



**WATAUGA COUNTY, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

# WATAUGA COUNTY, NORTH CAROLINA

## BOARD OF COUNTY COMMISSIONERS

Larry Turnbow, Chair

Charlie Wallin, Vice Chair

Todd Castle

Braxton Eggers

Ray Russell

## COUNTY OFFICIALS

Deron T. Geouque

County Manager

**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, 2023, 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, 2023, 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 59.5 percent, 59.4 percent, and 53.6 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units as of June 30, 2023, 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 responsible 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 69 through 70, 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 73 through 74, 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 71 through 72, 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 63 through 65, the Other Postemployment Benefits schedules of Changes in the Net OPEB Liability and Related Ratios, County Contributions, and Investment Returns on pages 66 through 68, 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 auditors<sup>6</sup> 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 January 31, 2024, 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

January 31, 2024



## Watauga County

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Year Ended June 30, 2023

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, 2023. We encourage users to read the information presented here in conjunction with additional information we have furnished in the County's financial statements and notes which follow this narrative.

### Financial Highlights

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- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the fiscal year by \$242,607,149.
- The County's total net position increased by \$25,572,806 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 \$48,714,690 at the end of the year, representing 61% of total General Fund expenditures. This is an increase of \$8,340,715 in unassigned fund balance over the previous year.
- Total County incurred a limited obligation bond in the amount \$31,800,000 for the financing of the Valle Crucis School. Total principal payments for the fiscal year totaled \$6,005,000 decreased outstanding debt.
- The County:
  - Continued design of a new Valle Crucis school
  - Completed construction of new sports complex including pickleball, basketball and tennis courts.
  - Continued a Tower project to enhance emergency communications
  - Continued improvements at the County Landfill
  - Began construction of a new parking deck
  - Began construction of a new 911 emergency facility
  - Continued broadband
- 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

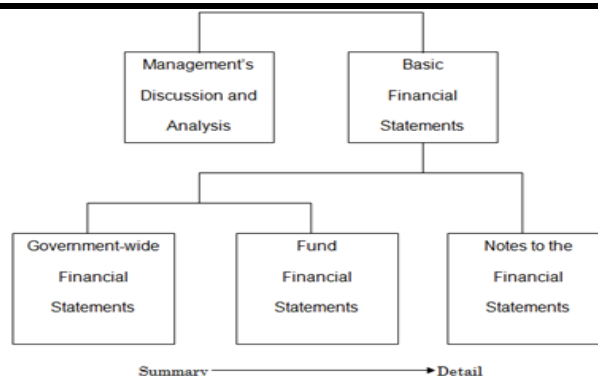
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This discussion and analysis is intended to serve as an introduction to Watauga County's basic financial statements. The County's basic financial statements consist of three components, 1) government-wide financial statements, 2) fund financial statements,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

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

#### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

### Fund Financial Statements

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

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

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

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## 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 24 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 65 of this report.

## Government-Wide Financial Analysis

### Watauga County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets:</b>						
Current and other assets	\$164,624,580	\$116,483,621	\$ 9,289,124	\$9,416,671	173,913,704	125,900,292
Capital assets, net	150,806,389	143,542,029	5,589,372	5,115,469	156,395,761	148,657,498
<b>Total Assets</b>	<u>315,430,969</u>	<u>260,025,650</u>	<u>14,878,496</u>	<u>14,532,140</u>	<u>330,309,465</u>	<u>274,557,790</u>
<b>Total Deferred Outflows</b>	<u>6,989,777</u>	<u>6,454,588</u>	<u>594,266</u>	<u>487,609</u>	<u>7,584,043</u>	<u>6,942,197</u>
<b>Liabilities:</b>						
Current liabilities	19,392,129	17,087,026	591,619	737,943	19,983,748	17,824,969
Other liabilities	71,992,347	39,581	1,688,692	1,240,012	73,681,039	1,279,593
<b>Total Liabilities</b>	<u>91,384,476</u>	<u>17,126,607</u>	<u>2,280,311</u>	<u>1,977,955</u>	<u>93,664,787</u>	<u>19,104,562</u>
<b>Total Deferred Inflows</b>	<u>1,565,301</u>	<u>5,430,279</u>	<u>56,271</u>	<u>389,349</u>	<u>1,621,572</u>	<u>5,819,628</u>
<b>Net Position:</b>						
Net investments in capital assets	84,645,098	106,042,522	5,589,372	5,115,469	90,234,470	111,157,991
Restricted	61,736,541	13,075,064	-	-	61,736,541	13,075,064
Unrestricted	83,089,330	85,264,312	7,546,808	7,536,976	90,636,138	92,801,288
<b>Total Net Position</b>	<u>\$229,470,969</u>	<u>\$204,381,898</u>	<u>\$13,136,180</u>	<u>\$12,652,445</u>	<u>\$242,607,149</u>	<u>\$217,034,343</u>

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 \$242,607,149 at June 30, 2023. The County's net position increased by a total of \$25,572,806 for the fiscal year. Net position is reported in three categories: Net investment in capital assets of \$90,234,470 restricted net position of \$61,736,541; and unrestricted net position of \$90,636,138.

The net investment in capital assets is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2023, 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, 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			
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 5,331,355	\$ 4,361,245	\$ 5,968,781	\$ 5,842,974	\$ 11,300,136	\$ 10,204,219
Operating grants and contributions	4,756,016	9,023,742	164,725	163,047	4,920,741	9,186,789
Capital grants and contributions	5,445,391	3,704,460	-	-	5,445,391	3,704,460
General Revenues:						
Property taxes	49,856,209	42,855,265	-	-	49,856,209	42,855,265
Other taxes	25,813,486	25,770,704	-	-	25,813,486	25,770,704
Grants and contributions not restricted	6,042,481	5,534,392	-	-	6,042,481	5,534,392
Miscellaneous	734,331	399,248	2,750	2,625	737,081	401,873
Investment earnings	3,950,844	110,030	223,337	11,688	3,950,844	121,718
Sale of capital assets	(2,177)	59,081	23,905	-	21,728	59,081
<b>Total Revenues</b>	<b>101,927,936</b>	<b>91,818,167</b>	<b>6,383,498</b>	<b>6,020,334</b>	<b>108,311,434</b>	<b>97,838,501</b>
<b>Expenses:</b>						
General government	18,872,285	12,813,483	-	-	18,872,285	12,813,483
Public safety	20,424,016	17,468,662	-	-	20,424,016	17,468,662
Transportation	272,107	235,062	-	-	272,107	235,062
Economic and physical development	4,908,563	5,003,066	-	-	4,908,563	5,003,066
Environmental protection	476,511	526,336	-	-	476,511	526,336
Human services	8,754,478	8,579,197	-	-	8,754,478	8,579,197
Cultural and recreation	3,862,383	3,340,112	-	-	3,862,383	3,340,112
Education	17,039,724	16,605,388	-	-	17,039,724	16,605,388
Interest on long-term debt	2,228,798	1,482,080	-	-	2,228,798	1,482,080
Solid waste	-	-	5,899,763	5,548,874	5,899,763	5,548,874
<b>Total Expenses</b>	<b>76,838,865</b>	<b>66,053,386</b>	<b>5,899,763</b>	<b>5,548,874</b>	<b>82,738,628</b>	<b>71,602,260</b>
Increase in net position	25,089,071	25,764,781	483,735	471,460	25,572,806	26,236,241
Net position, beginning	204,381,898	178,617,117	12,652,445	12,340,493	217,034,343	190,957,610
Prior period adjustment - change in accounting principle	-	-	-	(159,508)	-	(159,508)
Net Position, beginning, restated	204,381,898	178,617,117	12,652,445	12,180,985	217,034,343	190,798,102
<b>Net position, ending</b>	<b>\$ 229,470,969</b>	<b>\$ 204,381,898</b>	<b>\$ 13,136,180</b>	<b>\$ 12,652,445</b>	<b>\$ 242,607,149</b>	<b>\$ 217,034,343</b>

**Governmental activities:** Governmental activities increased the County's net position by \$25,089,071, 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 98.95% 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 \$483,735, 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

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the General Fund increased to \$48,714,690 while total fund balance increased to \$65,187,285. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 61 percent of total General Fund expenditures, while total fund balance represents 80.2 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 \$12,585,607.

The actual operating revenues for the General Fund were \$11,131,681 more than the budgeted amount. Actual operating expenses were less than budgeted by \$12,255,163.

**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 \$7,546,808. The total increase in proprietary net position was \$483,735.

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, 2023, totals \$156,395,761 (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;
- Completed construction of new sports complex;
- Continued a Tower project to enhance emergency communications;
- Continued improvements at the Landfill;
- Continued construction of a parking deck
- Begin construction of a new 911 Emergency Building

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 27,235,033	\$ 24,190,205	\$ 1,100,815	\$ 1,100,816	\$ 28,335,848	\$ 25,291,021
Buildings	103,878,594	106,654,697	2,435,000	2,520,898	106,313,594	109,175,595
Other improvements	3,422,187	1,263,633	15,009	26,629	3,437,196	1,290,262
Leasehold improvements	4,737,656	5,012,312	5,059	5,307	4,742,715	5,017,619
Equipment	788,141	999,969	518,628	422,660	1,306,769	1,422,629
Vehicles	718,619	913,220	127,085	244,377	845,704	1,157,597
Construction in progress	9,973,328	4,492,393	1,387,776	794,782	11,361,104	5,287,175
Intangible assets	52,830	15,600	-	-	52,830	15,600
<b>Total</b>	<b>\$ 150,806,388</b>	<b>\$ 143,542,029</b>	<b>\$ 5,589,372</b>	<b>\$ 5,115,469</b>	<b>\$ 156,395,760</b>	<b>\$ 148,657,498</b>

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

**Long-term Debt.** As of June 30, 2023, Watauga County had no bonded debt outstanding or authorized.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Net pension liability (LGERs)	\$ 8,795,721	\$ 2,331,009	\$ 838,146	\$ 222,122	\$9,633,867	\$2,553,131
Total pension liability (LEOSSA)	380,128	534,489	-	-	380,128	534,489
Total OPEB liability (RIAP)	2,005,840	2,698,146	191,137	257,107	2,196,977	2,955,253
Compensated absences	1,228,818	1,116,968	120,100	125,980	1,348,918	1,242,948
Accrued landfill closure and post closure costs	-	-	555,993	649,999	555,993	649,999
Leases	-	-	122,498	133,442	122,498	133,442
Premium on lobs	3,996,005	1,263,737	-	-	3,996,005	1,263,737
Premium on direct refunding	715,525	858,630	-	-	715,525	858,630
Direct placement installment	62,005,000	36,210,000	-	-	62,005,000	36,210,000
<b>Total</b>	<b>\$ 79,127,037</b>	<b>\$ 45,012,979</b>	<b>\$1,827,874</b>	<b>\$1,388,650</b>	<b>\$80,954,911</b>	<b>\$46,401,629</b>

Watauga County's total General Fund debt increased by \$25,795,000 or (71%) during the past fiscal year due to scheduled debt service payments and a new limited obligation bond for the construction of the Valle Crucis School. 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, 2023 is \$1,061,247,856. 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 3.6 percent at the end of June 2022 to 3.2 percent at the end of June 2023;
- 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 2023 due to an increase in tourism.

