal Equitable Sharing Fund	Law enforcement	115,405
State Substance Abuse Tax Fund	Law enforcement	28,877
Emergency Telephone Fund	911 eligible expenditures	560,853
Occupancy Tax Fund	Tourism	293,387
SCIF Project Fund	Maintenance of buildings and parking decks/lots	650,500
Opioid Settlement Fund	Opioid eligible expenses	116,211
Fire District Funds	Unexpended collections	2,131
Total Governmental Activities		<u>\$9,613,019</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, 2021.

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. Lease Receivable

The County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

6. Inventory

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

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.

7. Capital Assets

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

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

8. Right to use assets

The County has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

WATAUGA COUNTY, NORTH CAROLINA

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For the Year Ended June 30, 2022

9. 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, leases, OPEB deferrals and pension related deferrals.

10. Long-term Obligations

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

11. 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.

12. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded. North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows: • 15% directly to the State ("State Abatement Fund") • 80% to abatement funds established by Local Governments ("Local Abatement Funds") • 5% to a County Incentive Fund. The County received \$116,211 as part of this settlement in Fiscal Year 2022. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30th, 2022. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

13. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The County was allocated \$10,911,724 of fiscal recovery funds to be paid in two equal installments. The first installment of \$5,455,862 was received in July 2021. The second installment will be received in July 2022. County staff and the Board of Commissioners elected to use \$932,593 for Broadband and \$3,125,179 for revenue replacement in Fiscal Year 2022. The remaining funds will be utilized for revenue replacement in FY 2023. The \$932,593 used for broadband was paid from the ARPA Fund. Revenue replacement funds will be transferred to the General Fund.

14. 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.

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource

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

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

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

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

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

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

Restricted for American Rescue Plan – portion of fund balance that is restricted for expenditures as defined by the U.S. Treasury.

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.

15. 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, 2022

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, 2022, the County's deposits had a carrying amount of \$53,909,732 and a bank balance of \$55,358,366. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder is covered by collateral held under the Pooling Method. At June 30, 2022, Watauga County had \$3,750 cash on hand.

At June 30, 2022, AppalCART's deposits had a carrying amount of \$1,763,445 and a bank balance of \$1,872,022. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,622,022 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2022, the Authority's deposits had a carrying amount of \$6,567,589 and a bank balance of \$6,598,155. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Authority had no cash on hand.

2. Investments

As of June 30, 2022, 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	19,684,658	12,961,951	6,722,707	-
Certificates of deposit	Cost	25,039,641	25,039,641	-	-
Government Agencies	Fair Value Level 2	1,130,322	-	-	1,130,322
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	2,775,882	2,775,882	N/A	N/A
Total:		<u>\$48,630,503</u>	<u>\$40,777,474</u>	<u>\$6,722,707</u>	<u>\$1,130,322</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

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

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, 2022, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investors Services as of June 30, 2022. The County's investments in US Agencies with Federal Home Loan Bank is rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The County does have an elevated credit risk due to safekeeping held in a third-party arrangement.

At June 30, 2022, AppalCART's investment stated at fair value, consisted of \$2,113,802 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investors Services. AppalCART has no formal policy on interest rate risk or credit risk on its investments.

At June 30, 2022, the Authority's investments consisted of the following:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Government Portfolio	\$ 108,998	N/A	AAAM
	<u>\$ 108,998</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 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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

rated. The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Services as of June 30, 2022.

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
2018	\$ 765,874	\$ 216,359	\$ 982,233
2019	873,125	168,077	1,041,202
2020	867,521	88,921	956,442
2021	854,116	-	854,116
Total	\$ 3,360,636	\$ 473,357	\$ 3,833,993

4. Receivables

Receivables at the government-wide level at June 30, 2022, were as follows:

	Accounts	Taxes Receivable	Interest Receivable	Lease Receivable	Total
Governmental Activities:					
General	\$ 71,048	\$ 1,148,015	\$ 175,045	\$ 1,183,653	\$ 2,577,761
Other Governmental	-	453,996	13,246	-	467,242
Total receivables	71,048	1,602,011	188,291	1,183,653	3,045,003
Allowance for doubtful accounts	-	(131,599)	-	-	(131,599)
Total-governmental activities	\$ 71,048	\$ 1,470,412	\$ 188,291	\$ 1,183,653	\$ 2,913,404
Business-type Activities					
Solid Waste	\$ 491,683	\$ -	\$ -	\$ -	\$ 491,683
Allowance for doubtful accounts	(56,452)	-	-	-	(56,452)
Total-business-type activities	\$ 435,231	\$ -	\$ -	\$ -	\$ 435,231

In October 2021, the County entered into a lease with Daymark Recovery Services, Inc. Under the lease, Daymark pays the County \$11,479 per month for 36 months in exchange for use of the County office space in the Human Services building. There are no variable components in the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.39%. In fiscal year 2022, the County recognized \$131,171 of lease revenue and \$10,243 of interest revenue under the lease.

In December 2008 the County entered into a lease with Tweetsie Railroad, Inc. Under the lease, Tweetsie pays the County \$1 per month for months 1-60 and \$13,125 per month for months 61-240 in exchange for use of County real property located in Watauga County. There are no variable components in the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.39%. In fiscal year 2022, the County recognized \$139,292 of lease revenue and \$130,456 of interest revenue under the lease.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

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

Governmental activities:	
N.C. State University	\$14,583
NC DOR	5,809,471
Town of Boone ABC Board	1,514
NC Dept of Public Safety	20,100
NC Dept of Commerce	126,185
Town of Blowing Rock	208,180
USDA	4,078
High Country Council of Governments	4,327
Town of Beech Mountain	180,923
NC Sheriffs Association	865
Town of Boone	30,064
Town of Seven Devils	25,717
Watauga County Clerk of Court	18,621
Watauga County District U TDA	6,359
NC DHHS	694,265
Emergency Telephone System	29,225
Total-governmental activities	\$ 7,174,477
Business-type activities:	
NCDOR	\$ 60,089

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, 2022 was \$15,475,000.

The County entered into a promissory note with Watauga Humane Society on November 26, 2019 to purchase the note held with TD Bank in the amount \$367,129 in Watauga Humane Society's name. The terms of the note include interest at 3% and monthly payments in the amount \$3,546 commencing January 1, 2020 continuing through December 1, 2029. The loan was modified on August 18, 2020 to allow interest only payments for September 1, 2020 through September 1, 2021. As a result of the loan modification, payments will continue through December 1, 2030. The balance as of June 30, 2022 was \$318,952.

6. Capital Assets

Primary Government:

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 22,932,045	\$ 1,258,160	\$ -	\$ 24,190,205
Intangible	15,600	-	-	15,600
Construction in Progress	1,363,730	4,557,044	1,428,381	4,492,393
Total capital assets not being depreciated	24,311,375	5,815,204	1,428,381	28,698,198
Depreciable Assets:				
Buildings	139,163,425	51,570	-	139,214,995
Other improvements	6,175,654	97,465	-	6,273,119

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

Leasehold improvements	7,644,470	19,000	-	7,663,470
Equipment	7,236,778	222,591	225,788	7,233,581
Vehicles and motorized equipment	2,821,393	571,554	365,235	3,027,712
Total depreciable assets	163,041,720	962,180	591,023	163,412,877
 Less Accumulated Depreciation:				
Buildings	29,767,762	2,792,536	-	32,560,298
Other improvements	4,666,850	342,636	-	5,009,486
Leasehold improvements	2,376,819	274,339	-	2,651,158
Equipment	6,084,575	360,380	211,343	6,233,612
Vehicles and motorized equipment	2,100,595	379,132	365,235	2,114,492
Total accumulated depreciation	44,996,601	4,149,023	576,578	48,569,046
Governmental activities capital assets, net	\$142,356,494	\$(1,928,683)	\$ 14,445	\$143,542,029

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

General government	\$ 2,080,472
Public safety	590,410
Economic and physical development	14,231
Environmental protection	4,576
Human services	238,946
Cultural and recreational	1,220,388
Total depreciation expense	\$ 4,149,023

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Non-Depreciable Assets:				
Land	\$ 975,497	\$ 125,319	\$ -	\$ 1,100,816
Construction in progress	182,785	611,997	-	794,782
Total non-depreciable assets	1,158,282	737,316	-	1,895,598
 Depreciable and Amortizable Assets:				
Improvements	445,920	18,195	1,836	462,279
Leasehold improvements	319,959	-	-	319,959
Buildings	4,152,793	-	-	4,152,793
Equipment	2,157,267	-	5,823	2,151,444
Vehicles	1,780,914	-	1,761	1,779,153
Total depreciable and amortizable assets	8,856,853	18,195	9,420	8,865,628
 Less Accumulated Depreciation:				
Improvements	416,520	20,966	1,836	435,650
Leasehold improvements	314,404	248	-	314,652
Buildings	1,545,997	85,898	-	1,631,895
Equipment	1,664,766	69,841	5,823	1,728,784
Vehicles	1,354,641	181,896	1,761	1,534,776
Total accumulated depreciation	5,296,328	358,849	9,420	5,645,757
Total capital assets being depreciated, net	\$ 4,718,807	\$ 396,662	\$ -	\$ 5,115,469
Business-type capital assets, net	\$ 4,718,807	\$ 396,662	\$ -	\$ 5,115,469

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

Construction commitments

The County has one active construction project as of June 30, 2022. The governmental project includes the Valle Crucis School. At June 30, 2022 the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Valle Crucis School	\$ 1,639,388	\$ 1,024,612
Human services roof & HVAC	133,679	538,229
Law enforcement roof & HVAC	123,042	1,594,500
AEC roof & HVAC	-	200,163
Total	<u>\$ 1,896,109</u>	<u>\$ 3,357,504</u>

Discretely presented component units

Capital asset activity for the AppalCART for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
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	540,632	171,024	-	711,656
Shop equipment	358,107	9,174	24,236	343,045
Vehicles	11,734,077	70,978	47,457	11,757,598
Total capital assets being depreciated	<u>19,357,301</u>	<u>251,176</u>	<u>71,693</u>	<u>19,536,784</u>
Less accumulated depreciation for:				
Buildings	1,086,939	135,789	-	1,086,939
Land improvements	12,228	536	-	12,764
Office furniture and equipment	402,806	80,872	-	483,678
Shop equipment	307,985	10,672	24,236	294,421
Vehicles	5,373,625	1,017,131	38,418	6,352,338
Total accumulated depreciation	<u>7,183,583</u>	<u>1,245,000</u>	<u>62,654</u>	<u>8,365,929</u>
Total capital assets being depreciated, net	<u>12,173,718</u>			<u>11,170,855</u>
Business-type activities capital assets, net	<u>\$13,294,810</u>			<u>\$12,291,947</u>

7. Right to Use Leased Assets

The County has recorded two right to use leased assets. The assets are right to use assets for leased land. The related leases are discussed in the Leases subsection of the Long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

Enterprise Fund	Beginning Balance	Additions	Decreases	Ending Balance
Right to use assets				
Leased land	\$ -	\$ 144,380	\$ -	\$ 144,380
Total right to use assets	-	144,380	-	144,380
Less accumulated amortization for:				
Leased land	-	13,046	-	13,046
Total accumulated amortization	-	13,046	-	13,046
Right to use assets, net	\$ -	131,334	-	\$ 131,334

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2022, were as follows:

	Vendors	Salaries and benefits	Due to other governments	Total
Governmental activities:				
General	\$ 1,034,127	\$ 420,319	\$ 392,755	\$ 1,847,221
Other governmental funds	922,161	-	650,549	1,572,710
Total-governmental activities	\$ 1,956,288	\$ 420,319	\$ 1,043,304	\$ 3,419,911
Business-type activities:				
Solid Waste	\$ 322,884	\$ 30,818	\$ -	\$ 353,702

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the County to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.org.

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

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, 2022, was 12.04% of compensation for law enforcement officers and 11.44% 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 \$1,575,748 for the year ended June 30, 2022.