**Budget Highlights for the Fiscal Year Ending June 30, 2024**

**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 8.6 percent increase from fiscal year 2023 budget based on actual results in the previous fiscal year.

Budgeted expenditures in the General Fund have increased 2 percent. Capital purchases are allocated mainly for vehicles, a new Valle Crucis School, a parking deck, 911 Emergency Building 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 \$5,517,050 and \$3,372,500 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, \$100,000 for law enforcement expansion, \$50,000 for library expansion, \$50,000 for workforce expansion and \$50,000 to Caldwell Community College.

**Businesses-type activities** – Budgeted revenues for solid waste service revenues are projected an increase in solid waste fees.



**Requests for Information**

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

**Watauga County, North Carolina**  
Statement of Net Position  
June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	AppalCART	Watauga County District U Tourism Development Authority
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 132,433,064	\$ 8,653,706	\$ 141,086,770	\$ 4,429,346	\$ 11,217,101
Restricted cash and cash equivalents	7,630,411	-	7,630,411	-	-
Receivables (net)	1,710,143	429,207	2,139,350	47,304	-
Due from other governments	6,852,853	41,199	6,894,052	299,100	621,201
Lease receivable - current	268,048	-	268,048	-	-
Notes receivable - current	831,632	-	831,632	-	-
Prepaid expenses	30,363	46,725	77,088	42,428	1,364
Inventory	-	-	-	306,235	-
Total current assets	<u>149,756,514</u>	<u>9,170,837</u>	<u>158,927,351</u>	<u>5,124,413</u>	<u>11,839,666</u>
<b>Non-current assets</b>					
Net pension asset - ROD	82,713	-	82,713	-	-
Lease receivable - noncurrent	656,480	-	656,480	-	-
Notes receivable	14,128,873	-	14,128,873	-	-
Right to use leased asset, net of amortization	-	118,287	118,287	340,125	-
Capital assets:					
Land, intangible, and construction in progress	37,261,191	2,488,591	39,749,782	1,129,282	35,000
Other capital assets, net of depreciation	113,545,198	3,100,781	116,645,979	10,974,432	-
Total capital assets	<u>150,806,389</u>	<u>5,589,372</u>	<u>156,395,761</u>	<u>12,103,714</u>	<u>35,000</u>
Total non-current assets	<u>165,674,455</u>	<u>5,707,659</u>	<u>171,382,114</u>	<u>12,443,839</u>	<u>35,000</u>
Total assets	<u>315,430,969</u>	<u>14,878,496</u>	<u>330,309,465</u>	<u>17,568,252</u>	<u>11,874,666</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension deferrals	6,259,442	577,581	6,837,023	-	96,791
Deferred charge on refunding of debt	555,240	-	555,240	-	-
OPEB deferrals	175,095	16,685	191,780	-	-
Total deferred outflows of resources	<u>6,989,777</u>	<u>594,266</u>	<u>7,584,043</u>	<u>-</u>	<u>96,791</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	6,380,683	303,835	6,684,518	267,002	292,247
Accrued interest payable	219,467	-	219,467	2,157	-
Due to other governments	1,065,581	-	1,065,581	-	-
Insurance proceeds	-	148,602	148,602	-	-
Liabilities payable from restricted assets	721,442	-	721,442	-	-
Unearned revenue	3,870,266	-	3,870,266	-	-
Debt service due within one year	7,134,690	139,182	7,273,872	122,289	16,760
Total current liabilities	<u>19,392,129</u>	<u>591,619</u>	<u>19,983,748</u>	<u>391,448</u>	<u>309,007</u>
<b>Long-term liabilities</b>					
Due in more than one year	71,992,347	1,688,692	73,681,039	311,739	136,523
Total liabilities	<u>91,384,476</u>	<u>2,280,311</u>	<u>93,664,787</u>	<u>703,187</u>	<u>445,530</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension deferrals	109,881	3,541	113,422	-	2,119
OPEB deferrals	553,363	52,730	606,093	-	-
Leases	897,279	-	897,279	-	-
Prepaid taxes	4,778	-	4,778	-	-
Total deferred inflows of resources	<u>1,565,301</u>	<u>56,271</u>	<u>1,621,572</u>	<u>-</u>	<u>2,119</u>
<b>NET POSITION</b>					
Net investment in capital assets	84,645,098	5,589,372	90,234,470	12,443,839	35,000
Restricted for:					
Stabilization by State Statute	15,657,355	-	15,657,355	-	621,201
Register of Deeds' pension plan	133,072	-	133,072	-	-
Education	45,139,875	-	45,139,875	-	-
Public safety	688,074	-	688,074	-	-
Health services	18,978	-	18,978	-	-
Register of Deeds Automation/Enhancement	99,187	-	99,187	-	-
Transportation	-	-	-	200,000	-
Unrestricted	83,089,330	7,546,808	90,636,138	4,221,226	10,867,607
Total net position	<u>\$ 229,470,969</u>	<u>\$ 13,136,180</u>	<u>\$ 242,607,149</u>	<u>\$ 16,865,065</u>	<u>\$ 11,523,808</u>

Watauga County, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues					Net (Expense) Revenues and Changes in Net Position			Component Units	
	Primary Government					Primary Government			Watauga County	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	AppalCART	Tourism Development Authority
<b>Primary government:</b>										
Governmental Activities:										
General government	\$ 18,872,285	\$ 1,460,938	\$ 92,166	\$ 4,576,533	\$ -	(12,742,648)	-	(12,742,648)		
Public safety	20,424,016	1,829,605	346,417	590,655	-	(17,657,339)	-	(17,657,339)		
Transportation	272,107	-	194,612	-	-	(77,495)	-	(77,495)		
Economic and physical development	4,908,563	3,947	236,009	-	-	(4,668,607)	-	(4,668,607)		
Environmental protection	476,511	-	48,088	-	-	(428,423)	-	(428,423)		
Human services	8,754,478	69,262	3,838,279	-	-	(4,846,937)	-	(4,846,937)		
Cultural and recreational	3,862,383	1,967,603	-	-	-	(1,894,780)	-	(1,894,780)		
Education	17,039,724	-	445	278,203	-	(16,761,076)	-	(16,761,076)		
Interest and fees on long-term debt	2,228,798	-	-	-	-	(2,228,798)	-	(2,228,798)		
Total governmental activities	76,838,865	5,331,355	4,756,016	5,445,391	-	(61,306,103)	-	(61,306,103)		
Business-type activities:										
Solid waste	5,899,763	5,968,781	164,725	-	-	-	233,743	233,743		
Total	82,738,628	11,300,136	4,920,741	5,445,391	-	(61,306,103)	233,743	(61,072,360)		
Component units:										
AppalCART	6,363,649	2,589,623	2,834,586	1,184,241	-	-	-	244,801		
Watauga County District U Tourism Development Authority	2,501,122	-	-	-	-	-	-	-		(2,501,122)
General revenues:										
Taxes:										
Property taxes, levied for general purpose						49,856,209	-	49,856,209		
Local option sales tax						20,149,869	-	20,149,869		
Other taxes and licenses						5,663,617	-	5,663,617		4,104,191
Grants and contributions not restricted to specific programs						6,042,481	-	6,042,481		
Investment earnings, unrestricted						3,950,844	223,337	4,174,181	71,488	245,698
Gain (loss) sale of fixed assets						(2,177)	23,905	21,728	30,577	
Miscellaneous, unrestricted						734,331	2,750	737,081		345,896
Total general revenues						86,395,174	249,992	86,645,166	102,065	4,695,785
Change in net position						25,089,071	483,735	25,572,806	346,866	2,194,663
Total net position, beginning						204,381,898	12,652,445	217,034,343	16,518,199	9,329,145
Net position, ending						229,470,969	13,136,180	242,607,149	16,865,065	11,523,808

**Watauga County, North Carolina**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2023

	Major Funds				Non-Major Funds	Total Governmental Funds
	General	Capital Projects Fund	Valle Crucis Project Fund	ARP Project Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 60,681,894	\$ 24,032,699	\$ 47,665,211	-	\$ 53,260	\$ 132,433,064
Restricted cash and cash equivalents	614,935	-	-	5,145,575	1,869,901	7,630,411
Taxes receivable, net	957,160	-	-	-	465,301	1,422,461
Lease receivable	924,528	-	-	-	-	924,528
Due from other governments	6,702,484	-	27,285	-	123,084	6,852,853
Prepaid expenses	30,363	-	-	-	-	30,363
Accounts receivable, net	116,539	-	-	-	-	116,539
Notes receivable	14,960,505	-	-	-	-	14,960,505
Total assets	<u>\$ 84,988,408</u>	<u>\$ 24,032,699</u>	<u>\$ 47,692,496</u>	<u>\$ 5,145,575</u>	<u>\$ 2,511,546</u>	<u>\$ 164,370,724</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 1,428,088	\$ -	\$ 2,552,621	2,399,974	\$ -	\$ 6,380,683
Due to other governments	429,937	-	-	-	635,644	1,065,581
Unearned revenue	607,628	-	-	2,586,699	675,939	3,870,266
Liabilities to be paid from restricted assets	515,748	-	-	-	205,694	721,442
Total liabilities	<u>2,981,401</u>	<u>-</u>	<u>2,552,621</u>	<u>4,986,673</u>	<u>1,517,277</u>	<u>12,037,972</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes receivable	957,160	-	-	-	116,032	1,073,192
Prepaid taxes	429,937	-	-	-	-	4,778
Lease receivable	897,279	-	-	-	-	897,279
Notes receivable	14,960,505	-	-	-	-	14,960,505
Total deferred inflows of resources	<u>16,819,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,032</u>	<u>16,935,754</u>
<b>FUND BALANCES</b>						
Restricted for:						
Stabilization by State Statute	15,486,170	-	-	-	171,185	15,657,355
Public safety	-	-	-	-	688,074	688,074
Register of Deeds	99,187	-	-	-	-	99,187
Education	-	-	45,139,875	-	-	45,139,875
Health services	-	-	-	-	18,978	18,978
American Rescue Plan	-	-	-	158,902	-	158,902
Committed for:						
Capital projects	-	24,032,699	-	-	-	24,032,699
Assigned for:						
Future years' appropriation	829,626	-	-	-	-	829,626
Nonspendable for:						
Prepaid expenses	30,363	-	-	-	-	30,363
Leases	27,249	-	-	-	-	27,249
Unassigned	48,714,690	-	-	-	-	48,714,690
Total fund balances	<u>65,187,285</u>	<u>24,032,699</u>	<u>45,139,875</u>	<u>158,902</u>	<u>878,237</u>	<u>135,396,998</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,988,408</u>	<u>\$ 24,032,699</u>	<u>\$ 47,692,496</u>	<u>\$ 5,145,575</u>	<u>\$ 2,511,546</u>	<u>\$ 164,370,724</u>

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

Total Fund Balance, Governmental Funds	\$ 135,396,998
Net pension asset - ROD	82,713
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	150,806,389
Deferred charge on refunding of debt	555,240
Other assets are not available to pay for current period expenditures and therefore are unavailable in the funds - accrued interest taxes receivable	171,143
Deferred inflows for notes receivable	14,960,505
Deferred inflows of resources for taxes receivable	1,073,192
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,753,587
Contributions and administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	100,704
OPEB related deferrals, net	(478,972)
Pension related deferrals-all plans, net	4,395,974
Net OPEB liability	(2,005,840)
Net pension liability - LEOSA	(380,128)
Net pension liability - LGERS	(8,795,721)
Some liabilities, including net pension liabilities, debt related payables and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(68,164,815)</u>
Net position of governmental activities	<u>\$ 229,470,969</u>

**Watauga County, North Carolina**  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2023

	Major Funds				Non-Major Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Valle Crucis Project Fund	ARP Project Fund	Other Governmental Funds	
<b>REVENUES</b>						
Ad valorem taxes	\$ 44,989,124	\$ -	\$ -	\$ -	\$ 4,938,957	\$ 49,928,081
Other taxes and licenses	21,537,921	-	-	-	4,275,565	25,813,486
Unrestricted intergovernmental	6,042,481	-	-	-	-	6,042,481
Restricted intergovernmental	4,864,773	-	115,000	4,232,480	1,172,027	10,384,280
Permits and fees	979,468	-	-	-	49,425	1,028,893
Sales and services	3,474,521	-	-	-	209,021	3,683,542
Investment earnings	1,999,639	891,052	894,890	151,832	13,431	3,950,844
Donations	120,493	-	-	-	-	120,493
Miscellaneous	1,580,512	3,946	-	-	298,874	1,883,332
Total revenues	<u>85,588,932</u>	<u>894,998</u>	<u>1,009,890</u>	<u>4,384,312</u>	<u>10,957,300</u>	<u>102,835,432</u>
<b>EXPENDITURES</b>						
Current:						
General government	11,263,469	-	-	4,232,480	881,432	16,377,381
Public safety	15,008,367	-	-	-	9,170,574	24,178,941
Transportation	272,107	-	-	-	-	272,107
Economic and physical development	752,815	-	-	-	4,155,748	4,908,563
Environmental protection	467,705	-	-	-	-	467,705
Human services	8,143,118	-	-	-	121,710	8,264,828
Cultural and recreational	2,531,732	-	-	-	-	2,531,732
Education	17,201,618	-	6,315,186	-	-	23,516,804
Debt service:						
Principal	6,005,000	-	-	-	-	6,005,000
Interest	2,190,030	-	-	-	-	2,190,030
Total expenditures	<u>63,835,961</u>	<u>-</u>	<u>6,315,186</u>	<u>4,232,480</u>	<u>14,329,464</u>	<u>88,713,091</u>
Revenues over (under) expenditures	<u>21,752,971</u>	<u>894,998</u>	<u>(5,305,296)</u>	<u>151,832</u>	<u>(3,372,164)</u>	<u>14,122,341</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	11,068	-	-	-	-	11,068
Proceeds from installment obligations issued	-	-	31,800,000	-	-	-
Premium on installment obligations	-	-	2,997,002	-	-	-
Transfers from other funds	9,203,557	17,472,571	14,763,998	-	3,500,000	44,940,126
Transfers to other funds	(17,472,571)	(27,467,555)	-	-	-	(44,940,126)
Total other financing sources and uses	<u>(8,257,946)</u>	<u>(9,994,984)</u>	<u>49,561,000</u>	<u>-</u>	<u>3,500,000</u>	<u>34,808,070</u>
Net change in fund balance	13,495,025	(9,099,986)	44,255,704	151,832	127,836	48,930,411
<b>Fund balance, beginning of year</b>	51,692,442	33,132,685	884,171	7,070	750,219	86,466,587
<b>Prior period adjustment</b>	(182)	-	-	-	182	-
<b>Fund balance, beginning, restated</b>	<u>51,692,260</u>	<u>33,132,685</u>	<u>884,171</u>	<u>7,070</u>	<u>750,401</u>	<u>86,466,587</u>
<b>Fund balance, end of year</b>	<u>\$ 65,187,285</u>	<u>\$ 24,032,699</u>	<u>\$ 45,139,875</u>	<u>\$ 158,902</u>	<u>\$ 878,237</u>	<u>\$ 135,396,998</u>

**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, 2023

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

Net changes in fund balances - total governmental funds	\$	48,930,411
<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	\$	11,439,480
Sale of assets not fully depreciated		(13,244)
Depreciation expense for governmental assets		<u>(4,161,875)</u>
		7,264,361
Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.		1,712,714
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.		100,704
Benefit payments paid and administrative expense for the LEOSSA in the current fiscal year are not included on the Statement of Activities.		40,873
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	(833,448)	(833,448)
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>(71,872)</u>	(71,872)
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	(370,884)	
Pension expense-LGERS and ROD	(2,605,303)	
Compensated absences	(111,850)	
Pension expense-LEOSSA	(135,865)	
Amortization of bond premiums	<u>407,840</u>	
Combined adjustment		(2,816,062)
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	6,005,000	
Issuance of long-term debt	(31,800,000)	
Premium on LOBS	(2,997,002)	
Change in accrued interest payable	<u>(168,988)</u>	
		<u>(28,960,990)</u>
Total changes in net position of governmental activities	\$	<u><u>25,089,071</u></u>

**Watauga County, North Carolina**  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - General Fund  
For the Year Ended June 30, 2023

	<b>General Fund</b>			
	Budget		Actual Amounts	Variance with Final Budget-
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 42,719,702	\$ 42,719,702	\$ 44,989,124	\$ 2,269,422
Other taxes and licenses	16,554,529	16,814,730	21,537,921	4,723,191
Unrestricted intergovernmental	4,377,000	4,377,000	6,042,481	1,665,481
Restricted intergovernmental	6,533,093	6,287,246	4,864,773	(1,422,473)
Permits and fees	788,400	820,847	979,468	158,621
Sales and services	2,368,250	2,796,250	3,474,521	678,271
Investment earnings	56,000	56,000	1,999,639	1,943,639
Donations	30,500	30,500	120,493	89,993
Miscellaneous	560,364	554,976	1,580,512	1,025,536
Total revenues	<u>73,987,838</u>	<u>74,457,251</u>	<u>85,588,932</u>	<u>11,131,681</u>
<b>Expenditures:</b>				
General government	15,274,943	18,221,360	11,263,469	6,957,891
Public safety	16,653,571	17,865,583	15,008,367	2,857,216
Transportation	77,495	272,107	272,107	-
Economic and physical development	715,424	762,674	752,815	9,859
Environmental protection	464,048	484,997	467,705	17,292
Human services	9,880,239	9,897,645	8,143,118	1,754,527
Cultural and recreation	2,791,145	2,798,738	2,531,732	267,006
Education	16,878,390	17,593,390	17,201,618	391,772
Debt service:				
Principal retirement	5,039,600	6,004,600	6,005,000	(400)
Interest and other charges	1,230,733	2,190,030	2,190,030	-
Total expenditures	<u>69,005,588</u>	<u>76,091,124</u>	<u>63,835,961</u>	<u>12,255,163</u>
Revenues over (under) expenditures	<u>4,982,250</u>	<u>(1,633,873)</u>	<u>21,752,971</u>	<u>23,386,844</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	10,000	10,000	11,068	1,068
Transfers from other funds	6,564,260	9,203,557	9,203,557	-
Transfers to other funds	(11,972,500)	(17,472,571)	(17,472,571)	-
Fund balance appropriated	415,990	9,892,887	-	(9,892,887)
Total other financing sources (uses)	<u>(4,982,250)</u>	<u>1,633,873</u>	<u>(8,257,946)</u>	<u>(9,891,819)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ 13,495,025	\$ <u>13,495,025</u>
Fund balance, beginning of year			51,692,442	
Prior period adjustment			<u>(182)</u>	
Fund balance, beginning, restated			<u>51,692,260</u>	
Fund balance, end of year			\$ <u>65,187,285</u>	

**Watauga County, North Carolina**  
Statement of Net Position  
Proprietary Fund  
June 30, 2023

	<b>Enterprise Fund</b>
	<b>Solid Waste Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 8,653,706
Receivables, net	429,207
Prepaid expense	46,725
Due from other governments	41,199
Total current assets	9,170,837
Non-current assets:	
Capital assets:	
Land and construction in progress	2,488,591
Other capital assets, net of depreciation	3,100,781
Total capital assets	5,589,372
Right to use leased asset, net of amortization	118,287
Total assets	14,878,496
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB deferrals	16,685
Pension deferrals	577,581
Total deferred outflows of resources	594,266
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	303,835
Accrued compensated absences - current	5,881
Insurance proceeds	148,602
Leases - current	11,556
Accrued landfill post closure and closure costs - current	121,745
Total current liabilities	591,619
Non-current liabilities:	
Net pension liability	838,146
Net OPEB liability	191,137
Accrued landfill post closure and closure costs - noncurrent	434,248
Leases	110,942
Accrued compensated absences	114,219
Total non-current liabilities	1,688,692
Total liabilities	2,280,311
<b>DEFERRED INFLOWS OF RESOURCES</b>	
OPEB deferrals	52,730
Pension deferrals	3,541
Total deferred inflows of resources	56,271
<b>NET POSITION</b>	
Net investment in capital assets	5,589,372
Unrestricted	7,546,808
Total net position	\$ 13,136,180