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, 2022, the County reported a liability of \$2,553,131 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the County's proportion was 0.16648% (measured as of June 30, 2021), which was an increase of 0.00337% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the County recognized pension expense of \$1,163,556. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 812,243	\$ -
Changes of assumptions	1,604,018	-
Net difference between projected and actual earnings on pension plan investments	-	3,647,657

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Notes to the Financial Statements
For the Year Ended June 30, 2022

Changes in proportion and differences between County contributions and proportionate share of contributions	145,191	-
County contributions subsequent to the measurement date	<u>1,575,748</u>	<u>-</u>
Total	\$ <u>4,137,200</u>	\$ <u>3,647,657</u>

\$1,575,748 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 298,583
2023	(22,274)
2024	(246,310)
2025	(1,116,205)
2026	-
Thereafter	-
Total	\$ <u>(1,086,206)</u>

At June 30, 2022, the Authority reported a liability of \$33,279 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the Authority's proportion was 0.00217% (measured as of June 30, 2021), which was an increase of 0.0001% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Authority recognized pension expense of \$12,699. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,587	\$ -
Changes of assumptions	20,908	-
Net difference between projected and actual earnings on pension plan investments	-	47,546
Changes in proportion and differences between Authority contributions and proportionate share of contributions	3,426	3,459
Authority contributions subsequent to the measurement date	<u>21,226</u>	<u>-</u>
Total	\$ <u>56,147</u>	\$ <u>51,005</u>

\$21,226 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

Year ended June 30:		
2022	\$	2,329
2023		(1,399)
2024		(2,465)
2025		(14,549)
2026		-
Thereafter		-
Total	\$	<u>(16,084)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2020 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, 2022 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 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 3.00%. All rates of return and inflation are annualized.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

Discount rate. The discount rate used to measure the total pension liability was 7.5%. 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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability (asset)	\$ 9,911,041	\$ 2,553,131	\$ (3,502,002)

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

Tourism Development Authority

At June 30, 2022, the Authority reported a liability of \$33,279 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the Authority's proportion was 0.00217% (measured as of June 30, 2021), which was an increase of 0.0001% from its proportion measured as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the Authority recognized pension expense of \$12,699. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,587	\$ -
Changes of assumptions	20,908	-
Net difference between projected and actual earnings on pension plan investments	-	47,546
Changes in proportion and differences between Authority contributions and proportionate share of contributions	3,426	3,459
Authority contributions subsequent to the measurement date	21,226	-
Total	\$ 56,147	\$ 51,005

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

\$21,226 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 2,329
2024	(1,399)
2025	(2,465)
2026	(14,549)
2027	-
Thereafter	-
	<hr/>
	<u>\$ (16,084)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5
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, 2020 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 return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

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

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 3.00%. 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 Authority's proportionate share of the net pension asset to changes in the discount rate. The following presents the Authority's proportionate share of the net pension asset calculated using the discount rate of 7.5 percent, as well as what the Authority's 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (asset)	\$ 129,186	\$ 33,279	\$ (45,647)

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

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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

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

The data required regarding the membership of the Watauga County Law Enforcement Separation Allowance Plan was furnished by the County and the NC Local Governmental Employees' Retirement System. The following table summarizes the membership of the Plan as of June 30, 2021, the valuation date:

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

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, 2022, the County contributed \$129,790, or 5.62% 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Based on service, ranging from 3.25 to 7.75 percent, including inflation
Investment rate of return	2.16 percent, net of pension plan investment expense, including inflation
Mortality	Pre-retirement mortality rates bases on the Pub-2010 Safety Employees tables, project forward generationally using Scale MP-2019 Post-retirement rate based on the Pub-2010 Safety Retirees tables, set forward one year and multiplied by .97, then projected generationally using Scale MP-2019

Discount rate. The discount rate used to measure the total pension liability was 2.16%. 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, 2021.

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

Long term rate of return. The long-term expected rate of return on pension plan investments is assumed to be 2.16% 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, 2021.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
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Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension liability calculated using the discount rate of 2.16 percent, as well as what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16 percent) or one percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net pension liability	\$661,659	\$534,489	\$418,372

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)
Balance as of June 30, 2020; measurement date	\$ 1,197,773	\$ 666,025	\$ 531,748
Changes for the year:			
Service cost	100,463	-	100,463
Interest	28,211	-	28,211
Benefit changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	2,166	-	2,166
Contributions – employer	-	137,936	(137,936)
Contributions – employee	-	-	-
Net investment income	-	163	(163)
Benefits paid	(43,436)	(43,436)	-
Plan administrative expenses	-	(10,000)	10,000
Net changes	87,404	84,663	2,741
Balance as of June 30, 2021; measurement date	\$ 1,285,177	\$ 750,688	\$ 534,489

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 2.21% to 2.16% 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, 2022, the County recognized pension expense of \$147,246. 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, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of the June 30, 2021 measurement date:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,970	\$ 116,306
Changes of assumptions	284,276	42,598
Net difference between projected and actual earnings on pension plan investments	22,301	-
County benefit payments and admin expenditures subsequent to the measurement date	129,790	-
Total	\$ <u>483,337</u>	\$ <u>158,904</u>

The County paid \$129,790 in benefit payments and \$10,500 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2023	\$	22,460
2024		20,540
2025		18,845
2026		17,312
2027		14,214
Thereafter		101,272
Total	\$	<u>194,643</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

Contributions for the year ended June 30, 2022 were \$145,836, which consisted of \$123,858 from the County and \$21,978 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, 2022 to these plans were \$829,285 which consisted of \$535,034 from the County and \$294,251 from employees. No amounts were forfeited.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

e. Register of Deeds' Supplemental Pension Fund

Plan Description. Watauga County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the 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.

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 \$7,891 for the year ended June 30, 2022.

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

At June 30, 2022, the County reported an asset of \$129,861 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the County's proportion was .67590%, which was an increase of .05389% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the County recognized pension expense of \$3,027. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,386	\$ 1,575
Changes of assumptions	9,469	-
Net difference between projected and actual earnings on pension plan investments	-	399
Changes in proportion and differences between County contributions and proportionate share of contributions	2,545	11,060
County contributions subsequent to the measurement date	7,891	-
Total	\$ <u>21,291</u>	\$ <u>13,034</u>

\$7,891 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (1,158)
2024	(1,201)
2025	(304)
2026	3,028
2027	-
Total	\$ <u>365</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 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, 2020 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, 2022 is 1.4%.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension asset was 3.0%. 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 3.0 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 (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
County's proportionate share of the net pension liability (asset)	\$103,149	\$(129,861)	\$152,307

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

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

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020. The net pension liability (asset) for LEOSSA was measured as of June 30, 2021, with an actuarial valuation date of December 31, 2020. 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)	\$ 2,553,131	\$ (129,861)	\$ -	\$ 2,423,270
Proportion of the Net Pension Liability (Asset)	0.16648%	0.67590%	n/a	n/a
Net Pension Liability	-	-	\$ 534,489	\$ 534,489
Pension Expense	\$ 1,163,556	\$ 3,027	\$ 147,246	\$ 1,313,829

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

At June 30, 2022, 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>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 812,243	\$ 1,386	\$ 46,970	\$ 860,599
Changes of assumptions	1,604,018	9,469	284,276	1,897,763
Net difference between projected and actual earnings on pension plan investments	-	-	22,301	22,301
Changes in proportion and differences between County contributions and proportionate share of contributions	145,191	2,545	-	147,736
County contributions (LGERS,ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,575,748	7,891	129,790	1,713,429
Total	<u>\$ 4,137,200</u>	<u>\$ 21,291</u>	<u>\$ 483,337</u>	<u>\$ 4,641,828</u>
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ -	\$ 1,575	\$ 116,306	\$ 117,881
Changes of assumptions	-	-	42,598	42,598
Net difference between projected and actual earnings on pension plan investments	3,647,657	399	-	3,648,056
Changes in proportion and differences between County contributions and proportionate share of contributions	-	11,060	-	11,060
Total	<u>\$ 3,647,657</u>	<u>\$ 13,034</u>	<u>\$ 158,904</u>	<u>\$ 3,819,595</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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

Plan Membership. At June 30, 2021 and June 30, 2022, the HCB Plan membership consisted of the following:

	<u>2021</u>	<u>2022</u>
Inactive plan members or beneficiaries currently receiving benefit payments	27	27
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	<u>236</u>	<u>236</u>
Total	<u>263</u>	<u>263</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 \$349,000.

County contributions to HCB Plan based on creditable years of service

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

Investments

Investment policy. The HCB Plan's policy in regards to the allocation of invested assets is established by the County Financial Policy used by management. It is the policy of the County to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio and staggered maturities. Investments are valued at fair value. The current asset allocation policy is in 100% fixed income investments with an expected long term rate of return of 2.16 percent.

Rate of return. For the year ended June 30, 2022, the annual money weighted rate of return on investments, net of investment expense, was 2.16 percent.

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2022 were as follows:

Total OPEB Liability	\$ 5,174,614
Plan fiduciary net position	<u>2,219,361</u>
County's net OPEB liability	<u>\$ 2,955,253</u>

Plan fiduciary net position as a percentage of Total OPEB Liability is 42.89%.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Total OPEB liabilities were rolled forward to June 30, 2021 and June 30, 2022 for the employer and the plan, respectively, utilizing updated procedures incorporating the actuarial assumptions.

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

Discount rate. The discount rate used to measure the total OPEB liability was 2.16 percent. The discount rate incorporates a municipal bond rate which is 2.16 percent as reported in the Bond Buyer for the 20 Year general obligation bonds as of June 30, 2021.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16 percent)	Discount Rate (2.16 percent)	1% Increase (3.16 percent)
Net OPEB liability (asset)	\$ 3,393,700	\$ 2,955,253	\$ 2,557,001

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

	1% Decrease in Trend Rates	Healthcare Cost Trend Rate (6.0 percent decreasing to 4.5 percent)	1% Increase in Trend Rates
Net OPEB liability (asset)	\$ 2,570,536	\$ 2,955,253	\$ 3,412,296

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2022, the County reported a net OPEB liability of \$2,955,253. The total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2021.

At June 30, 2022, the components of the net OPEB liability of the County, as measured at June 30, 2021, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2021	\$ 4,992,212	\$ 2,058,754	\$ 2,933,458
Changes for the Year:			-
Service Cost	336,542	-	336,542
Interest	116,375	-	116,375
Differences between Expected and Actual experience	(164,860)	-	(164,860)
Changes of assumptions	20,845	-	20,845
Contributions	-	293,500	(293,500)
Net Investment Income	-	6,607	(6,607)
Administrative expense	-	(13,000)	13,000
Benefit Payments	(126,500)	(126,500)	-
Net Changes	182,402	160,607	21,795
Balances at June 30, 2022	\$ 5,174,614	\$ 2,219,361	\$ 2,955,253

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021.

For the year ended June 30, 2022, the County recognized OPEB expense of \$499,521. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 352,591	\$ 503,478
Changes of assumptions	694,824	324,142
Net Difference between projected and actual earnings on plan investments	71,094	-
County contributions subsequent to the measurement date	349,000	-
Total	\$ 1,467,509	\$ 827,620

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

\$349,000 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, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2023	\$	75,921
2024		68,300
2025		27,611
2026		69,300
2027		34,451
Thereafter		15,306
	\$	<u>290,889</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. The County considers the contributions to be immaterial.

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 post closure costs of \$243,490. The County will recognize the postclosure costs over the remaining 3 years.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

(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 \$406,509 reported as landfill closure and postclosure care liability at June 30, 2022 represents a cumulative amount reported to date based on the use of 30% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$175,411 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2022.

4. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources as of June 30, 2022 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	\$ 2,592,587	\$ 366,740	\$ -
Pensions and OPEB – difference between expected and actual experience	1,213,190	621,359	-
Pensions and OPEB – difference between projected and actual investment earnings	93,395	3,648,056	-
Pensions and OPEB – change in proportion and difference between employer contributions and proportionate share of contributions	147,736	11,060	-
Contributions to pension and OPEB plans in	2,062,429	-	-
Deferred charge on refunding of debt	832,860	-	-
Note receivable (General)	-	-	15,793,952
Prepaid taxes not yet earned (General)	-	4,671	4,671
Taxes receivable, net (General)	-	-	1,016,416
Lease receivable (General)	-	1,167,742	1,167,742
Taxes Receivable, net (Special Revenue)	-	-	111,498
Total	<u>\$ 6,942,197</u>	<u>\$ 5,819,628</u>	<u>\$ 18,094,279</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered 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 \$121,543,482 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 \$250,000 up to a \$2 million limit for liability coverage, \$6,000,000 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, 2022

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 \$824,000 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. Leases

Serviced by the Enterprise Fund

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

The first agreement was executed in September 2013 to lease land and requires 240 monthly payments varying between \$300 to \$375. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$39,127 at June 30, 2022. The right to use asset is discussed in more detail in the right to use asset section of this note.

\$ 39,987

The second agreement was executed in September 2006 to lease land and requires 240 monthly payments varying between \$175 to \$250. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$11,444 at June 30, 2022. The right to use asset is discussed in more detail in the right to use asset section of this note.