**Watauga County, North Carolina**  
 Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2023

	<b>Enterprise Fund</b>
	<b>Solid Waste Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 5,820,254
Sale of recycled materials	148,527
	5,968,781
Total operating revenues	5,968,781
 <b>OPERATING EXPENSES:</b>	
Landfill operations	5,460,720
Recycling operations	125,439
Depreciation and amortization	313,604
	5,899,763
Total operating expenses	5,899,763
Operating income	69,018
 <b>NONOPERATING REVENUES:</b>	
Interest and investment revenue	223,337
Miscellaneous revenues	2,750
Gain on disposal of assets	23,905
Restricted intergovernmental revenues	164,725
	414,717
Total nonoperating revenues	414,717
Change in net position	483,735
Total net position, beginning	12,652,445
Total net position, ending	\$ 13,136,180

**Watauga County, North Carolina**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2023

	<u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 5,974,805
Cash paid for goods and services	(3,849,541)
Cash paid to employees for services	(1,863,053)
Net cash provided by operating activities	<u>262,211</u>
Cash flows from noncapital financing activities:	
Restricted intergovernmental revenues	183,615
Principal paid on long-term debt	(10,944)
Miscellaneous revenues	2,750
Net cash provided by noncapital financing activities	<u>175,421</u>
Cash flows from capital and related financing activities:	
Proceeds received from sale of fixed assets	86,000
Acquisition and construction of capital assets	(836,555)
Net cash used by capital and related financing activities	<u>(750,555)</u>
Cash flows from investing activities:	
Interest on investments	<u>223,337</u>
Net cash provided by investing activities	<u>223,337</u>
Net increase in cash and cash equivalents	(89,586)
Cash and cash equivalents, July 1	<u>8,743,292</u>
Cash and cash equivalents, June 30	<u>\$ 8,653,706</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	<u>\$ 69,018</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	313,604
Changes in assets, liabilities, deferred outflows and inflows of resources:	
Change in deferred outflow of resources - pensions	(217,645)
Change in deferred inflow of resources - OPEB	(19,273)
Change in deferred outflows of resources - OPEB	110,988
Change in net pension liability	616,024
Change in net OPEB liability	(65,970)
Change in deferred inflow of resources - pensions	(313,805)
Change in accrued landfill post closure and closure costs	(94,365)
Change in accounts receivable	6,024
Change in prepaid expense	-
Change in accounts payable	(49,508)
Change in insurance proceeds	(87,000)
Change in accrued compensated absences	(5,881)
Total adjustments	<u>193,193</u>
Net cash provided by operating activities	<u>\$ 262,211</u>

**Watauga County, North Carolina**  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2023

	<u>Irrevocable Trust Funds</u>	<u>Custodial Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,439,640	\$ 25,102
Accounts receivable	<u>-</u>	<u>-</u>
	<u>3,439,640</u>	<u>25,102</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net position:		
Assets held in trust for postemployment benefits other than pensions	2,578,662	-
Assets held in trust for law enforcement officers' special separation allowance benefits	860,978	-
Individuals, organizations and other governments	<u>-</u>	<u>25,102</u>
Total fiduciary net position	<u>\$ 3,439,640</u>	<u>\$ 25,102</u>

**Watauga County, North Carolina**  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the Year Ended June 30, 2023

	<u>Irrevocable Trust Funds</u>	<u>Custodial Funds</u>
<b>Additions:</b>		
Employer contributions	\$ 151,173	\$ -
Interest earned	146,152	-
Ad valorem taxes collected for other governments	-	9,919,350
Collections on behalf of inmates	-	166,611
	<hr/>	<hr/>
Total additions	297,325	10,085,961
	<hr/>	<hr/>
<b>Deductions:</b>		
Benefits	151,173	-
Administrative expense	-	-
Tax distributions to other governments	-	9,914,689
Payment on behalf of inmates	-	181,448
	<hr/>	<hr/>
Total deductions	151,173	10,096,137
	<hr/>	<hr/>
Net increase (decrease) in fiduciary net position	146,152	(10,176)
<b>Net position - beginning</b>	<u>3,293,488</u>	<u>35,278</u>
<b>Net position - ending</b>	<u>\$ 3,439,640</u>	<u>\$ 25,102</u>

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2023

## 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

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the 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, 2023

*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, Emergency 911 Building 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 connecting with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

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 911 Emergency Building 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**

The County pools money from several funds, except the OPEB Irrevocable Trust Fund, the LEOSIA 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



# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

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 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 County District U Tourism Development Authority. Taxes collected on behalf of the fire districts are restricted as payable to the districts. The SCIF Project Fund is restricted to eligible projects. Opioid Settlement Funds are restricted to approved eligible expenditures. The ARP Project Fund is restricted to approved expenditures as defined by the U.S. Treasury Department.

#### Watauga County Restricted Cash

Governmental Activities		
General Fund	Customer deposits	\$ 515,748
	Register of Deeds	99,187
ARP Project Fund	Governmental activities	5,145,575
Federal Equitable Sharing Fund	Law enforcement	118,250
State Substance Abuse Tax Fund	Law enforcement	25,481
Emergency Telephone Fund	911 eligible expenditures	348,272
Occupancy Tax Fund	Tourism	253,977
911 Emergency Project fund	911 building	275,955
SCIF Project Fund	Maintenance of buildings and parking decks/lots	348,586
	Opioid eligible expenses	392,147
Opioid Settlement Fund	Unexpended collections	107,233
Fire District Funds		<u>107,233</u>
Total Governmental Activities		<u>\$7,630,411</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, 2022.

### 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

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.

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2023

## 7. Prepaid Expenses

The prepaid expenses of the County are for expenses prepaid for FY 2024.

## 8. 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>
Furniture and equipment	5 to 12
Communications equipment	6
Security and surveillance equipment	7
Maintenance equipment and fixtures	12
Vehicles	8 to 14
Land improvements	10
Buildings	40-50

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

## 9. 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

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

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.

AppalCART's capital assets also include certain right-to-use assets. These right-to-use assets arise in association with agreements where AppalCART reports a lease (only applies when AppalCART is the lessee) and agreements where AppalCART reports an Information Technology (IT) subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

AppalCART's right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

AppalCART's right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the lease subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the 18 subscription asset. The right-to-use subscription assets should be amortized on a straight-line basis over the subscription term.

#### **10. 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.

#### **11. 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.

#### **12. 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

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

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.

### **13. Subscriptions**

For the year ended June 30, 2023 AppalCART implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

During the current year AppalCART entered into a new subscription for accounting software. The term of the agreement is five years. The Subscription does not have a stated interest rate. Accordingly, AppalCART's estimated incremental borrowing rate of 4.90% was used to discount the subscription payments. The initial liability for the subscription was \$68,350. The liability balance remaining at June 30, 2023 was \$53,350.

During the current year AppalCART entered into a new subscription for transit software that aids in real time passenger information and route planning. The term of the agreement is five years. The Subscription does not have a stated interest rate. Accordingly, AppalCART's estimated incremental borrowing rate of 4.90% was used to discount the subscription payments. The initial liability for the subscription was \$251,711. The liability balance remaining at June 30, 2023 was \$251,711.

During the current year AppalCART entered into a new subscription for a human resources software. The term of the agreement is three years. The Subscription does not have a stated interest rate. Accordingly, AppalCART's estimated incremental borrowing rate of 4.87% was used to discount the subscription payments. The initial liability for the subscription was \$14,859. The liability balance remaining at June 30, 2023 was \$14,859.

Accrued interest related to all IT subscription-based agreements was \$2,157 at June 30, 2023.

The future minimum subscription obligations and the net present value of the minimum payments at June 30, 2023, were as follows:

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

The future minimum lease obligations and the net present value of these minimum lease

<u>Years Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 71,912	\$ 3,237	\$ 75,149
2025	63,627	11,968	75,595
2026	66,730	8,865	75,595
2027	64,976	5,710	70,686
2028	52,675	2,565	55,240
Total	<u>\$ 319,920</u>	<u>\$ 32,345</u>	<u>\$ 352,265</u>

### **14. 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 \$275,936 as part of this settlement in Fiscal Year 2023. 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. \$40,000 in funds have been expended as of June 30th, 2023. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

### **15. 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 \$7,750,000 for Broadband and \$3,125,179 for revenue replacement. Revenue replacement funds were transferred to the General Fund.

### **16. 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.

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

Prepaid expenses – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

*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].

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.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

*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.

# WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2023

## 17. Defined Benefit Pension and OPEB Plans

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

### Note 2 -

#### Detail Notes on All Funds

##### A. Assets

##### 1. Deposits

All of the County's, AppalCART's, and the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, 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, 2023, the County's deposits had a carrying amount of \$63,256,755 and a bank balance of \$64,142,458. 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, 2023, Watauga County had \$3,750 cash on hand.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

At June 30, 2023, AppalCART's deposits had a carrying amount of \$2,342,556 and a bank balance of \$2,421,040. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$2,171,040 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2023, the Authority's deposits had a carrying amount of \$11,104,012 and a bank balance of \$11,143,501. 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, 2023, 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	14,394,599	14,394,599	-	-
Certificates of deposit	Cost	10,120,693	10,120,693	-	-
Government Agencies	Fair Value Level 2	16,966,609	9,044,269	6,497,835	1,424,505
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	47,439,517	47,439,517	N/A	N/A
Total:		<u>\$88,921,418</u>	<u>\$80,999,078</u>	<u>\$6,497,835</u>	<u>\$1,424,505</u>

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

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, 2023, 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, 2023. The County's investments in US Agencies with Federal Home Loan



# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

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, 2023, AppalCART's investment stated at fair value, consisted of \$2,086,790 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, 2023, the Authority's investments consisted of the following:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Government Portfolio	\$ 113,089	N/A	AAAm
	\$ 113,089		

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

*Credit risk.* The Authority has no formal policy regarding credit risk, but has internal management procedures that limits the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Services as of June 30, 2023.

### **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
2019	\$ 873,126	\$ 246,658	\$ 1,119,784
2020	867,521	166,998	1,034,518
2021	854,116	87,547	941,663
2022	906,826	-	906,826
Total	<u>\$ 3,501,589</u>	<u>\$ 501,203</u>	<u>\$ 4,002,791</u>

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**4. Receivables**

Receivables at the government-wide level at June 30, 2023, were as follows:

	<b>Accounts</b>	<b>Taxes Receivable</b>	<b>Interest Receivable</b>	<b>Lease Receivable</b>	<b>Total</b>
<b>Governmental Activities:</b>					
General	\$ 116,539	\$1,073,689	\$ 152,366	\$924,528	\$ 2,267,122
Other Governmental	-	476,846	18,777	-	495,623
Total receivables	116,539	1,550,535	171,143	924,528	2,762,745
Allowance for doubtful accounts	-	(128,074)	-	-	(128,074)
Total-governmental activities	<u>\$ 116,539</u>	<u>\$1,422,461</u>	<u>\$ 171,143</u>	<u>\$924,528</u>	<u>\$ 2,634,671</u>
<b>Business-type Activities</b>					
Solid Waste	\$ 466,147	\$ -	\$ -	\$ -	\$ 466,147
Allowance for doubtful accounts	(36,940)	-	-	-	(36,940)
Total-business-type activities	<u>\$ 429,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,207</u>

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

Governmental activities:	
NC DOR	\$ 5,352,620
Town of Boone ABC Board	1,590
Town of Blowing Rock	297,003
Town of Beech Mountain	389,072
Town of Seven Devils	24,742
Watauga County Clerk of Court	19,206
Caldwell Community College and Tech Inst.	18,707
NC Dept of Public Safety	80,385
Blowing Rock ABC Board	525
Avery County	6,000
Watauga County District U TDA	6,032
NC DHHS	643,914
Emergency Telephone System	13,057
Total-governmental activities	<u>\$ 6,852,853</u>
Business-type activities:	
NCDOR	<u>\$ 41,199</u>

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**5. Capital Assets**  
**Primary Government:**

Capital asset activity for the year ended June 30, 2023, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Non-Depreciable Assets:				
Land	\$ 24,190,205	\$ 3,044,828	\$ -	\$ 27,235,033
Intangible	15,600	37,230	-	52,830
Construction in Progress	4,492,391	11,139,019	5,658,082	9,973,328
Total capital assets not being depreciated	<u>28,698,196</u>	<u>14,221,077</u>	<u>5,658,082</u>	<u>37,261,191</u>
Depreciable Assets:				
Buildings	139,214,995	19,556	-	139,234,551
Other improvements	6,273,119	2,599,698	-	8,872,817
Leasehold improvements	7,663,470	-	-	7,663,470
Equipment	7,233,581	123,653	46,702	7,310,532
Vehicles and motorized equipment	3,027,712	133,578	98,109	3,063,181
Total depreciable assets	<u>163,412,877</u>	<u>2,876,485</u>	<u>144,811</u>	<u>166,144,551</u>
Less Accumulated Depreciation:				
Buildings	32,560,298	2,795,659	-	35,355,957
Other improvements	5,009,486	441,144	-	5,450,630
Leasehold improvements	2,651,158	274,656	-	2,925,814
Equipment	6,233,612	335,481	46,702	6,522,391
Vehicles and motorized equipment	2,114,492	314,935	84,865	2,344,562
Total accumulated depreciation	<u>48,569,046</u>	<u>4,161,875</u>	<u>131,567</u>	<u>52,599,354</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 143,542,027</u>	<u>\$ 1,759,438</u>	<u>\$ 13,244</u>	<u>\$ 150,806,388</u>

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

<b>Governmental Activities:</b>	
General government	\$ 2,069,340
Public safety	539,889
Economic development	5,529
Environmental protection	380
Human services	237,296
Cultural and recreational	1,309,441
Total	<u>\$ 4,161,875</u>

## WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2023

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Non-Depreciable Assets:</b>				
Land	\$ 1,100,815	\$ -	\$ -	\$ 1,100,815
Construction in progress	794,782	592,994	-	1,387,776
Total non-depreciable assets	<u>1,895,597</u>	<u>592,994</u>	<u>-</u>	<u>2,488,591</u>
<b>Depreciable and Amortizable Assets:</b>				
Improvements	462,279	-	-	462,279
Leasehold improvements	319,959	-	-	319,959
Buildings	4,152,793	-	-	4,152,793
Equipment	2,151,444	229,135	138,945	2,241,634
Vehicles	1,779,153	14,426	-	1,793,579
Total depreciable and amortizable assets	<u>8,865,628</u>	<u>243,561</u>	<u>138,945</u>	<u>8,970,244</u>
<b>Less Accumulated Depreciation:</b>				
Improvements	435,650	11,620	-	447,270
Leasehold improvements	314,652	248	-	314,900
Buildings	1,631,895	85,898	-	1,717,793
Equipment	1,728,784	71,074	76,852	1,723,006
Vehicles	1,534,776	131,718	-	1,666,494
Total accumulated depreciation	<u>5,645,757</u>	<u>300,558</u>	<u>76,852</u>	<u>5,869,463</u>
Total capital assets being depreciated, net				
<b>Business-type capital assets, net</b>	<u>\$ 5,115,468</u>	<u>\$ 535,997</u>	<u>\$ 62,093</u>	<u>\$ 5,589,372</u>

### Construction commitments

The County has three active construction projects as of June 30, 2023. The governmental projects include the Valle Crucis School, a parking deck, and the 911 Emergency Building. At June 30, 2023 the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Valle Crucis School	\$ 6,885,621	\$ 43,374,493
911 Emergency Building	111,082	989,946
Parking deck	108,000	4,884,202
Total	<u>\$ 7,104,703</u>	<u>\$ 49,248,641</u>

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**Discretely presented component units**

Capital asset activity for the AppalCART for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,114,242	\$ -	\$ -	\$ 1,114,242
Construction in progress	6,850	8,190	-	15,040
Total capital assets not being depreciated	<u>1,121,092</u>	<u>8,190</u>	<u>-</u>	<u>1,129,282</u>
<b>Capital assets being depreciated:</b>				
Buildings	6,713,329	-	-	6,713,329
Land improvements	11,156	-	-	11,156
Office furniture and equipment	711,656	3,430	5,778	709,308
Shop equipment	343,045	6,512	-	349,557
Vehicles	11,757,598	1,060,013	63,596	12,754,015
Total capital assets being depreciated	<u>19,536,784</u>	<u>1,069,955</u>	<u>69,374</u>	<u>20,537,365</u>
Less accumulated depreciation for:				
Buildings	1,222,728	135,789	-	1,385,517
Land improvements	12,764	536	-	13,300
Office furniture and equipment	483,678	63,264	5,778	541,164
Shop equipment	294,421	10,042	-	304,463
Vehicles	6,352,338	1,038,577	45,426	7,345,489
Total accumulated depreciation	<u>8,365,929</u>	<u>1,248,208</u>	<u>51,204</u>	<u>9,562,933</u>
Total capital assets being depreciated, net	<u>11,170,855</u>			<u>10,974,432</u>
<b>Business-type activities capital assets, net</b>	<u>\$12,291,947</u>			<u>\$12,103,714</u>

**6. Right to Use Leased Assets**

The County has recorded 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 for the County for the year ended June 30, 2023, was as follows:

<b>Enterprise Fund</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Right to use assets</b>				
Leased land	\$ 144,380	\$ -	\$ -	\$ 144,380
Total right to use assets	<u>144,380</u>	<u>-</u>	<u>-</u>	<u>144,380</u>
Less accumulated amortization for:				
Leased land	13,046	13,047	-	26,093
Total accumulated amortization	<u>13,046</u>	<u>13,047</u>	<u>-</u>	<u>26,093</u>
<b>Right to use assets, net</b>	<u>131,334</u>	<u>(13,047)</u>	<u>-</u>	<u>118,287</u>

AppalCART has recorded 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.

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

Right to use asset activity for the for AppalCART for the year ended June 30, 2023, was as follows:

AppalCART	Beginning Balance	Additions	Decreases	Ending Balance
<b>Right to use assets</b>				
IT subscriptions	\$ -	\$ 357,195	\$ -	\$ 357,195
Total right to use assets	-	357,195	-	357,195
Less accumulated amortization for:				
Leased land	-	17,070	-	17,070
Total accumulated amortization	-	17,070	-	17,070
<b>Right to use assets, net</b>	-	340,125	-	340,125

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2023, were as follows:

	Vendors	Salaries and benefits	Due to other governments	Total
Governmental activities:				
General	\$ 1,158,033	\$ 270,055	\$ 429,937	\$ 1,858,025
Valle Crucis Project	2,552,621	-	-	2,552,621
ARP Project	2,399,974	-	-	2,399,974
Other governmental funds	-	-	635,644	635,644
Total-governmental activities	\$ 6,110,628	\$ 270,055	\$ 1,065,581	\$ 7,446,264
Business-type activities:				
Solid Waste	\$ 285,290	\$ 18,545	\$ -	\$ 303,835

**2. Pension Plan Obligations**

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

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.17% 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 \$1,865,907 for the year ended June 30, 2023.

*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, 2023, the County reported a liability of \$9,633,867 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the County's proportion was 0.17077% (measured as of June 30, 2022), which was an increase of 0.00429% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$2,838,025. At June 30, 2023, 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, 2023

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 415,115	\$ 40,700
Changes of assumptions	961,244	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	3,184,094	-
County contributions subsequent to the measurement date	<u>1,865,907</u>	<u>-</u>
Total	\$ <u><u>6,638,862</u></u>	\$ <u><u>40,700</u></u>

\$1,865,907 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 1,521,733
2025	1,292,543
2026	401,017
2027	1,516,963
2028	-
Thereafter	-
Total	\$ <u><u>4,732,255</u></u>

At June 30, 2023, the Authority reported a liability of \$136,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the Authority's proportion was 0.00242% (measured as of June 30, 2022), which was an increase of 0.00025% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Authority recognized pension expense of \$39,324. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,883	\$ 577
Changes of assumptions	13,622	-
Net difference between projected and actual earnings on pension plan investments	45,122	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	6,554	1,542
Authority contributions subsequent to the measurement date	<u>25,610</u>	<u>-</u>
Total	\$ <u><u>96,791</u></u>	\$ <u><u>2,119</u></u>



## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

\$96,791 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2024	\$	21,214
2025		19,848
2026		6,503
2027		21,497
2028		-
Thereafter		-
Total	\$	<u>69,062</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The plan currently uses the Pub-2010 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 are projected from 2010 using generational improvement with Scale MP-2019.

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 asset liability and investment policy study for the North Carolina Retirement Systems, including

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

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 2.5%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.5%. 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 6.5 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 (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	<b>1% Decrease (5.5%)</b>	<b>Discount Rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
County's proportionate share of the net pension liability (asset)	\$ 17,387,881	\$ 9,633,867	\$ 3,244,102
	<b>1% Decrease (5.5%)</b>	<b>Discount Rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
Authority's proportionate share of the net pension liability (asset)	\$ 246,406	\$ 136,523	\$ 45,973

*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.

*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

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

System. The following table summarizes the membership of the Plan as of June 30, 2021, the valuation date:

Retirees receiving benefits	2
Inactive members entitled to but not receiving benefits	0
Active plan members	47
Total	49

*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, 2023, the County contributed \$40,873, or 1.5% 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, 2022 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	3.54 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 3.54%. 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, 2022.