11,642

WATAUGA COUNTY, NORTH CAROLINA

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For the Year Ended June 30, 2022

The third agreement was executed in May 2013 to lease land and requires 240 monthly payments of \$100. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$10,796 at June 30, 2022. The right to use asset is discussed in more detail in the right to use asset section of this note. 10,937

The fourth agreement was executed in February 2015 to lease land and requires 240 monthly payments of \$300. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$36,364 at June 30, 2022. The right to use asset is discussed in more detail in the right to use asset section of this note. 36,835

The fifth agreement was executed in November 2013 to lease land and requires 240 monthly payments varying between \$300 to \$399. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$33,603 at June 30, 2022. The right to use asset is discussed in more detail in the right to use asset section of this note. 34,041

Total Enterprise Fund leases \$ 133,442

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,944	\$ 4,245	\$ 15,189
2024	11,556	3,854	15,410
2025	12,024	3,456	15,480
2026	12,438	3,038	15,476
2027	10,335	2,636	12,971
2028-2032	55,703	7,717	63,420
2033-2038	20,442	453	20,895
Total	<u>\$ 133,442</u>	<u>\$ 25,399</u>	<u>\$ 158,841</u>

b. Installment Purchase

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

The first and second installment direct placement purchase agreements were executed on June 28, 2012 to refinance the construction of the new high school. These installment purchases were refinanced June 28, 2012 into limited obligation bonds. The limited obligations bonds were issued in two series, A and B. Series A is for a principal amount of \$45,045,000 with terms ranging from 2016 to 2028. The Series A bonds were partially refunded on October 2, 2019. The refunded portion

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

totalled \$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, 2022 of \$21,680,000. Series B was for \$10 million with a term of three years and a set rate of 1.81 percent and this series paid out in fiscal year 2014-15.

The third direct placement installment purchase agreement was for limited obligations bonds and was executed in the amount \$18,490,000 for the construction of the community recreation center on October 25, 2018. The installment purchase calls for annual payments of principal and semi-annual payments of interest for a period of 15 years. The annual principal payments range from \$1,320,000 to \$1,325,000. The outstanding balance as of June 30, 2022 is \$14,530,000. 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, 2022, including \$5,810,307 of interest, are:

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2023	\$ 5,040,000	\$ 1,230,333	\$ -	\$ -
2024	4,990,000	1,077,657	-	-
2025	4,945,000	925,412	-	-
2026	4,920,000	742,565	-	-
2027	4,875,000	585,485	-	-
2028-2032	10,120,000	1,200,655	-	-
2033	1,320,000	48,200	-	-
Total payments	\$ 36,210,000	\$ 5,810,307	\$ -	\$ -

b. General Obligation Indebtedness

The County has no general obligation debt outstanding or authorized as of June 30, 2022. At June 30, 2022, Watauga County had a legal debt margin of \$739,696,757.

c. Advance Refunding

In June 2012, the County issued \$55,045,000 in limited obligation bonds to refinance the installment purchase loans for the land and construction of the 2010 high school. These funds refinanced the original debt remaining of \$61,000,000 plus interest and expenses. This resulted in premiums totaling \$5,206,201 to be amortized over the remaining eight-year life of the new debt. On October 2, 2019, the County issued \$19,240,000 of limited obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in a refunded escrow held by US Bank. As a result, the refunded bonds are decreased and the liability has been removed from the governmental activities column of the statement of net position. Due to the refunding of the Series A limited obligation bonds the premium on advance refunding liability was reduced by \$1,639,207. A liability for the balance of the premium of \$858,630 and the annual amortization of interest expense is in the government-wide statements.

d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2022:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchases	\$41,210,000	\$ -	\$ 5,000,000	\$ 36,210,000	\$5,040,000
Net pension liability (LGERS)	5,346,006	-	3,014,997	2,331,009	-
Total pension liability (LEOSSA)	531,748	2,741.00	-	534,489	-
Net OPEB liability	2,684,407	13,739.00	-	2,698,146	-
Premium on LOBS	1,378,622	-	114,885	1,263,737	114,885
Premium on advance refunding	1,001,735	-	143,105	858,630	143,105
Compensated absences	1,153,943	1,814,485	1,851,460	1,116,968	133,954
Total	\$53,306,461	\$ 1,830,965	\$ 10,124,447	\$ 45,012,979	\$5,431,944
Business-Type Activities:					
Net pension liability (LGERS)	\$ 482,609	\$ -	\$ 260,487	\$ 222,122	\$ -
Net OPEB liability	249,051	8,056	-	257,107	-
Accrued landfill closure and post closure costs	739,771	-	89,772	649,999	121,745
Leases	-	144,380	10,938	133,442	10,944
Compensated absences	121,170	202,550	197,740	125,980	15,950
Total	\$ 1,592,601	\$ 354,986	\$ 558,937	\$ 1,388,650	\$ 148,639
Discretely presented component units:					
AppalCART					
Compensated absences	\$ 95,678	\$ 68,766	\$ 59,784	\$ 104,660	\$ 59,784
Watauga County TDA					
Net pension liability (LGERS)	\$ 73,970	\$ -	\$ 40,691	\$ 33,279	\$ -
Compensated absences	8,349	13,239	9,833	11,755	11,755
Total	\$ 82,319	\$ 13,239	\$ 50,524	\$ 45,034	\$ 11,755

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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2022, consist of the following:

From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions	\$ 18,511,290
From the Capital Projects Fund to the Valle Crucis School Special Revenue Fund	200,000
From the ARP Project Fund to the General Fund for public safety salaries	3,125,179
From the Community Recreation Center Fund to the Capital Projects Fund to for future capital acquisitions	3,124,583
From the Capital Projects Fund to the General Fund	4,029,004
Total	<u>\$ 28,990,056</u>

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 143,542,029	\$ 5,115,469
Less long-term debt	36,210,000	-
Less LOBs premium	1,263,737	-
Add Deferred charge on refunding	832,860	-
Less Advance refunding premium	858,630	-
Net investment in capital assets	<u>\$ 106,042,522</u>	<u>\$ 5,115,469</u>

E. Fund Balance

Watauga County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-county funds, county funds. For the purposes fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. 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	\$51,692,442
Less:	
Stabilization by State Statute	11,183,133
Leases	15,911
Register of Deeds Automation/Enhancement	119,423
Remaining fund balance	<u>\$40,373,975</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 - \$3,987,512
	Valle Crucis School Project Fund - \$1,024,612
	Enterprise Fund - \$1,189,987

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, 2022. In

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2022

accordance with the intergovernmental agreement between the participating governments, the County appropriated \$699,960 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, 2022. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$879,342 to the Health Department to supplement its activities. Complete financial statements for the Health Department can be obtained from the Health Department's offices at 126 Poplar Grove Connector Road, Boone, NC 28607.

Note 4 - Jointly Governed Organization

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

The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$41,053 and purchased services in the amount of \$9,013 with the Council during the fiscal year ended June 30, 2022. The County was the sub recipient of four grants totaling \$374,715. The first grant is for \$314,089 in Home and Community Care Block Grant funds and the second is for \$22,777 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 and fourth grants are for \$14,257 and \$23,592, respectively, 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 - Prior Period Adjustment/Correction of Error

The NC Department of Public Safety disallowed \$10,767 in Emergency Telephone System expenditures for the fiscal year ended June 30, 2021, resulting in a prior period adjustment. The prior period adjustment is reflected in the nonmajor special revenue fund, Emergency Telephone System Fund. Accounts Receivable was overstated \$159,508 in the fiscal year ended June 30, 2021 in the Enterprise Fund, resulting in a prior period adjustment.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 7 -

Subsequent Events

For the year ended June 30, 2022, the County has evaluated subsequent events for potential recognition and disclosure through November 30, 2022 – the date the financial statements were available to be issued.

On October 27, 2022, the County entered into a direct placement installment purchase agreement for limited obligations bonds in the amount \$31,800,000 for the construction of the Valle Crucis School.

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 Seven Fiscal Years

	2022**	2021**	2020**	2019**	2018**	2017**	2016*
Total pension liability							
Service cost	\$ 100,463	\$ 65,966	\$ 59,759	\$ 57,398	\$ 57,127	\$ 24,305	\$ 49,129
Interest	28,211	30,823	30,735	26,308	25,578	14,474	26,460
Benefit changes	-	-	-	-	-	-	-
Difference between expected and actual experience	-	37,151	-	25,317	(173,460)	(33,229)	-
Changes of assumptions and other inputs	2,166	271,350	29,530	(21,390)	(50,285)	60,466	11,037
Benefit payments, including refunds of member contributions	(43,436)	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
Net change in total pension liability	<u>87,404</u>	<u>360,857</u>	<u>84,933</u>	<u>61,389</u>	<u>(158,439)</u>	<u>58,915</u>	<u>63,324</u>
Total pension liability-beginning	<u>1,197,773</u>	<u>836,916</u>	<u>751,983</u>	<u>690,594</u>	<u>849,033</u>	<u>790,118</u>	<u>726,794</u>
Total pension liability-ending (a)	<u>\$ 1,285,177</u>	<u>\$ 1,197,773</u>	<u>\$ 836,916</u>	<u>\$ 751,983</u>	<u>\$ 690,594</u>	<u>\$ 849,033</u>	<u>\$ 790,118</u>
Plan net position							
Contributions-employer	\$ 137,936	\$ 139,433	\$ 130,091	\$ 109,744	\$ 143,399	\$ 7,101	\$ 71,302
Contributions-member	-	-	-	-	-	-	-
Net investment income	163	13,682	11,387	5,867	752	428	706
Benefit payments, including refunds of member contributions	(43,436)	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
Administrative expense	(10,000)	(10,000)	(9,519)	(18,500)	(457)	-	(236)
Refund of contributions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net change in plan net position	<u>84,663</u>	<u>98,682</u>	<u>96,868</u>	<u>70,867</u>	<u>126,295</u>	<u>428</u>	<u>48,470</u>
Plan net position-beginning	<u>666,025</u>	<u>567,343</u>	<u>470,475</u>	<u>399,608</u>	<u>273,313</u>	<u>272,885</u>	<u>224,415</u>
Plan net position-ending (b)	<u>\$ 750,688</u>	<u>\$ 666,025</u>	<u>\$ 567,343</u>	<u>\$ 470,475</u>	<u>\$ 399,608</u>	<u>\$ 273,313</u>	<u>\$ 272,885</u>
Net pension liability-ending (a) - (b)	<u>\$ 534,489</u>	<u>\$ 531,748</u>	<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 June 30, 2021.

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

Notes to schedule:

Benefit changes None

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

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

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

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

	<u>2022**</u>	<u>2021**</u>	<u>2020**</u>	<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016*</u>
Total pension liability (TPL)	\$ 1,285,177	\$ 1,197,773	\$ 836,916	\$ 751,983	\$ 690,594	\$ 849,033	\$ 790,118
Plan net position	<u>750,688</u>	<u>666,025</u>	<u>567,343</u>	<u>470,475</u>	<u>399,608</u>	<u>273,313</u>	<u>272,885</u>
Net pension liability	<u>\$ 534,489</u>	<u>\$ 531,748</u>	<u>\$ 269,573</u>	<u>\$ 281,508</u>	<u>\$ 290,986</u>	<u>\$ 575,720</u>	<u>\$ 517,233</u>
Ratio of plan net position to total pension liability	58.41%	55.61%	67.79%	62.56%	57.86%	32.19%	34.54%
Covered payroll	2,307,552	2,307,552	2,005,514	2,005,514	1,837,013	1,883,580	1,837,735
Net pension liability as a percentage of covered payroll	23.16%	23.04%	13.44%	14.04%	15.84%	30.57%	28.15%

*Information is as of the Measurement date of June 30, 2021.

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

Notes to schedule:

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

Inflation	2.50%
Salary increases	Based on service, ranging from 3.25 - 7.75%, including inflation
Investment Rate of Return	2.21%, net of pension plan investment expense, including inflation

Mortality RP-2014 tables projected forward generationally using Scale MP-2015 to Pub-2010 tables projected forward generationally using Scale MP-2019.