*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, 2022.

*Sensitivity of the net pension asset to changes in the discount rate.* The following presents the net pension liability calculated using the discount rate of 3.54 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 (2.54 percent) or one percentage point higher (4.54 percent) than the current rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Net pension liability	\$491,786	\$380,128	\$278,427

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance as of June 30, 2021; measurement date</b>	\$ 1,285,177	\$ 750,688	\$ 534,489
<b>Changes for the year:</b>			
Service cost	103,956	-	103,956
Interest	29,684	-	29,684
Benefit changes	-	-	-
Difference between expected and actual experience	(11,373)	-	(11,373)
Changes of assumptions or other inputs	(156,813)	-	(156,813)
Contributions – employer	-	129,790	(129,790)
Contributions – employee	-	-	-
Net investment income	-	525	(525)
Benefits paid	(29,790)	(29,790)	-
Plan administrative expenses	-	(10,500)	10,500
Net changes	<u>(64,336)</u>	<u>90,025</u>	<u>(154,361)</u>
<b>Balance as of June 30, 2022; measurement date</b>	<u>\$ 1,220,841</u>	<u>\$ 840,713</u>	<u>\$ 380,128</u>

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

The assumed rate of return was decreased from 2.16% to 3.54% 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, 2023, the County recognized pension expense of \$135,865. 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, 2023 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of the June 30, 2022 measurement date:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 67,542
Changes of assumptions	74,370	-
Net difference between projected and actual earnings on pension plan investments	27,379	-
County benefit payments and admin expenditures subsequent to the measurement date	40,873	-
<b>Total</b>	<u>\$ 142,622</u>	<u>\$ 67,542</u>

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

The County paid \$40,873 in benefit payments and \$0 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2024	\$ 6,985
2025	5,290
2026	3,757
2027	659
2028	-2,672
Thereafter	20,188
Total	<u>\$ 34,207</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, 2023 were \$199,609, which consisted of \$139,429 from the County and \$60,180 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, 2023 to these plans were \$854,380 which consisted of \$566,705 from the County and \$287,675 from employees. No amounts were forfeited.

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

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

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

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](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year, and for the foreseeable future, is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$9,141 for the year ended June 30, 2023.

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

At June 30, 2023, the County reported an asset of \$82,713 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the County's proportion was .62472%, which was a decrease of .05118% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the County recognized pension expense of \$14,184. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 637	\$ 1,499
Changes of assumptions	4,379	-
Net difference between projected and actual earnings on pension plan investments	34,378	-
Changes in proportion and differences between County contributions and proportionate share of contributions	7,004	3,681
County contributions subsequent to the measurement date	9,141	-
Total	\$ 55,539	\$ 5,180

\$9,141 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, 2024. 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, 2023

Year ended June 30:	
2024	\$ 10,010
2025	11,117
2026	11,445
2027	8,645
2028	-
Total	<u>\$ 41,218</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.0 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, 2021 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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 3.2%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2023 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 2.5%. 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

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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:

	<b>1% Decrease (2.0%)</b>	<b>Discount Rate (3.0%)</b>	<b>1% Increase (4.0%)</b>
County's proportionate share of the net pension liability (asset)	\$95,339	\$(82,713)	\$140,774

*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, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021. The net pension liability (asset) for LEOSSA was measured as of June 30, 2022, with an actuarial valuation date of December 31, 2021. 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:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 9,633,867	\$ (82,713)	\$ -	\$ 9,551,154
Proportion of the Net Pension Liability (Asset)	0.17077%	0.62472%	n/a	n/a
Net Pension Liability	-	-	\$ 380,128	\$ 380,128
Pension Expense	\$ 2,838,025	\$ 14,184	\$ 135,865	\$ 2,988,074



## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	ROD	LEOSSA	Total
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 415,115	\$ 637	\$ -	\$ 415,752
Changes of assumptions	961,244	4,379	74,370	1,039,993
Net difference between projected and actual earnings on pension plan investments	3,184,094	34,378	27,379	3,245,851
Changes in proportion and differences between County contributions and proportionate share of contributions	212,502	7,004	-	219,506
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,865,907	9,141	40,873	1,915,921
Total	\$ 6,638,862	\$ 55,539	\$ 142,622	\$ 6,837,023
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	\$ 40,700	\$ 1,499	\$ -	\$ 42,199
Changes of assumptions	-	-	67,542	67,542
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	3,681	-	3,681
Total	\$ 40,700	\$ 5,180	\$ 67,542	\$ 113,422

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

##### **Plan Description**

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

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

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

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

Inactive plan members or beneficiaries currently receiving benefit payments	21
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>247</u>
Total	<u>268</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 \$110,300.

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

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

### **Investments**

*Investment policy.* The HCB Plan's policy in regards to the allocation of invested assets is established by the County Financial Policy used by management. It is the policy of the County to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio and staggered maturities. Investments are valued at fair value. The current asset allocation policy is in 100% fixed income investments with an expected long term rate of return of 3.54 percent.

*Rate of return.* For the year ended June 30, 2023, the annual money weighted rate of return on investments, net of investment expense, was 3.54 percent.

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

The components of the net OPEB liability of the County at June 30, 2023 were as follows:

Total OPEB Liability	\$	4,649,752
Plan fiduciary net position		<u>2,452,775</u>
County's net OPEB liability	\$	<u>2,196,977</u>

Plan fiduciary net position as a percentage of Total OPEB Liability is 52.75%.

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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	3.54 percent
Healthcare cost trend rates	6.25 percent, then 7.25 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, 2022 and June 30, 2021 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 3.54 percent. The discount rate incorporates a municipal bond rate which is 3.54 percent as reported in the Bond Buyer for the 20 Year general obligation bonds as of June 30, 2022.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54 percent)	Discount Rate (3.54 percent)	1% Increase (4.54 percent)
Net OPEB liability (asset)	\$ 2,608,343	\$ 2,196,977	\$ 1,826,920

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

	1% Decrease in Trend Rates	Healthcare Cost Trend Rate	1% Increase in Trend Rates
Net OPEB liability (asset)	\$ 1,885,283	\$ 2,196,977	\$ 2,564,760

*Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2023, the County reported a net OPEB liability of

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

\$2,196,977. The total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2022.

At June 30, 2023, the components of the net OPEB liability of the County, as measured at June 30, 2022, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2022	\$ 5,174,614	\$ 2,219,361	\$ 2,955,253
Changes for the Year:			-
Service Cost	350,496	-	350,496
Interest	118,227	-	118,227
Differences between Expected and Actual experience	116,866	-	116,866
Changes of assumptions	(1,006,651)	-	(1,006,651)
Contributions	-	349,000	(349,000)
Net Investment Income	-	1,714	(1,714)
Administrative expense	-	(13,500)	13,500
Benefit Payments	(103,800)	(103,800)	-
Net Changes	(524,862)	233,414	(758,277)
Balances at June 30, 2023	\$ 4,649,752	\$ 2,452,775	\$ 2,196,977

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 2.16 percent in 2021 to 3.54 percent in 2022.

For the year ended June 30, 2023, the County recognized OPEB expense of \$406,2261. At June 30, 2023, 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	\$ -	\$ 43,495
Changes of assumptions	-	562,598
Net Difference between projected and actual earnings on plan investments	81,480	-
County contributions subsequent to the measurement date	110,300	-
Total	\$ 191,780	\$ 606,093

\$110,300 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

2024	\$	(33,178)
2025		(73,867)
2026		(32,178)
2027		(67,027)
2028		(77,915)
Thereafter		(240,448)
	\$	<u>(524,613)</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 \$121,745. The County will recognize the postclosure costs over the remaining 1 year.

**(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 \$434,248 reported as landfill closure and postclosure care liability at June 30, 2023 represents a cumulative amount reported to

## WATAUGA COUNTY, NORTH CAROLINA

### Notes to the Financial Statements For the Year Ended June 30, 2023

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 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023.

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

Deferred outflows and inflows of resources as of June 30, 2023 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources Statement of Net Position	Governmental Funds Balance Sheet
<b>Deferred Outflows of Resources:</b>			
Changes in assumptions, pension and OPEB	\$ 956,365	\$ 581,194	\$ -
Pensions and OPEB - difference between expected and actual experience	379,637	78,369	-
Pensions and OPEB - difference between projected and actual investment earnings	3,043,226	-	-
Pensions and OPEB - change in proportion and difference between employer contributions and proportionate share of contributions	201,018	3,681	-
Contributions to pension and OPEB plans in the current year	1,854,291	-	-
Deferred charge on refunding of debt	555,240	-	-
Note Receivable (General)	-	-	14,960,505
Prepaid taxes not yet earned (General)	-	4,778	4,778
Taxes receivable, net (General)	-	-	957,160
Lease receivable (General)	-	897,279	897,279
Taxes receivable, net (Special Revenue)	-	-	116,032
Total deferred outflows of resources	<u>\$6,989,777</u>	<u>\$ 1,565,301</u>	<u>\$ 16,935,754</u>

#### 5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administrated by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$137,442,301 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.

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

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

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 is bonded for \$1,000,000. The 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 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 \$35,649 at June 30, 2023. The right to use asset is discussed in more detail in the right to use asset section of this note.

\$ 37,403

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 \$8,696 at June 30, 2023. The right to use asset is discussed in more detail in the right to use asset section of this note.

8,996

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

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 \$9,806 at June 30, 2023. The right to use asset is discussed in more detail in the right to use asset section of this note. 10,095

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 \$33,476 at June 30, 2023. The right to use asset is discussed in more detail in the right to use asset section of this note. 34,447

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 \$30,660 at June 30, 2023. The right to use asset is discussed in more detail in the right to use asset section of this note. 31,557

Total Enterprise Fund leases \$ 122,498

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	10,177	2,292	12,469
2028-2032	57,826	5,709	63,535
2033-2038	8,142	169	8,311
Total	<u>\$ 122,498</u>	<u>\$ 21,154</u>	<u>\$ 143,652</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 totaled \$17,390,000 with a new principal balance of \$19,240,000. The refunding was undertaken to reduce total debt service payments by \$677,245 over the remaining life of the purchase agreements. The Series A bonds have an outstanding balance at June 30, 2023 of \$17,960,000. Series B was for



# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2023

\$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, 2023 is \$13,210,000. 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.