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

Schedule 3

Schedule of County Contributions
Last Seven Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined employer contribution	\$ 172,076	\$ 109,031	\$ 103,230	\$ 88,544	\$ 109,308	\$ 95,479	\$ 60,285
Contributions in relation to the contractually required contribution	129,790	137,936	139,433	130,091	109,744	143,399	39,727
Contribution deficiency (excess)	<u>\$ 42,286</u>	<u>\$ (28,905)</u>	<u>\$ (36,203)</u>	<u>\$ (41,547)</u>	<u>\$ (436)</u>	<u>\$ (47,920)</u>	<u>\$ 20,558</u>
County's covered payroll	\$ 2,307,552	\$ 2,307,552	\$ 2,005,514	\$ 2,005,514	\$ 1,837,013	\$ 1,823,288	\$ 1,883,580
Contributions as a percentage of covered payroll	5.62%	5.98%	6.95%	6.49%	5.97%	7.86%	2.11%

Notes to schedule:

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

Methods and assumptions used to determine contribution rates for the year ended June 30, 2021:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	10.5 years
Asset valuation method	Market value of assets
Investment Rate of Return	2.21%, including inflation, net of pension plan investment expense
Inflation	2.50%
Salary increases	Based on service, ranging from 3.25% to 7.75%, including inflation

Mortality RP-2014 tables projected forward generationally using Scale MP-2015 to Pub-2010 tables projected forward generationally using Scale MP-2019.

Watauga County, North Carolina
Other Post Employment Benefits Irrevocable Trust

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability						
Service cost	\$ 336,542	\$ 273,893	\$ 248,114	\$ 204,963	\$ 245,616	\$ 196,127
Interest	116,375	157,322	162,144	133,400	104,379	128,565
Benefit changes	-	-	-	-	-	-
Difference between expected and actual experience	(164,860)	(299,908)	(114,921)	705,179	(166,570)	-
Changes of assumptions and other inputs	20,845	710,395	124,063	(491,388)	(209,201)	264,995
Benefit payments, including refunds of member contributions	(126,500)	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
Net change in total OPEB liability	<u>182,402</u>	<u>701,902</u>	<u>277,900</u>	<u>430,054</u>	<u>(133,576)</u>	<u>468,987</u>
Total OPEB liability-beginning	<u>4,992,212</u>	<u>4,290,310</u>	<u>4,012,410</u>	<u>3,582,356</u>	<u>3,715,932</u>	<u>3,246,945</u>
Total OPEB liability-ending (a)	<u>5,174,614</u>	<u>4,992,212</u>	<u>4,290,310</u>	<u>4,012,410</u>	<u>3,582,356</u>	<u>3,715,932</u>
Plan fiduciary net position						
Contributions-employer	\$ 293,500	\$ 257,800	\$ 264,000	\$ 264,800	\$ 872,800	\$ 207,436
Contributions-member	-	-	-	-	-	-
Net investment income	6,607	42,295	32,752	22,310	10,714	7,889
Benefit payments, including refunds of member contributions	(126,500)	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
Administrative expense	(13,000)	(13,000)	(12,538)	(25,000)	-	(4,800)
Net change in plan fiduciary net position	<u>160,607</u>	<u>147,295</u>	<u>142,714</u>	<u>140,010</u>	<u>775,714</u>	<u>89,825</u>
Plan fiduciary net position-beginning	<u>2,058,754</u>	<u>1,911,459</u>	<u>1,768,745</u>	<u>1,628,735</u>	<u>853,021</u>	<u>763,196</u>
Plan fiduciary net position-ending (b)	<u>2,219,361</u>	<u>2,058,754</u>	<u>1,911,459</u>	<u>1,768,745</u>	<u>1,628,735</u>	<u>853,021</u>
Net OPEB liability-ending (a) - (b)	<u>\$ 2,955,253</u>	<u>\$ 2,933,458</u>	<u>\$ 2,378,851</u>	<u>\$ 2,243,665</u>	<u>\$ 1,953,621</u>	<u>\$ 2,862,911</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	42.89%	41.24%	44.55%	44.08%	45.47%	22.96%
Covered employee payroll	\$ 14,077,047	\$ 11,825,259	\$ 11,825,259	\$ 11,480,834	\$ 10,715,512	\$ 10,160,128
Plan Net OPEB Liability as percentage of covered employee payroll	20.99%	24.81%	20.12%	19.54%	18.23%	28.18%

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

Notes to Schedule

Benefit changes	None
Changes of assumptions	For 2021 the discount rate changed from 3.50 to 2.21%.

Watauga County, North Carolina
Other Post Employment Benefits Irrevocable Trust
Schedule of County Contributions
Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 468,418	\$ 282,753	\$ 272,198	\$ 227,672	\$ 253,925	\$ 179,656	\$ 171,685	\$ 171,685	\$ 177,098	\$ 177,098
Contributions in relation to the actuarially determined contribution	349,000	293,500	257,800	264,000	256,000	872,800	207,436	230,450	205,575	211,783
Contribution deficiency (excess)	\$ 119,418	\$ (10,747)	\$ 14,398	\$ (36,328)	\$ (2,075)	\$ (693,144)	\$ (35,751)	\$ (58,765)	\$ (28,477)	\$ (34,685)
Covered payroll	\$ 14,077,047	\$ 13,633,944	\$ 11,825,259	\$ 11,480,834	\$ 10,745,512	\$ 10,160,128	\$ 10,512,790	\$ 10,028,405	\$ 10,387,368	\$ 10,011,037
Contributions as a percentage of covered payroll	2.48%	2.15%	2.18%	2.30%	2.38%	8.59%	1.97%	2.30%	1.98%	2.12%

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, 2021

Discount rate 2.16% as of June 30, 2021 and 2.21% as of June 30, 2020 measurement
 Actuarial cost method Entry age actuarial cost method
 Amortization method Closed 30 year level dollar as of June 30, 2020
 Remaining amortization period 29-years from June 30, 2021
 Asset valuation method Market Value
 Inflation rate 2.50%

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

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

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

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

Watauga County, North Carolina
Other Post Employment Benefits Irrevocable Trust

Schedule 6

Schedule of Investment Returns
Last Six Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.31%	2.15%	1.80%	1.32%	0.87%	0.98%

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.16648%	0.16311%	0.16478%	0.16559%	0.16785%	0.17390%	0.17404%	(0.17777)%	0.18070%
County's proportionate share of the net pension liability (asset) \$	\$ 2,553,131	\$ 5,828,615	\$ 4,500,013	\$ 3,928,361	2,564,283	\$ 3,690,741	\$ 781,083	\$ (1,048,391)	\$ 2,178,129
County's covered employee payroll	\$ 12,397,522	\$ 12,134,733	\$ 11,777,037	\$ 11,330,399	10,813,081	\$ 10,682,801	\$ 10,536,590	\$ 10,387,368	10,367,190
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	20.59%	48.03%	38.21%	34.67%	23.71%	34.55%	7.41%	-10.09%	21.01%
Plan fiduciary net position as a percentage of the total pension liability**	92.00%	94.18%	91.47%	98.09%	98.79%	102.64%	94.35%	98.22%	98.22%

This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

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

** This will be the same percentage for all participant employees in the LGERS plan.

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,575,748	\$ 1,284,035	\$ 1,113,164	\$ 937,359	\$ 861,878	\$ 798,115	\$ 732,167	\$ 761,648	\$ 738,196
Contributions in relation to the contractually required contribution	1,575,748	1,284,035	1,113,164	937,359	861,878	798,115	732,167	761,648	738,196
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	13,638,044	12,397,522	\$ 12,134,733	\$ 11,777,037	\$ 11,330,399	\$ 10,813,081	\$ 10,682,801	\$ 10,536,590	\$ 10,387,368
Contributions as a percentage of covered payroll	11.55%	10.36%	9.17%	7.96%	7.61%	7.38%	6.85%	7.23%	7.11%

This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

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 Nine Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	-0.6759%	(0.62201)%	(0.56359)%	(0.61613%)	(0.65062%)	(0.66734%)	(0.65929%)	(0.6297%)	(0.6609%)
County's proportionate share of the net pension liability (asset) \$	\$ (129,861)	\$ (142,552)	\$ (111,264)	\$ (102,050)	\$ (111,054)	\$ (124,766)	\$ (152,800)	\$ (142,737)	\$ (141,158)
Plan fiduciary net position as a percentage of the total pension liability **	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%	188.75%	189.65%	189.65%

This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

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

** This will be the same percentage for all participant employees in the LGERS plan.

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,891	\$ 8,112	\$ 5,956	\$ 5,357	\$ 5,273	\$ 5,653	\$ 5,452	\$ 5,276	\$ 5,142
Contributions in relation to the contractually required contribution	7,891	8,112	5,956	5,357	5,273	5,653	5,452	5,276	5,142
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

**WATAUGA COUNTY DISTRICT U TOURISM DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF WATAUGA COUNTY)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Required Supplementary Information									
Local Governmental Employees' Retirement System									
Last Nine Fiscal Years*									
Authority's proportion of the net pension liability (asset) %	0.00217%	0.00207%	0.00252%	0.00262%	0.00276%	0.00289%	0.00287%	0.00285%	0.00400%
Authority's proportionate share of the net pension liability (asset) \$	\$ 33,279	\$ 73,970	\$ 68,819	\$ 62,155	\$ 42,165	\$ 61,334	\$ 12,880	\$ (16,808)	\$ 48,215
Authority's covered payroll	\$ 175,870	\$ 173,791	\$ 175,557	\$ 155,123	\$ 153,328	\$ 142,786	\$ 125,271	\$ 148,550	\$ 176,103
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.92%	42.56%	39.20%	40.07%	27.50%	42.96%	10.28%	-13.42%	27.38%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	98.22%

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

** This will be the same percentage for all participant employers in the LGERS plan.

WATAUGA COUNTY DISTRICT U TOURISM DEVELOPMENT AUTHORITY
 (A COMPONENT UNIT OF WATAUGA COUNTY)
 WATAUGA COUNTY DISTRICT U TDA'S CONTRIBUTIONS

Required Supplementary Information
 Last Nine Fiscal Years

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 21,226	\$ 17,897	\$ 15,619	\$ 13,761	\$ 12,227	\$ 11,247	\$ 10,241	\$ 10,075	\$ 9,281
Contributions in relation to the contractually required contribution	21,226	17,897	15,619	13,761	12,227	11,247	10,241	10,075	9,281
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 194,005	\$ 175,870	\$ 173,791	\$ 175,557	\$ 155,123	\$ 153,328	\$ 142,786	\$ 125,271	\$ 148,550
Contributions as a percentage of covered payroll	10.94%	10.18%	8.99%	7.84%	7.88%	7.34%	7.17%	8.04%	6.25%

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, 2022

	Final Budget	Actual	Variance
REVENUES:			
Taxes - ad valorem:			
Current year		\$ 38,675,276	
Prior years		327,096	
Advertising and interest		145,251	
Total Taxes - ad valorem	\$ 38,267,926	39,147,623	\$ 879,697
Taxes - other:			
Local option sales taxes		19,606,458	
Real estate transfer tax		1,360,428	
ABC Bottle tax		26,115	
Heavy equipment rental tax		7,395	
Gross receipts tax		65,111	
Video programming tax		272,147	
Total Taxes - other	14,978,000	21,337,654	6,359,654
Unrestricted Intergovernmental:			
Miscellaneous revenues from Towns		2,410,369	
Medicaid hold harmless		2,912,321	
Tax collection fees		129,444	
Occupancy tax administrative fee		53,028	
Payments in lieu of taxes		29,230	
Total Unrestricted Intergovernmental	3,760,000	5,534,392	1,774,392
Restricted Intergovernmental:			
Grants-Federal and State		6,315,659	
Public School Building Capital Fund - Lottery		237,564	
Court facilities fees		73,019	
Total Restricted Intergovernmental	6,751,143	6,626,242	(124,901)
Permits and Fees:			
Sheriff's office permits and fees		119,744	
Planning and inspection fees		462,691	
Register of deeds fees		394,267	
Fire inspection fees		21,993	
Child Support fees		51,982	
Total Permits and Fees	766,192	1,050,677	284,485
Sales and Services:			
POA services		7,870	
TDA Financial and other services		24,000	
Recreation fees		1,749,688	
Reimbursement for Inmates		55,616	
Rent		160,187	
Lease revenue		270,463	
DMV notary/passport processing fees		184,064	
Town of Beech Mountain medic services		56,485	
Election revenues		38,019	
Total Sales and Service	1,673,581	2,546,392	872,811
Investment earnings:	51,000	58,604	7,604
Miscellaneous:			
Other		773,389	
Donations		603,629	
Total Miscellaneous	586,620	1,377,018	790,398
TOTAL REVENUES	66,834,462	77,678,602	10,844,140