The fourth direct placement installment purchase agreement was for limited obligations bonds and was executed in the amount \$31,800,000 for the construction of the Valle Crucis School on October 27, 2022. The installment purchase calls for annual payments of principal and semi-annual payments of interest for a period of 20 years. The annual principal payments range from \$965,000 to \$1,625,000. The outstanding balance as of June 30, 2023 is \$30,835,000. Proceeds from the LOBs included a premium of \$2,997,003 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, 2023, including \$20,275,224 of interest, are:

<u>Years Ending June 30,</u>	<b>Governmental Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,615,000	\$ 2,635,607	\$ 9,250,607
2025	6,570,000	2,402,112	8,972,112
2026	6,545,000	2,138,015	8,683,015
2027	6,500,000	1,899,685	8,399,685
2028	6,465,000	1,660,005	8,125,005
2029-2033	14,705,000	5,769,550	20,474,550
2034-2038	8,125,000	2,919,750	11,044,750
2039-2043	6,480,000	850,500	7,330,500
Total	<u>\$ 62,005,000</u>	<u>\$ 20,275,224</u>	<u>\$ 82,280,224</u>

**b. General Obligation Indebtedness**

The County has no general obligation debt outstanding or authorized as of June 30, 2023. At June 30, 2023, Watauga County had a legal debt margin of \$1,061,247,856.

**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 \$715,525 and the annual amortization of interest expense is in the government-wide statements.

## WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2023

### 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, 2023:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
<b>Governmental Activities:</b>					
Direct placement installment purchases	\$ 36,210,000	31,800,000	\$ 6,005,000	\$62,005,000	6,615,000
Net pension liability (LGERS)	2,331,009	6,464,712	-	8,795,721	-
Total pension liability (LEOSSA)	534,489	-	154,361.00	380,128	-
Net OPEB liability	2,698,146	-	692,306.00	2,005,840	-
Premium on LOBS	1,263,737	2,997,003	264,735	3,996,005	264,735
Premium on advance refunding	858,630	-	143,105	715,525	143,105
Compensated absences	1,116,968	1,952,201	1,840,351	1,228,818	111,850
<b>Total</b>	<b>\$ 45,012,979</b>	<b>\$ 43,213,916</b>	<b>\$ 9,099,858</b>	<b>\$79,127,037</b>	<b>7,134,690</b>
<b>Business-Type Activities:</b>					
Net pension liability (LGERS)	\$ 222,122	\$ 616,024	\$ -	\$ 838,146	\$ -
Net OPEB liability	257,107	-	65,970	191,137	-
Accrued landfill closure and post closure costs	649,999	-	94,006	555,993	121,745
Leases	133,442	-	10,944	122,498	11,556
Compensated absences	125,980	180,739	186,619	120,100	5,881
<b>Total</b>	<b>\$ 1,388,650</b>	<b>\$ 796,763</b>	<b>\$ 357,539</b>	<b>\$ 1,827,874</b>	<b>\$ 139,182</b>
<b>Discretely presented component units:</b>					
<b>AppalCART</b>					
Lease liabilities	\$ -	\$ 334,920	\$ 15,000	\$ 319,920	\$ 71,912
Compensated absences	104,660	59,825	50,377	114,108	50,377
<b>Total</b>	<b>\$ 104,660</b>	<b>\$ 394,745</b>	<b>\$ 65,377</b>	<b>\$ 434,028</b>	<b>\$ 122,289</b>
<b>Watauga County TDA</b>					
Net pension liability (LGERS)	\$ 33,279	\$ 103,244	\$ -	\$ 136,523	\$ -
Compensated absences	11,755	5,005	-	16,760	16,760
<b>Total</b>	<b>\$ 45,034</b>	<b>\$ 108,249</b>	<b>\$ -</b>	<b>\$ 153,283</b>	<b>\$ 16,760</b>

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, 2023

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2023, consist of the following:

From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions	\$ 17,472,571
From the Capital Projects Fund to the Valle Crucis School Capital Project Fund	14,763,998
From the Capital Projects Fund to the 911 Building Capital Project Fund	3,500,000
From the Community Recreation Center Fund to the Capital Projects Fund to	
From the Capital Projects Fund to the General Fund	9,203,557
Total	<u>\$ 44,940,126</u>

**D. Net Investment in Capital Assets**

	Governmental	Business-type
Capital assets	\$ 150,806,389	\$ 5,589,372
Less long-term debt	62,005,000	-
Less LOBs premium	3,996,005	-
Add Deferred charge on refunding	555,240	-
Less Advance refunding premium	715,525	-
Net investment in capital assets	<u>\$ 84,645,098</u>	<u>\$ 5,589,372</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	\$65,187,285
Less:	
Stabilization by State Statute	15,486,170
Prepaid expense	30,363
Leases	27,249
Appropriated in future years'	829,626
Register of Deeds Automation/Enhancement	99,187
Remaining fund balance	<u>\$48,714,690</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 - \$8,667,147
	Emergency 911 Fund - \$77,743
	Enterprise Fund - \$1,383,012

**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, 2023. In

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements

For the Year Ended June 30, 2023

accordance with the intergovernmental agreement between the participating governments, the County appropriated \$741,660 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, 2023. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$945,555 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 \$1,047,793 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 \$48,342 and purchased services in the amount of \$14,830 with the Council during the fiscal year ended June 30, 2023. The County was the sub recipient of four grants totaling \$350,170. The first grant is for \$314,025 in Home and Community Care Block Grant funds and the second is for \$21,570 in Nutrition Programs for the Elderly funds. Both are from the US Department of Health and Human Services and the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council. The third grant is for \$14,575 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 \$182 in Emergency Telephone System expenditures for the fiscal year ended June 30, 2023, resulting in a prior period adjustment. The prior period adjustment is reflected in the nonmajor special revenue fund, Emergency Telephone System Fund.

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2023

**Note 7 -**

**Subsequent Events**

For the year ended June 30, 2023, the County has evaluated subsequent events for potential recognition and disclosure through January 31, 2024 – the date the financial statements were available to be issued.

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

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

	<u>2023**</u>	<u>2022**</u>	<u>2021**</u>	<u>2020**</u>	<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016*</u>
<b>Total pension liability</b>								
Service cost	\$ 103,956	100,463	\$ 65,966	\$ 59,759	\$ 57,398	\$ 57,127	\$ 24,305	\$ 49,129
Interest	29,684	28,211	30,823	30,735	26,308	25,578	14,474	26,460
Benefit changes	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(11,373)	-	37,151	-	25,317	(173,460)	(33,229)	-
Changes of assumptions and other inputs	(156,813)	2,166	271,350	29,530	(21,390)	(50,285)	60,466	11,037
Benefit payments, including refunds of member contributions	(29,790)	(43,436)	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
<b>Net change in total pension liability</b>	<u>(64,336)</u>	<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>
<b>Total pension liability-beginning</b>	<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>	<u>726,794</u>
<b>Total pension liability-ending (a)</b>	<u>\$ 1,220,841</u>	<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>
<b>Plan net position</b>								
Contributions-employer	\$ 129,790	137,936	\$ 139,433	\$ 130,091	\$ 109,744	\$ 143,399	\$ 7,101	\$ 71,302
Contributions-member	-	-	-	-	-	-	-	-
Net investment income	525	163	13,682	11,387	5,867	752	428	706
Benefit payments, including refunds of member contributions	(29,790)	(43,436)	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
Administrative expense	(10,500)	(10,000)	(10,000)	(9,519)	(18,500)	(457)	-	(236)
Refund of contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Net change in plan net position</b>	<u>90,025</u>	<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>
<b>Plan net position-beginning</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>	<u>224,415</u>
<b>Plan net position-ending (b)</b>	<u>\$ 840,713</u>	<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>
<b>Net pension liability-ending (a) - (b)</b>	<u>\$ 380,128</u>	<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, 2022.

\*\*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 increased from 2.16% to 3.54% based on the change in the 20-year exempt municipal bond index 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 Eight Fiscal Years

	2023**	2022**	2021**	2020**	2019**	2018**	2017**	2016*
Total pension liability (TPL)	\$ 1,220,841	\$ 1,285,177	\$ 1,197,773	\$ 836,916	\$ 751,983	\$ 690,594	\$ 849,033	\$ 790,118
Plan net position	840,713	750,688	666,025	567,343	470,475	399,608	273,313	272,885
Net pension liability	<u>\$ 380,128</u>	<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	68.86%	58.41%	55.61%	67.79%	62.56%	57.86%	32.19%	34.54%
Covered payroll	2,722,736	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	13.96%	23.16%	23.04%	13.44%	14.04%	15.84%	30.57%	28.15%

\*Information is as of the Measurement date of June 30, 2022.

\*\*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, 2022, 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	3.54%, net of pension plan investment expense, including inflation

Mortality Pre-retirement mortality rates are based on Pub-2010 Safety Employees tables, projected forward generationally using Scale MP-2019. Mortality rates for the period after retirement based on Pub-2010 Safety Retirees tables, set forward one year and multiplied by .97, then projected generationally using Scale MP-2019.

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

Schedule 3

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

	<u>2023</u>	<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	\$ 182,840	\$ 172,076	\$ 109,031	\$ 103,230	\$ 88,544	\$ 109,308	\$ 95,479	\$ 60,285
Contributions in relation to the contractually required contribution	40,873	129,790	137,936	139,433	130,091	109,744	143,399	39,727
Contribution deficiency (excess)	<u>\$ 141,967</u>	<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	\$ 2,722,736	\$ 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	1.50%	5.62%	5.98%	6.95%	6.49%	5.97%	7.86%	2.11%

**Notes to schedule:**

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

Methods and assumptions used to determine contribution rates for the year ended June 30, 2022:

Actuarial cost method	Entry Age
Amortization method	Closed 30 year level dollar as of June 30, 2020
Remaining amortization period	28 years from June 30, 2022
Asset valuation method	Market value of assets
Investment Rate of Return	3.54%, including inflation, net of pension plan investment expense
Inflation	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