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance
EXPENDITURES:			
General Government			
Governing Body:			
Salaries and benefits		\$ 54,443	
Operating expenses		2,896	
Total Governing Body	\$ 62,176	57,339	\$ 4,837
Administration:			
Salaries and benefits		464,148	
Operating expenses		8,153	
Total Administration	490,111	472,301	17,810
Finance:			
Salaries and benefits		363,605	
Operating expenses		53,615	
Total Finance	433,531	417,220	16,311
Tax Administration:			
Salaries and benefits		834,523	
Operating expenses		167,364	
Total Tax Administration	1,143,854	1,001,887	141,967
Tax Revaluation:			
Operating expenses		630,643	
Total Tax Revaluation	637,002	630,643	6,359
Tag Office:			
Salaries and benefits		259,368	
Operating expenses		3,454	
Total Tag Office	276,433	262,822	13,611
Legal Services:			
Operating expenses	81,000	72,887	8,113
Court facilities:			
Operating expenses	2,900	900	2,000
Board of Elections:			
Salaries and benefits		267,146	
Operating expenses		124,279	
Total Board of Elections	475,894	391,425	84,469
Register of Deeds:			
Salaries and benefits		498,003	
Operating expenses		63,587	
Capital outlay		1,684	
Total Register of Deeds	609,675	563,274	46,401
General Administration:			
Operating expenses		1,139,986	
Capital outlay		9,407	
Total General Administration	1,960,969	1,149,393	811,576
Information Technologies:			
Salaries and benefits		494,333	
Operating expenses		512,009	
Capital outlay		99,825	
Total Information Technologies	1,168,749	1,106,167	62,582

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance
Maintenance:			
Salaries and benefits		\$ 1,532,658	
Operating expenses		45,683	
Capital outlay		20,519	
Total Maintenance	\$ 1,770,327	1,598,860	\$ 171,467
Public Buildings:			
Operating expenses		2,390,725	
Capital outlay		1,358,511	
Total Public Buildings	6,753,381	3,749,236	3,004,145
Total General Government	15,866,002	11,474,354	4,391,648
Public Safety			
Sheriff's Office:			
Salaries and benefits		4,141,866	
Operating expenses		576,301	
Capital outlay		631,106	
Total Sheriff's Office	5,771,307	5,349,273	422,034
Detention Center:			
Salaries and benefits		1,807,183	
Operating expenses		776,861	
Capital outlay		7,135	
Total Detention Center	2,917,517	2,591,179	326,338
Emergency Services:			
Salaries and benefits		1,030,173	
Operating expenses		73,572	
Capital outlay		49,888	
Total Emergency Services	1,765,407	1,153,633	611,774
Emergency Management:			
Salaries and benefits		315,975	
Operating expenses		1,694,733	
Capital outlay		33,375	
Total Emergency Management	2,173,031	2,044,083	128,948
Planning and Inspections:			
Salaries and benefits		714,587	
Operating expenses		25,135	
Total Planning and Inspections	750,206	739,722	10,484
Other Emergency Services:	1,957,383	1,950,921	6,462
Animal Control:			
Salaries and benefits		144,521	
Operating expenses		9,666	
Total Animal Control	188,509	154,187	34,322
Total Public Safety	15,523,360	13,982,998	1,540,362
Transportation			
Transportation:	235,062	235,062	-
Economic and Physical Development			
Special Appropriations:	600,534	598,649	1,885
Economic Development:	131,752	101,649	30,103
Total Economic and Physical Development	732,286	700,298	31,988

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Final Budget	Actual	Variance
Environmental Protection			
Cooperative Extension:			
Salaries and benefits		\$ 269,629	
Operating expenses		17,556	
Total Cooperative Extension	\$ 292,801	287,185	\$ 5,616
Soil and Water Conservation:			
Salaries and benefits		129,150	
Operating expenses		8,799	
Capital outlay		100,661	
Total Soil and Water Conservation	259,200	238,610	20,590
Total Environmental Protection	552,001	525,795	26,206
Human Services			
Public Health:	879,342	879,342	-
Mental Health:	171,194	171,194	-
Social Services:			
Salaries and benefits		3,522,347	
Operating expenses		322,267	
Capital outlay		40,840	
Beneficiary payments		1,830,438	
Total Social Services	7,251,178	5,715,892	1,535,286
Project on Aging:			
Salaries and benefits		1,265,658	
Operating expenses		182,847	
Total Project on Aging	1,683,641	1,448,505	235,136
Veterans Services:			
Salaries and benefits		135,747	
Operating expenses		1,116	
Total Veterans Services	143,893	136,863	7,030
Total Human Services	10,129,248	8,351,796	1,777,452
Education			
Public Schools - current		14,280,571	
Public Schools - capital outlay		1,162,645	
Community College - current		950,279	
Community College - capital outlay		50,000	
Total Education	16,715,876	16,443,495	272,381
Cultural and Recreational			
Library:	699,960	699,960	-
Recreation:			
Salaries and benefits		1,269,468	
Operating expenses		173,255	
Total Recreation	1,726,105	1,442,723	283,382
Total Cultural and Recreational	2,426,065	2,142,683	283,382
Debt Service			
Principal retirement		5,000,000	
Interest and fees		1,472,398	
Total Debt Service	6,472,398	6,472,398	-
TOTAL EXPENDITURES	68,652,298	60,328,879	8,323,419
Revenues over (under) expenditures	(1,817,836)	17,349,723	19,167,559

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	\$ 10,000	\$ 73,526	\$ 63,526
Transfers to Capital Projects Fund	(18,511,290)	(18,511,290)	-
Transfers from Capital Projects Fund	4,029,004	4,029,004	-
Transfer from ARP Project Fund	-	3,125,179	3,125,179
Fund balance appropriated	<u>16,290,122</u>	<u>-</u>	<u>(16,290,122)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,817,836</u>	<u>(11,283,581)</u>	<u>(13,101,417)</u>
Net change in fund balance	\$ <u>-</u>	6,066,142	\$ <u>6,066,142</u>
Fund balance, beginning of year		45,637,067	
Prior period adjustment		<u>(10,767)</u>	
Fund balance, beginning, restated		45,626,300	
Fund balance, end of year		\$ <u>51,692,442</u>	

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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 41,658	\$ 41,658
Reenergize Watauga	96,635	100,711	4,076
	<u>96,635</u>	<u>142,369</u>	<u>45,734</u>
Expenditures:			
General government	21,732,508	-	21,732,508
Revenues over (under) expenditures	<u>(21,732,508)</u>	<u>142,369</u>	<u>21,778,242</u>
Other financing sources (uses):			
Transfer from other funds	21,635,873	21,635,873	-
Transfer to other funds	(4,229,004)	(4,229,004)	-
Appropriated fund balance	<u>4,229,004</u>	<u>-</u>	<u>(4,229,004)</u>
Total other financing sources (uses)	<u>21,635,873</u>	<u>17,406,869</u>	<u>(4,229,004)</u>
Net change in fund balance	\$ <u>-</u>	17,549,238	\$ <u>17,549,238</u>
Fund balance, beginning of year		<u>15,583,447</u>	
Fund balance, end of year		\$ <u><u>33,132,685</u></u>	

Watauga County, North Carolina
 Valle Crucis School Project Fund
 Schedule of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2022

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
Donation of land - Watauga County Schools	\$ 1,105,000	\$ -	\$ 1,105,000	\$ 1,105,000	\$ -
Total intergovernmental	<u>1,105,000</u>	<u>-</u>	<u>1,105,000</u>	<u>1,105,000</u>	<u>-</u>
Investment earnings	<u>-</u>	<u>272</u>	<u>1,788</u>	<u>2,060</u>	<u>2,060</u>
Total revenues	<u>1,105,000</u>	<u>272</u>	<u>1,106,788</u>	<u>1,107,060</u>	<u>2,060</u>
Expenditures:					
Capital outlay - land	1,305,000	-	1,285,608	1,285,608	19,392
Professional services/architect	<u>2,664,000</u>	<u>206,250</u>	<u>1,595,031</u>	<u>1,801,281</u>	<u>862,719</u>
Total expenditures	<u>3,969,000</u>	<u>206,250</u>	<u>2,880,639</u>	<u>3,086,889</u>	<u>(882,111)</u>
Revenues over (under) expenditures	<u>(2,864,000)</u>	<u>(205,978)</u>	<u>(1,773,851)</u>	<u>(1,979,829)</u>	<u>884,171</u>
Other financing sources:					
Transfer from other Funds	<u>2,864,000</u>	<u>2,664,000</u>	<u>200,000</u>	<u>2,864,000</u>	<u>-</u>
Total other financing sources	<u>2,864,000</u>	<u>2,664,000</u>	<u>200,000</u>	<u>2,864,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>2,458,022</u>	<u>(1,573,851)</u>	<u>\$ 884,171</u>	<u>\$ 884,171</u>
Fund balance at beginning of year			<u>2,458,022</u>		
Fund balance at end of year			<u>\$ 884,171</u>		

Watauga County, North Carolina
 American Rescue Plan Funds
 Schedule of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
ARP Funds	\$ 10,911,724	\$ 34,773	\$ 4,057,772	\$ 4,092,545	\$ (6,819,179)
Investment earnings	-	1,772	7,070	8,842	8,842
Total revenues	<u>10,911,724</u>	<u>36,545</u>	<u>4,064,842</u>	<u>4,101,387</u>	<u>(6,810,337)</u>
Expenditures:					
ARP Expenditures	<u>7,750,000</u>	-	<u>932,593</u>	<u>932,593</u>	<u>6,817,407</u>
Total expenditures	<u>7,750,000</u>	-	<u>932,593</u>	<u>932,593</u>	<u>(6,817,407)</u>
Revenues over (under) expenditures	<u>7,750,000</u>	-	<u>3,132,249</u>	<u>3,168,794</u>	<u>7,070</u>
Transfers to General Fund	3,161,724	36,545	3,125,179	3,161,724	-
Net change in fund balance	\$ <u>-</u>	<u>-</u>	7,070	\$ <u>7,070</u>	\$ <u>7,070</u>
Fund balance at beginning of year			-		
Fund balance at end of year			\$ <u>7,070</u>		

Watauga County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2022

	Nonmajor Special Revenue Funds										Capital Project Fund	Total Nonmajor Governmental Funds
	Federal Equitable Sharing Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Funds	Occupancy Tax Fund	Representative Payee Fund	Deed of Trust Fund	Fines and Forfeitures Fund	Opioid Settlement Fund	SCIF Project Fund		
ASSETS:												
Restricted cash and cash equivalents	\$ 115,405	\$ 28,877	\$ 560,853	\$ 2,131	\$ 293,387	\$ -	\$ -	\$ -	\$ 116,211	\$ 650,500	\$ 1,767,364	
Cash and cash equivalents	-	-	-	-	-	22,471	\$5,326	\$9,338	-	-	37,136	
Due from other governments	-	-	29,225	20,362	-	-	-	-	-	317	49,904	
Taxes receivable, net	-	-	-	111,498	342,498	-	-	-	-	-	453,996	
Total assets	<u>\$ 115,405</u>	<u>\$ 28,877</u>	<u>\$ 590,078</u>	<u>\$ 133,991</u>	<u>\$ 635,885</u>	<u>\$ 22,471</u>	<u>\$ 5,326</u>	<u>\$ 9,338</u>	<u>\$ 116,211</u>	<u>\$ 650,817</u>	<u>\$ 2,308,399</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:												
Liabilities:												
Accounts payable and accrued liabilities	-	253	4,759	22,493	-	1,600	-	-	-	2,972	32,077	
Unearned revenue	-	-	-	-	-	-	-	-	116,211	647,845	764,056	
Due to other governments	-	-	-	-	635,885	-	5,326	9,338	-	-	650,549	
Total Liabilities	<u>-</u>	<u>253</u>	<u>4,759</u>	<u>22,493</u>	<u>635,885</u>	<u>1,600</u>	<u>5,326</u>	<u>9,338</u>	<u>116,211</u>	<u>650,817</u>	<u>1,446,682</u>	
Deferred Inflows of Resources:												
Taxes receivable	-	-	-	111,498	-	-	-	-	-	-	111,498	
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,498</u>	
Fund Balances:												
Restricted for:												
Stabilization by State Statute	-	-	29,225	-	-	-	-	-	-	-	29,225	
Health services	-	-	-	-	-	20,871	-	-	-	-	20,871	
Public Safety	115,405	28,624	556,094	-	-	-	-	-	-	-	700,123	
Total fund balances	<u>115,405</u>	<u>28,624</u>	<u>585,319</u>	<u>-</u>	<u>-</u>	<u>20,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,219</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 115,405</u>	<u>\$ 28,877</u>	<u>\$ 590,078</u>	<u>\$ 133,991</u>	<u>\$ 635,885</u>	<u>\$ 22,471</u>	<u>\$ 5,326</u>	<u>\$ 9,338</u>	<u>\$ 116,211</u>	<u>\$ 650,817</u>	<u>\$ 2,308,399</u>	

Watauga County, North Carolina
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2022

	Nonmajor Special Revenue Funds										Capital Project Fund	
	Federal Equitable Sharing Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Fund	Occupancy Tax Fund	Representative Payee Fund	Deed of Trust Fund	Fines and Forfeitures Fund	Recreation Center Project Fund	SCIF Project Fund	Total Nonmajor Governmental Funds	
REVENUES												
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 3,485,508	\$ -	\$ -	\$ -	\$ -	-	-	3,485,508	
Other taxes and licenses	-	-	-	-	4,302,768	130,282	-	-	-	-	4,433,050	
Permits and fees	-	-	-	-	-	72,949	-	-	-	-	72,949	
Sales and services	-	17,144	350,697	-	-	-	196,547	-	-	-	196,547	
Restricted intergovernmental	157	46	687	-	-	-	-	-	14,655	-	382,496	
Investment earnings	-	-	-	-	-	-	-	-	20	-	910	
Total revenues	157	17,190	351,384	3,485,508	4,302,768	130,282	196,547	-	14,675	-	8,571,460	
EXPENDITURES												
General government	-	-	-	-	-	-	196,547	-	14,675	-	284,171	
Economic development	-	-	-	-	4,302,768	-	-	-	-	-	4,302,768	
Public safety	3,395	20,558	168,229	3,485,508	-	-	-	-	-	-	3,677,690	
Human services	-	-	-	-	-	138,859	-	-	-	-	138,859	
Education	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	3,395	20,558	168,229	3,485,508	4,302,768	138,859	196,547	-	14,675	-	8,403,488	
Excess (deficiency) of revenues over expenditures	(3,238)	(3,368)	183,155	-	-	(8,577)	-	-	-	-	167,972	
OTHER FINANCING SOURCES (USES)												
Transfer to other funds	-	-	-	-	-	-	-	(3,124,583)	-	-	(3,124,583)	
Transfer from other funds	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources and uses	-	-	-	-	-	-	-	(3,124,583)	-	-	(3,124,583)	
Net change in fund balances	(3,238)	(3,368)	183,155	-	-	(8,577)	-	(3,124,583)	-	-	(2,956,611)	
Fund balances, beginning of year	118,643	31,992	391,397	-	-	29,448	-	3,124,583	-	-	3,696,063	
Prior period restatement - change in accounting principle	-	-	-	-	-	-	-	-	-	-	-	
Prior period adjustment	-	-	10,767	-	-	-	-	-	-	-	10,767	
Fund balance, beginning of year, restated	118,643	31,992	402,164	-	-	29,448	-	3,124,583	-	-	3,706,830	
Fund balances, end of year	\$ 115,405	\$ 28,624	\$ 585,319	\$ -	\$ -	\$ 20,871	\$ -	\$ -	\$ -	\$ -	\$ 750,219	

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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental - Federal	\$ 6,500	\$ -	\$ (6,500)
Investment earnings	<u>-</u>	<u>157</u>	<u>157</u>
Total revenues	<u>6,500</u>	<u>157</u>	<u>(6,343)</u>
Expenditures:			
Public safety	<u>6,500</u>	<u>3,395</u>	<u>3,105</u>
Revenues over (under) expenditures	<u>-</u>	<u>(3,238)</u>	<u>(3,238)</u>
Other financing sources (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,238)</u>	<u>\$ (3,238)</u>
Fund balance, beginning of year		<u>118,643</u>	
Fund balance, end of year		<u>\$ 115,405</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, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Restricted intergovernmental - State	\$ 32,315	\$ 17,144	\$ (15,171)
Investment earnings	<u>100</u>	<u>46</u>	<u>(54)</u>
Total revenues	<u>32,415</u>	<u>17,190</u>	<u>(15,225)</u>
Expenditures:			
Public safety	34,750	20,558	14,192
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>34,750</u>	<u>20,558</u>	<u>14,192</u>
Revenues over (under) expenditures	<u>(2,335)</u>	<u>(3,368)</u>	<u>(1,033)</u>
Other financing sources (uses):			
Appropriated fund balance	<u>2,335</u>	<u>-</u>	<u>(2,335)</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,368)</u>	<u>\$ (3,368)</u>
Fund balance, beginning of year		<u>31,992</u>	
Fund balance, end of year		<u>\$ 28,624</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental:			
Emergency Telephone Surcharge funds	\$ 352,754	\$ 350,697	\$ (2,057)
Investment earnings	<u>-</u>	<u>687</u>	<u>687</u>
Total revenues	<u>352,754</u>	<u>351,384</u>	<u>(1,370)</u>
Expenditures:			
Public safety:			
Implementation services	-	18,498	(18,498)
Software	99,595	52,248	47,347
Training	8,000	4,983	3,017
Telephones	103,731	61,396	42,335
Hardware	253,924	31,104	222,820
Furniture	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>465,250</u>	<u>168,229</u>	<u>297,021</u>
Other financing sources (uses):			
Appropriated fund balance	<u>112,496</u>	<u>-</u>	<u>(112,496)</u>
Total Other Financing sources (uses):	<u>112,496</u>	<u>-</u>	<u>(112,496)</u>
Net change in fund balance	<u>\$ -</u>	183,155	<u>\$ 183,155</u>
Fund balance, beginning of year		391,397	
Prior period adjustment		<u>10,767</u>	
Fund balance, beginning, restated		<u>402,164</u>	
Fund balance, end of year		<u>\$ 585,319</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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes	\$ 3,502,350	\$ 3,485,508	\$ (16,842)
Total revenues	3,502,350	3,485,508	(16,842)
Expenditures:			
Public safety:			
Beaver Dam Fire Department	109,800	109,836	
Beech Mountain Fire Department	1,900	1,693	
Blowing Rock Fire Department	525,500	523,758	
Boone Fire Department	983,000	973,134	
Cove Creek Fire Department	265,850	264,819	
Creston Fire Department	6,150	5,987	
Deep Gap Fire Department	207,500	207,334	
Fall Creek Fire Department	9,700	9,663	
Foscoe Fire Department	574,800	573,724	
Meat Camp Fire Department	233,500	232,866	
Shawneehaw Fire Department	119,000	118,829	
Stewart Simmons Fire Department	270,000	264,079	
Todd Fire Department	68,700	68,312	
Zionville Fire Department	126,950	126,920	
Total expenditures	3,502,350	3,480,954	21,396
Net change in fund balance	\$ -	4,554	\$ 4,554
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Occupancy tax	\$ <u>4,600,000</u>	\$ <u>4,302,768</u>	\$ <u>(297,232)</u>
Total revenues	<u>4,600,000</u>	<u>4,302,768</u>	<u>(297,232)</u>
Expenditures:			
Tourism development	4,544,000	4,249,740	294,260
Administrative fee	<u>56,000</u>	<u>53,028</u>	<u>2,972</u>
Total expenditures	<u>4,600,000</u>	<u>4,302,768</u>	<u>297,232</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		\$ <u><u>-</u></u>	

Watauga County, North Carolina
 Representative Payee Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental	\$ <u>170,304</u>	\$ <u>130,282</u>	\$ <u>(40,022)</u>
Total revenues	<u>170,304</u>	<u>130,282</u>	<u>(40,022)</u>
Expenditures:			
Human services			
Payments made for the benefit of beneficiaries	<u>170,304</u>	<u>138,859</u>	<u>31,445</u>
Total expenditures	<u>170,304</u>	<u>138,859</u>	<u>31,445</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,577)</u>	<u>\$ (8,577)</u>
Fund balance, beginning of year		<u>29,448</u>	
Fund balance, end of year		<u>\$ <u>20,871</u></u>	

Watauga County, North Carolina
 Deed of Trust Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Permits and fees			
Register of deeds	\$ <u>80,000</u>	\$ <u>72,949</u>	\$ <u>(7,051)</u>
Total revenues	<u>80,000</u>	<u>72,949</u>	<u>(7,051)</u>
Expenditures:			
General government			
Payments of fees collected to the State of N.C.	<u>80,000</u>	<u>72,949</u>	<u>7,051</u>
Total expenditures	<u>80,000</u>	<u>72,949</u>	<u>7,051</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
Fund balance, beginning of year		<u>-</u>	
Prior period restatement - change in accounting principle		-	
Fund balance, beginning of year, restated		<u>-</u>	
Fund balance, end of year		\$ <u><u>-</u></u>	

Watauga County, North Carolina
 Fines and Forfeitures Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Permits and fees			
Register of deeds	\$ <u>210,000</u>	\$ <u>196,547</u>	\$ <u>(13,453)</u>
Total revenues	<u>210,000</u>	<u>196,547</u>	<u>(13,453)</u>
Expenditures:			
General government			
Payments of penalties, fines and forfeitures to the Watauga County Board of Education	<u>210,000</u>	<u>196,547</u>	<u>13,453</u>
Total expenditures	<u>210,000</u>	<u>196,547</u>	<u>13,453</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
Fund balance, beginning of year		-	
Prior period restatement - change in accounting principle		-	
Fund balance, beginning of year, restated		-	
Fund balance, end of year		\$ <u><u>-</u></u>	

Watauga County, North Carolina
 SCIF Project fund
 Schedule of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
OSBM SCIF funds	\$ 662,500	\$ -	\$ 14,655	\$ 14,655	\$ (647,845)
Investment earnings	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>	<u>20</u>
Total revenues	<u>662,500</u>	<u>-</u>	<u>14,675</u>	<u>14,675</u>	<u>(647,825)</u>
Expenditures:					
Hannah building roof	100,000	-	6,134	6,134	93,866
County parking deck	362,500	-	-	-	362,500
Hannah building road	<u>200,000</u>	<u>-</u>	<u>8,541</u>	<u>8,541</u>	<u>191,459</u>
Total expenditures	<u>662,500</u>	<u>-</u>	<u>14,675</u>	<u>14,675</u>	<u>(647,825)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ -	\$ <u>-</u>	\$ <u>-</u>
Fund balance at beginning of year			<u>-</u>		
Fund balance at end of year			<u>\$ -</u>		

Watauga County, North Carolina
 Recreation Center Project Fund
 Schedule of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2022

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Donations	\$ -	40,550	\$ -	\$ 40,550	\$ 40,550
Investment earnings	-	1,183,063	-	1,183,063	1,183,063
Total revenues	<u>-</u>	<u>1,223,613</u>	<u>-</u>	<u>1,223,613</u>	<u>1,223,613</u>
Expenditures:					
Land Improvements	15,445	15,445	-	15,445	-
Building and furniture, fixtures and equipment	35,404,447	34,854,219	-	34,854,219	550,228
Professional services/architect	4,390,000	3,039,258	-	3,039,258	1,350,742
Total expenditures	<u>39,809,892</u>	<u>37,908,922</u>	<u>-</u>	<u>37,908,922</u>	<u>(1,900,970)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(36,685,309)</u>	<u>-</u>	<u>(36,685,309)</u>	<u>3,124,583</u>
Other financing sources (uses):					
Proceeds from installment obligations issued	18,490,000	18,490,000	-	18,490,000	-
Premium on installment obligations	1,723,277	1,723,277	-	1,723,277	-
Transfer to other funds	(3,124,583)	-	(3,124,583)	(3,124,583)	-
Appropriated fund balance	3,124,583	-	-	-	(3,124,583)
Transfer from other funds	19,596,615	19,596,615	-	19,596,615	-
Total other financing sources	<u>39,809,892</u>	<u>39,809,892</u>	<u>(3,124,583)</u>	<u>36,685,309</u>	<u>(3,124,583)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,124,583</u>	<u>(3,124,583)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>3,124,583</u>		
Fund balance at end of year			<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, 2022

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services	\$ 5,194,900	\$ 5,377,303	\$ 182,403
Sale of recycled materials	150,000	465,671	315,671
Total	<u>5,344,900</u>	<u>5,842,974</u>	<u>498,074</u>
Non-operating revenues:			
Miscellaneous revenue	7,271	2,625	(4,646)
Investment earnings	7,500	11,688	4,188
Restricted intergovernmental revenues	129,300	163,047	33,747
Total	<u>144,071</u>	<u>177,360</u>	<u>33,289</u>
Total revenues	<u>5,488,971</u>	<u>6,020,334</u>	<u>531,363</u>
Expenditures:			
Landfill operations:			
Salaries and employee benefits		1,633,423	
Other operating expenditures		3,507,133	
Lease payments		10,938	
Total landfill operations	<u>5,284,917</u>	<u>5,151,494</u>	<u>133,423</u>
Recycling operations:			
Salaries and employee benefits		66,948	
Other operating expenses		38,575	
Total recycling operations	<u>113,954</u>	<u>105,523</u>	<u>8,431</u>
Capital outlay:			
Right to use asset		144,380	
Capital outlay		755,511	
Total capital outlay	<u>1,982,627</u>	<u>899,891</u>	<u>1,082,736</u>
Total expenditures	<u>7,381,498</u>	<u>6,156,908</u>	<u>1,224,590</u>
Revenues under/(over) expenditures	<u>(1,892,527)</u>	<u>(136,574)</u>	<u>1,755,953</u>
Other financing sources:			
Sale of fixed assets	25,000	-	(25,000)
Lease liabilities issued	-	144,380	144,380
Appropriated fund balance	1,867,527	-	(1,867,527)
Total other financing sources	<u>1,892,527</u>	<u>144,380</u>	<u>(1,748,147)</u>
Revenues over expenditures and other sources	<u>\$ -</u>	<u>7,806</u>	<u>\$ 7,806</u>

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

Reconciling items:		
Increase in deferred outflow of resources - pensions	81,876	
Increase in net pension liability	260,487	
Decrease in deferred inflow of resources - pensions	(316,901)	
Increase in deferred outflow of resources - OPEB	(32,888)	
Increase in deferred inflow of resources - OPEB	(380)	
Increase in net OPEB liability	(8,056)	
Decrease in accrued landfill post closure and closure costs	89,772	
Lease payments	10,938	
Capital outlay	755,511	
Lease liabilities issued	144,380	
Right to use asset	(144,380)	
Depreciation and amortization	(371,895)	
	<u>(4,810)</u>	
Total reconciling items	<u>463,654</u>	

Change in net position \$ 471,460

Watauga County, North Carolina
Combining Schedule of Fiduciary Net Position
Irrevocable Trust Funds
For the Year Ended June 30, 2022

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ 840,713	\$ 2,452,775	\$ 3,293,488
	<u>\$ 840,713</u>	<u>\$ 2,452,775</u>	<u>\$ 3,293,488</u>
Net position:			
Assets held in trust for retirement benefits	\$ 840,713	\$ 2,452,775	\$ 3,293,488
	<u>\$ 840,713</u>	<u>\$ 2,452,775</u>	<u>\$ 3,293,488</u>

Watauga County, North Carolina
Combining Schedule of Changes in Fiduciary Net Position
Irrevocable Trust Funds
For the Year Ended June 30, 2022

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
Additions:			
Employer contributions	\$ 129,790	\$ 349,000	\$ 478,790
Interest	<u>525</u>	<u>1,714</u>	<u>2,239</u>
Total additions	<u>130,315</u>	<u>350,714</u>	<u>481,029</u>
Deductions:			
Benefits	29,790	103,800	133,590
Administrative expense	<u>10,500</u>	<u>13,500</u>	<u>24,000</u>
Total deductions	<u>40,290</u>	<u>117,300</u>	<u>157,590</u>
Change in net position	90,025	233,414	323,439
Net position, beginning	750,688	2,219,361	2,970,049
Net position, ending	<u>\$ 840,713</u>	<u>\$ 2,452,775</u>	<u>\$ 3,293,488</u>

Watauga County, North Carolina
 Combining Statement of Fiduciary Net Position
 Custodial Funds
 June 30, 2022

	<u>Municipal Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ 5,598	\$ 29,680	\$ 35,278
Total assets	<u>\$ 5,598</u>	<u>\$ 29,680</u>	<u>\$ 35,278</u>
Net position:			
Restricted for:			
Individuals, organizations and other governments	5,598	29,680	35,278
Total net position	<u>\$ 5,598</u>	<u>\$ 29,680</u>	<u>\$ 35,278</u>

Watauga County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2022

	<u>Municipal Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Totals</u>
Additions:			
Ad valorem taxes for other governments	\$ 7,681,918	\$ -	\$ 7,681,918
Collections on behalf of inmates	-	176,151	176,151
Total additions	<u>7,681,918</u>	<u>\$ 176,151</u>	<u>\$ 7,858,069</u>
Deductions:			
Tax distributions to other governments	7,676,427	-	7,676,427
Payments on behalf of inmates	-	215,324	215,324
Total deductions	<u>7,676,427</u>	<u>215,324</u>	<u>7,891,751</u>
Change in net position	5,491	(39,173)	(33,682)
Net position, beginning	107	68,853	68,960
Net position, ending	<u>\$ 5,598</u>	<u>\$ 29,680</u>	<u>\$ 35,278</u>

Watauga County, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 For the Year Ended June 30, 2022

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 2022	\$ -	\$ 39,186,494	\$ 38,675,276	\$ 511,218
2020 - 2021	430,941	-	198,922	232,019
2019 - 2020	226,865	-	78,961	147,904
2018 - 2019	91,188	-	26,765	64,423
2017 - 2018	67,707	-	4,242	63,465
2016 - 2017	50,826	-	16,029	34,797
2015 - 2016	32,257	-	5,779	26,478
2014 - 2015	28,982	-	4,853	24,129
2013 - 2014	26,218	-	3,314	22,904
2012 - 2013	22,719	-	2,041	20,678
2011 - 2012	2,575	-	2,575	-
	<u>\$ 980,278</u>	<u>\$ 39,186,494</u>	<u>\$ 39,018,757</u>	<u>1,148,015</u>
Plus: 2022 - 2023 receivable				-
Less: Allowance for uncollectible accounts General Fund				<u>(131,599)</u>
Ad valorem taxes receivable - net General Fund				<u>\$ 1,016,416</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund		\$ 39,147,623
Reconciling items:		
Advertising and interest collected	(145,251)	
Taxes written off	2,575	
Prior year releases and refunds	13,810	
Total reconciling items	<u>(128,866)</u>	
Total collections and credits		<u>\$ 39,018,757</u>

Watauga County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Year Ended June 30, 2022

	Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 9,069,051,668	\$ 0.00403	\$ 36,548,302	\$ 36,548,302	\$ -
Motor vehicles	555,643,176	0.00403	2,239,242	-	2,239,242
Penalties	-		5,951	5,951	-
Total	<u>9,624,694,844</u>		<u>38,793,495</u>	<u>36,554,253</u>	<u>2,239,242</u>
Discoveries:					
Property taxed at current year's rate	101,581,803	0.00403	503,444	503,444	-
Penalties	-		147	147	-
Total	<u>101,581,803</u>		<u>503,591</u>	<u>503,591</u>	<u>-</u>
Abatements:					
	<u>(27,442,184)</u>		<u>(110,592)</u>	<u>(110,592)</u>	<u>-</u>
Total property valuation	<u>\$ 9,698,834,464</u>				
			Net levy	39,186,494	2,239,242
			Uncollected taxes at June 30, 2022	511,218	6,460
			Current year's taxes collected	<u>\$ 38,675,276</u>	<u>\$ 2,232,782</u>
			Current levy collection percentage	<u>98.70%</u>	<u>99.71%</u>

Watauga County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Year Ended June 30, 2022

Secondary Market Disclosures:

Assessed Valuation:		
Assessment Ratio		100%
Real Property	\$	8,871,043,137
Personal Property		736,274,266
Public Service Companies		<u>91,517,060</u>
Total Assessed Valuation	\$	<u>9,698,834,464</u>
Tax Rate per \$100		0.403
Net Levy (Includes penalties, discoveries, releases and abatements)	\$	<u><u>39,186,494</u></u>

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

Fire Protection District	Tax Rate per \$100	Net Levy
Beech Mountain Rural	\$ 0.05	\$ 1,692
Blowing Rock	0.05	525,648
Boone Rural	0.06	978,361
Cove Creek	0.05	263,925
Cove Creek Rural	0.05	324
Deep Gap	0.05	207,932
Foscoe	0.05	495,927
Foscoe Rural	0.05	77,269
Meat Camp	0.05	238,164
Northwest Watauga	0.05	121,733
Shawneehaw	0.05	112,647
Shawneehaw Rural	0.05	6,545
Stewart Simmons	0.085	263,886
Todd	0.07	68,028
Zionville	0.05	<u>127,935</u>
Total Net Fire Protection District Levies		\$ <u><u>3,490,016</u></u>

Watauga County, North Carolina
 Ten Largest Taxpayers
 For the Year Ended June 30, 2022

Taxpayer	Type of Business	2021 Assessed Valuation	Percentage of Total Assessed Valuation	
Blue Ridge Electric Membership Coop	Electric Utility	\$ 68,804,130	0.71	%
Wallace Loft LLC	Rental Properties	46,516,000	0.48	
850 Blowing Rock Road (NC) Owner LP	Rental Properties	32,476,440	0.33	
Rivers Walk Associates LLC	Rental Properties	22,774,920	0.23	
MV of Boone LLC	Rental Properties	23,480,200	0.24	
BVSHF III Boone I, LLC	Rental Properties	15,743,220	0.16	
Meadowview at Boone LLC	Rental Properties	17,906,700	0.18	
Skyline Terrace Apartments LLC	Commercial Rental Properties	23,670,900	0.24	
Templeton Properties LP	Commercial Rental Properties	15,737,060	0.16	
Shadowline Student Property LLC	Rental Properties	13,969,700	0.14	
		<u>\$ 281,079,270</u>	<u>2.91</u>	%

Watauga County, North Carolina
 Analysis of Current Tax Levy
 Fire Districts
 For the Year Ended June 30, 2022

	Northwest Watauga Fire District	Beech Mtn. Rural Fire Service District	Blowing Rock Rural Fire District	Boone Rural Fire District	Cove Creek Fire District
Tax rate per \$100	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.05
Net levy	\$ 121,733	\$ 1,692	\$ 525,648	\$ 978,361	\$ 263,925
Uncollected taxes at June 30, 2022	5,404	1	6,740	12,722	5,220
Current year's taxes collected	\$ 116,329	\$ 1,691	\$ 518,908	\$ 965,639	\$ 258,705
Current levy collection percentage	95.56%	99.94%	98.72%	98.70%	98.02%
	Cove Creek Rural Fire Service District	Deep Gap Fire District	Foscoe Fire District	Foscoe Rural Fire Service District	Meat Camp Fire District
Tax rate per \$100	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
Net levy	\$ 324	\$ 207,932	\$ 495,927	\$ 77,269	\$ 238,164
Uncollected taxes at June 30, 2022	-	3,743	3,922	917	5,741
Current year's taxes collected	\$ 324	\$ 204,189	\$ 492,005	\$ 76,352	\$ 232,423
Current levy collection percentage	100.00%	98.20%	99.21%	98.81%	97.59%
	Shawnheehaw Fire District	Shawnheehaw Rural Fire Service District	Stewart Simmons Fire District	Todd Fire District	Zionville Fire District
Tax rate per \$100	\$ 0.05	\$ 0.05	\$ 0.085	\$ 0.07	\$ 0.05
Net levy	\$ 112,647	\$ 6,545	\$ 263,886	\$ 68,028	\$ 127,935
Uncollected taxes at June 30, 2022	1,782	162	3,357	831	3,445
Current year's taxes collected	\$ 110,865	\$ 6,383	\$ 260,529	\$ 67,197	\$ 124,490
Current levy collection percentage	98.42%	97.52%	98.73%	98.78%	97.31%

COMPLIANCE SECTION

C. Randolph CPA, PLLC

Certified Public Accountant

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

Independent Auditor's Report

To the Board of County Commissioners
Watauga County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, 2022, and the related notes to the financial statements, which collectively comprises Watauga County's basic financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watauga County'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Watauga County'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 material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watauga County'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 determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina

November 30, 2022

C. Randolph CPA, PLLC
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**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance;
With OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Board of County Commissioners
Watauga County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watauga County, North Carolina, 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's major federal programs for the year ended June 30, 2022. Watauga County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watauga County 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, 2022.

Basis for Opinion on Each Major Federal Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Watauga County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-1 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on Watauga County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Watauga County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Watauga County is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Watauga County's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina

November 30, 2022

C. Randolph CPA, PLLC

Certified Public Accountant

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West Jefferson, North Carolina 28694

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

Independent Auditor's Report

To the Board of County Commissioners
Watauga County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Watauga County, North Carolina, 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's major State programs for the year ended June 30, 2022. Watauga County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watauga County, 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, 2022.

Basis for Opinion on Each Major State Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Watauga County's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina

November 30, 2022

WATAUGA COUNTY, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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, 2022:

<u>Program Name or Cluster</u>	<u>CFDA #</u>
Medicaid Cluster	93.778, 93.777, 93.775
Coronavirus State and Local Fiscal Recovery Funds	21.027

The threshold for determining Federal Type A programs for Watauga County is \$750,000

Auditee qualified as low-risk auditee? yes no

WATAUGA COUNTY, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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, 2022 are:

State Program

Public School Building Capital Fund – Lottery Funds

NC Department of Natural and Cultural Resources – Recreation Trails Program and Part F Grant – Middlefork Greenway Section 4

Federal Program – State Match

Medicaid Cluster

II. Financial Statement Findings

None noted.

WATAUGA COUNTY, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

III. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX) Crosscutting requirements
CFDA #93.778

Finding: 2022-1

Significant Deficiency
Nonmaterial Noncompliance

Day Sheet Documentation

Criteria: Each County's Department of Social Services in North Carolina must comply with the NC Social Services Fiscal Control Manual Section III A, which requires County DSS employees who provide direct client services during the month to maintain day sheets in accordance with the Service Information System (SIS) Policy. According to the SIS User's Manual, day sheet entries must be supported by documentation in case record files. For auditing and monitoring purposes, entries made by caseworkers providing direct client services must either include the client information on the time entry to include description of what work was performed, or have another reliable method such as a log, journal, or calendar available so that time entries can be supported by evidence of the work that was performed. This evidence should indicate what was performed for the client during the time indicated by the day sheet or log. This requirement affects multiple programs.

Condition: The County did not have a record to support the direct client service time reported on the DSS 1571 form for administration of the Medicaid program during the period of time our review covered. All caseworker time indicates the client, but this time cannot be supported by activity reports generated from NC FAST or a written narrative in the document manager system. Audit procedures applied to 30 time entries of DSS workers revealed 13 instances where support could not be provided as to the specific client, or no activity was found in the client's case file to support the related time records. All of these instances were related to time charged to administer the Medicaid program.

Questioned Costs: None. Noncompliance relates to reporting and documentation requirements.

Context: Costs reimbursed to the County for administering the Medicaid program were approximately \$1,102,527 for the year ended June 30, 2022, the majority of which are salaries and benefits of DSS workers. Of the 30 time entries tested representing 1005 minutes, 355 minutes (35.3 %) could not be verified by examining the casefiles for evidence of time spent.

WATAUGA COUNTY, NORTH CAROLINA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Overall, payroll and benefits reported on the DSS 1571 were supported by payroll records which were authorized and reconciled to the County's general ledger. However, caseworker time records should be detailed enough to allow audit procedures to be performed to verify evidence of time worked in individual case files.

Effect: The County is not in compliance with the day sheet reporting requirement because caseworker direct program service time cannot be supported. Without proper accountability and monitoring, caseworkers may not spend their time efficiently for the benefit of the program. For caseworkers who direct charge multiple programs, the allocation of their time to those programs may not be accurate.

Identification of a repeat finding: This is a repeat finding (2019-001).

Cause: The County does not have any procedures in place to ensure that caseworkers are properly documenting client identification on the time entry with an applicable description.

Recommendation: We recommend to management that caseworkers should document every client phone call or other case work in the NC FAST narrative. Supervisors should review this information when approving caseworker time reports.

Views of responsible officials and planned corrective actions: The County agrees with the finding and is taking steps to revise their internal procedures for day sheets.

IV. State Award Findings and Questioned Costs

None noted.



Watauga County
Department of Social Services

SOCIAL SERVICES BOARD

Reagan Breitenstein , Chair

Mary Smalling, Vice Chair

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Tom Hughes

Director

**Corrective Action Plan
For the Year Ended June 30, 2022**

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

Finding 2022-01: Day Sheet Accountability

Name of contact person: Tom Hughes, Director of Social Services

Corrective action plan: The County DSS Department continues to improve procedures to ensure the time entries reported on the day sheets for program coded activities are backed up by documentation in NC FAST.

IV. State Award Findings and Questioned Costs

None noted.

WATAUGA COUNTY, NORTH CAROLINA

**Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

None noted.

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

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
Federal Awards:						
<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		236,458	-	-	215,896
Total SNAP Cluster			236,458	-	-	215,896
Beginning Farmer and Rancher Development Program	10.311		14,583	-	-	-
Total U.S. Department of Agriculture			251,041	-	-	215,896
<u>U.S. Department of Homeland Security</u>						
Passed-through the N.C. Department of Public Safety:						
Emergency Management Performance Grant	97.042		39,286	-	-	39,286
		EMW-2021-SS-00023- 2040036	925	-	-	-
Homeland Security Grant	97.067		40,449	-	-	-
Disaster Grant - Public Assistance	97.036		80,660	-	-	39,286
Total U.S. Department of Homeland Security			160,320	-	-	-
<u>U.S. Department of Justice</u>						
Bulletproof Vest Partnership Program	16.607		7,503	-	-	7,503
Governor's Crime Commission	16.738	PROJ015002	19,140	-	-	-
Total U.S. Department of Justice			26,643	-	-	7,503
<u>U.S. Department of Treasury</u>						
Office of State Budget and Management/NC Pandemic Office:						
NC Pandemic Recovery Fund						
Coronavirus State and Local Fiscal Recovery Funds	21.027		4,057,772	-	-	-
			4,057,772	-	-	-
<u>U.S. Department of Housing and Urban Development</u>						
Community Development Block Grant - CV	14.228		339,630	-	106,302	-
<u>U.S. Election Assistance Commission</u>						
COVID-19 2020 Help America Vote Act Election Security Grants - CARES Act Funds						
Total U.S. Election Assistance Commission	90.404	120121-1766	19,200	-	-	-
			19,200	-	-	-
<u>U.S. Department of Health & 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)						
Special Programs for the Aging - Title III B - Access Services	93.044		5,667	161,955	-	18,625
Special Programs for the Aging - Title III C - Congregate Meals	93.045		37,777	2,222	-	4,445
Special Programs for the Aging - Title III C - Home Delivered Meals	93.045		100,129	5,890	-	11,780
Special Programs for the Aging - Title III C - Home Delivered Meals	93.045	HDC5 funding	23,592	-	-	-
Nutrition Services Incentive Program (NSIP)	93.053		22,777	-	-	-
Total Aging Cluster			189,942	170,067	-	34,850
Passed-through N.C. Department of Insurance:						
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations						
	93.779		9,180	-	-	-
<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		12,526	-	-	-
<u>Temporary Assistance for Needy Families Cluster:</u>						
Workfirst administrative	93.558		52,010	-	-	60,562
WorkFirst services	93.558		222,438	-	-	252,790
Total Temporary Assistance for Needy Families Cluster			274,448	-	-	313,352
Child Support Enforcement	93.563		168,967	-	-	87,043
<u>Low-Income Home Energy Assistance Block Grant:</u>						
Administration	93.568		104,135	-	-	-
Crisis Intervention Payments	93.568		180,568	-	-	-
LEAP ARPA	93.568		302,346	-	-	-
LIHWAP	93.568		25,756	-	-	-
Permanency Planning	93.645		14,572	-	-	4,857
Social Services Block Grant	93.667		360,181	-	-	109,694
Total Low-Income Home Energy Assistance Block Grant:			967,558	-	-	114,551
Total Division of Social Services			1,423,499	-	-	514,946
<u>Medicaid Cluster:</u>						
Medical Assistance Program:						
Administration	93.778		1,102,527	2,083	-	437,145
Total Medical Assistance Program			1,102,527	2,083	-	437,145

Division of Social Services:					
Administration					
Health choice	93.767	34,080	559	-	7,101
Total N.C. Health Choice		34,080	559	-	7,101
Foster Care and Adoption Cluster (Note 3)					
Adoption Assistance	93.659	10,070	-	-	7,775
Title IV-E Foster Care	93.658	191,506	14,835	-	159,690
Foster Care - Direct Benefit Payments	96.658	286,582	59,606	-	-
Adoption/Foster Care Special Provision	93.658	60,934	-	-	26,350
Total Foster Care and Adoption Cluster (Note 3)		549,092	74,441	-	193,815
Subsidized Child Care (Note 3)					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund - Administration	93.596	154,832	-	-	-
Total Child Care Development Fund Cluster		154,832	-	-	-
Total Subsidized Child Care (Note 3)		154,832	-	-	-
Health Care Financing Administration					
Passed-through the N.C. Department of Health and Human Services:					
Medical Assistance Program					
Chafee Foster Care Independence - Direct Benefit Payment	93.674	7,088	1,772	-	-
Total Division of Medical Assistance		7,088	1,772	-	-
Total U.S. Department of Health & Human Services		3,470,240	248,922	-	1,187,857
Total Federal Awards		8,245,186	248,922	106,302	1,450,542
State Awards:					
N.C. Department of Health and Human Services:					
Passed-through Region D Council of Governments:					
Senior center general purchases	20/21 AANCT3GP	-	14,257	-	-
Division of Social Services					
State Foster Care Benefits Program	State Foster Care 22	-	337,799	-	168,988
APS/CPS Assessments		-	-	-	-
Total N.C. Department of Health and Human Services		-	352,056	-	168,988
N.C. Department of Public Safety:					
Division of Administration, Community Programs					
2020 Corona Virus Protection	PROJ014515	-	16,804	-	-
EMPG - S	EMPG 2021-2123095	-	11,068	-	-
EMPG - S	EMPG 2020-EP-00016	-	12,695	-	-
Juvenile Crime Prevention Council Programs		-	163,676	163,676	41,602
Total N.C. Department of Public Safety		-	204,243	163,676	41,602
N.C. Department of Public Instruction:					
NC Public School Building Capital-Lottery Proceeds		-	237,564	237,564	-
Public School National Forest Service		-	549	549	-
Total N.C. Department of Public Instruction		-	238,113	238,113	-
N.C. Department of Transportation:					
Employment Transportation Operating Assistance		-	14,461	-	-
Elderly and Disabled Transportation Assistance		-	64,645	-	-
Rural General Public Program		-	88,641	-	-
Total N.C. Department of Transportation		-	167,747	-	-
N.C. Department of Agriculture and Consumer Services:					
Soil Conservation Assistance	G40100296015SWC	-	3,600	-	210,900
Soil Conservation Technician Cost Sharing	G40100296015SWC	-	27,711	-	27,711
Total N.C. Department of Agriculture		-	31,311	-	238,611
N.C. Department of Natural and Cultural Resources:					
Ward's Mill Dam Removal	Contract # 7964	-	73,017	-	-
Recreation Trails Program	Middlefork Greenway Sect 4	-	100,000	-	-
Part F grant Middlefork Greenway Section 4	PartF 2019-900	-	430,000	-	1,368,770
Total N.C. Department of Natural and Cultural Resources		-	603,017	-	1,368,770
N.C. Division of Veteran's Affairs					
Veteran's Service Program	143B-1211C4	-	2,109	-	136,863
Total N.C. Division of Veteran's Affairs		-	2,109	-	136,863
N.C. Department of Environmental Quality					
Middlefork Greenway Section 4	Contract # 7397	-	76,286	-	-
Total N.C. Department of Environmental Quality		-	76,286	-	-
N.C. 911 Board					
Grant Funds - Replacement end-of-life consoles	G2022-02	-	13,352	-	-
Total N.C. 911 Board		-	13,352	-	-
N.C. Office of State and Budget Management					
State Capital and Infrastructure Fund		-	14,655	-	-
Register of Deeds	2065RD1	-	2,000	-	-
Total N.C. Office of State and Budget Management		-	16,655	-	-
Total State Awards		-	1,704,889	401,789	1,954,834
Total Federal and State Awards		\$ 8,245,186	\$ 1,953,811	\$ 508,091	\$ 3,405,376

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

1. Basis of Presentation:

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

2. Summary of Significant Account Policies:

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered Federal awards to the County and are included in this schedule.

3. Indirect Cost Rate

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

4. Cluster of Programs:

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

- Subsidized Child Care
- Foster Care and Adoption

5. Benefit Payments Issued by the State:

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

Program Title	CFDA No.	Federal	State
Special Supplemental Nutrition Program for Women Infant and Children	10.557	\$ -	\$ 424,873
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Temporary Assistance for Needy Families	10.561	\$ 7,932,021	\$ -
Adoption Assistance	93.558	118,568	-
Independent Living Transitional	93.659	328,869	61,616
Medical Assistance Program	93.674	11,778	-
Children's Health Insurance Program	93.778	33,710,732	12,653,200
Child Welfare Services Adoption	93.767	560,240	125,654
State/County Special Assistance Program	N/A	-	146,688
	N/A	-	130,890
		<u>\$ 42,662,208</u>	<u>\$ 13,542,921</u>