Mortality: Pre-retirement mortality rates are based on Pub-2010 Safety Employees 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 Seven Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>							
Service cost	\$ 350,496	\$ 336,542	\$ 273,893	\$ 248,114	\$ 204,963	\$ 245,616	\$ 196,127
Interest	118,227	116,375	157,322	162,144	133,400	104,379	128,565
Benefit changes	-	-	-	-	-	-	-
Difference between expected and actual experience	116,866	(164,860)	(299,908)	(114,921)	705,179	(166,570)	-
Changes of assumptions and other inputs	(1,006,651)	20,845	710,395	124,063	(491,388)	(209,201)	264,995
Benefit payments, including refunds of member contributions	(103,800)	(126,500)	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
<b>Net change in total OPEB liability</b>	<u>(524,862)</u>	<u>182,402</u>	<u>701,902</u>	<u>277,900</u>	<u>430,054</u>	<u>(133,576)</u>	<u>468,987</u>
<b>Total OPEB liability-beginning</b>	<u>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>	<u>3,246,945</u>
<b>Total OPEB liability-ending (a)</b>	<u>4,649,752</u>	<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>
<b>Plan fiduciary net position</b>							
Contributions-employer	\$ 349,000	\$ 293,500	\$ 257,800	\$ 264,000	\$ 264,800	\$ 872,800	\$ 207,436
Contributions-member	-	-	-	-	-	-	-
Net investment income	1,714	6,607	42,295	32,752	22,310	10,714	7,889
Benefit payments, including refunds of member contributions	(103,800)	(126,500)	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
Administrative expense	(13,500)	(13,000)	(13,000)	(12,538)	(25,000)	-	(4,800)
<b>Net change in plan fiduciary net position</b>	<u>233,414</u>	<u>160,607</u>	<u>147,295</u>	<u>142,714</u>	<u>140,010</u>	<u>775,714</u>	<u>89,825</u>
<b>Plan fiduciary net position-beginning</b>	<u>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>	<u>763,196</u>
<b>Plan fiduciary net position-ending (b)</b>	<u>2,452,775</u>	<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>
<b>Net OPEB liability-ending (a) - (b)</b>	<u>\$ 2,196,977</u>	<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	52.75%	42.89%	41.24%	44.55%	44.08%	45.47%	22.96%
Covered employee payroll	\$ 15,361,543	\$ 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	14.30%	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 2022 the discount rate changed from 2.16% to 3.54%

Watauga County, North Carolina  
Other Post Employment Benefits Irrevocable Trust

Schedule of County Contributions  
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 474,735	\$ 468,418	\$ 282,753	\$ 272,198	\$ 227,672	\$ 253,925	\$ 179,656	\$ 171,685	\$ 171,685	\$ 177,098
Contributions in relation to the actuarially determined contribution	110,300	349,000	293,500	257,800	264,000	256,000	872,800	207,436	230,450	205,575
Contribution deficiency (excess)	\$ <u>364,435</u>	\$ <u>119,418</u>	\$ <u>(10,747)</u>	\$ <u>14,398</u>	\$ <u>(36,328)</u>	\$ <u>(2,075)</u>	\$ <u>(693,144)</u>	\$ <u>(35,751)</u>	\$ <u>(58,765)</u>	\$ <u>(28,477)</u>
Covered payroll	\$ 15,361,543	\$ 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
Contributions as a percentage of covered payroll	0.72%	2.48%	2.15%	2.18%	2.30%	2.38%	8.59%	1.97%	2.30%	1.98%

**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, 2022

Discount rate

Actuarial cost method

Amortization method

Remaining amortization period

Asset valuation method

Inflation rate

Salary increases

Investment rate of return

Mortality

Healthcare trend costs

3.54% as of June 30, 2022 and 2.16% as of June 30, 2021 measurement

Entry age actuarial cost method

Closed 30 year level dollar as of June 30, 2020

28-years from June 30, 2021

Market Value

2.50%

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

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.

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.

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.

6.25%, then 7.25% 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 Seven Fiscal Years

	<u>2023</u>	<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	0.07%	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 Ten Fiscal Years\*

	<u>2023</u>	<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) %	0.17077%	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) \$	\$ 9,633,867	\$ 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	\$ 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	10,367,190
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	70.64%	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 **	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

\*\* 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 Ten Fiscal Years

	<u>2023</u>	<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	\$ 1,865,907	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	1,865,907	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>	\$ <u>-</u>
County's covered payroll	15,121,526	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	12.34%	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 Ten Fiscal Years\*

	<u>2023</u>	<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) %	-0.6247%	-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) \$	\$ (82,713)	\$ (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 **	139.04%	156.53%	173.62%	164.44%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

\*\* 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 Ten Fiscal Years

	<u>2023</u>	<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	\$ 9,141	\$ 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	9,141	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>	<u>\$ -</u>

**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)**

	Required Supplementary Information Local Governmental Employees' Retirement System Last Ten Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset) %	0.00242%	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) \$	\$ 136,523	\$ 33,279	\$ 73,970	\$ 68,819	\$ 62,155	\$ 42,165	\$ 61,334	\$ 12,880	\$ (16,808)	\$ 48,215
Authority's covered payroll	\$ 194,005	\$ 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	70.37%	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**	84.14%	92.00%	92.00%	94.18%	91.47%	98.09%	98.79%	102.64%	94.35%	98.22%

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

\*\* 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 Ten Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2023</u>	<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	\$ 25,610	\$ 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	25,610	21,226	17,897	15,619	13,761	12,227	11,247	10,241	10,075	9,281
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Authority's covered payroll	\$ 213,162	\$ 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	12.01%	10.94%	10.18%	8.99%	7.84%	7.88%	7.34%	7.17%	8.04%	6.25%

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance
<b>REVENUES:</b>			
Taxes - ad valorem:			
Current year		\$ 44,230,190	
Prior years		535,952	
Advertising and interest		222,982	
Total Taxes - ad valorem	\$ 42,719,702	44,989,124	\$ 2,269,422
Taxes - other:			
Local option sales taxes		20,149,869	
Real estate transfer tax		1,032,197	
ABC Bottle tax		26,389	
Heavy equipment rental tax		11,174	
Gross receipts tax		70,392	
Video programming tax		247,900	
Total Taxes - other	16,814,730	21,537,921	4,723,191
Unrestricted Intergovernmental:			
Miscellaneous revenues from Towns		2,660,902	
Medicaid hold harmless		3,130,541	
Tax collection fees		170,959	
Occupancy tax administrative fee		48,065	
Payments in lieu of taxes		32,014	
Total Unrestricted Intergovernmental	4,377,000	6,042,481	1,665,481
Restricted Intergovernmental:			
Grants-Federal and State		4,518,697	
Public School Building Capital Fund - Lottery		278,203	
Court facilities fees		67,873	
Total Restricted Intergovernmental	6,287,246	4,864,773	(1,422,473)
Permits and Fees:			
Sheriff's office permits and fees		135,006	
Planning and inspection fees		448,729	
Register of deeds fees		307,459	
Fire inspection fees		29,011	
Child Support fees		59,263	
Total Permits and Fees	820,847	979,468	158,621
Sales and Services:			
POA services		9,999	
TDA Financial and other services		24,000	
Recreation fees		1,967,603	
Reimbursement for Inmates		16,895	
Rent		142,039	
Lease revenue		270,463	
DMV notary/passport processing fees		199,330	
Town of Boone consolidated 911		415,940	
Town of Beech Mountain medic services		428,206	
Election revenues		46	
Total Sales and Service	2,796,250	3,474,521	678,271
Investment earnings:	56,000	1,999,639	1,943,639
Miscellaneous:			
Other		1,580,512	
Donations		120,493	
Total Miscellaneous	585,476	1,701,005	1,115,529
<b>TOTAL REVENUES</b>	<b>74,457,251</b>	<b>85,588,932</b>	<b>11,131,681</b>

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance
<b>EXPENDITURES:</b>			
<b>General Government</b>			
Governing Body:			
Salaries and benefits		\$ 49,909	
Operating expenses		9,434	
Total Governing Body	\$ 65,121	59,343	\$ 5,778
Administration:			
Salaries and benefits		554,047	
Operating expenses		11,554	
Total Administration	568,887	565,601	3,286
Finance:			
Salaries and benefits		357,770	
Operating expenses		69,676	
Total Finance	469,047	427,446	41,601
Tax Administration:			
Salaries and benefits		734,462	
Operating expenses		249,389	
Total Tax Administration	1,059,815	983,851	75,964
Tax Revaluation:			
Operating expenses		378,364	
Total Tax Revaluation	382,150	378,364	3,786
Tag Office:			
Salaries and benefits		260,366	
Operating expenses		4,336	
Total Tag Office	288,935	264,702	24,233
Legal Services:			
Operating expenses	101,000	74,451	26,549
Court facilities:			
Operating expenses	2,000	395	1,605
Board of Elections:			
Salaries and benefits		276,164	
Operating expenses		115,302	
Total Board of Elections	413,076	391,466	21,610
Register of Deeds:			
Salaries and benefits		521,677	
Operating expenses		99,745	
Capital outlay		2,644	
Total Register of Deeds	677,532	624,066	53,466
General Administration:			
Operating expenses		679,442	
Capital outlay		51,048	
Total General Administration	1,471,663	730,490	741,173
Information Technologies:			
Salaries and benefits		551,624	
Operating expenses		502,945	
Capital outlay		76,767	
Total Information Technologies	1,132,700	1,131,336	1,364

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance
Maintenance:			
Salaries and benefits		\$ 1,625,159	
Operating expenses		34,229	
Capital outlay		35,693	
Total Maintenance	\$ 1,856,113	1,695,081	\$ 161,032
Public Buildings:			
Operating expenses		3,923,811	
Capital outlay		13,066	
Total Public Buildings	9,733,321	3,936,877	5,796,444
<b>Total General Government</b>	<b>18,221,360</b>	<b>11,263,469</b>	<b>6,957,891</b>
<b>Public Safety</b>			
Sheriff's Office:			
Salaries and benefits		4,550,577	
Operating expenses		453,550	
Capital outlay		473,550	
Total Sheriff's Office	5,892,466	5,477,677	414,789
Detention Center:			
Salaries and benefits		1,885,708	
Operating expenses		654,422	
Capital outlay		4,233	
Total Detention Center	3,080,687	2,544,363	536,324
Emergency Services:			
Salaries and benefits		1,291,062	
Operating expenses		62,444	
Capital outlay		67,117	
Total Emergency Services	3,184,886	1,420,623	1,764,263
Emergency Management:			
Salaries and benefits		337,099	
Operating expenses		1,777,321	
Capital outlay		33,550	
Total Emergency Management	2,191,193	2,147,970	43,223
Planning and Inspections:			
Salaries and benefits		734,233	
Operating expenses		26,247	
Total Planning and Inspections	794,924	760,480	34,444
Other Emergency Services:	2,475,195	2,448,967	26,228
Animal Control:			
Salaries and benefits		162,750	
Operating expenses		8,906	
Capital outlay		36,631	
Total Animal Control	246,232	208,287	37,945
<b>Total Public Safety</b>	<b>17,865,583</b>	<b>15,008,367</b>	<b>2,857,216</b>
<b>Transportation</b>			
Transportation:	272,107	272,107	-
<b>Economic and Physical Development</b>			
Special Appropriations:	597,424	595,813	1,611
Economic Development:	165,250	157,002	8,248
<b>Total Economic and Physical Development</b>	<b>762,674</b>	<b>752,815</b>	<b>9,859</b>

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance
<b>Environmental Protection</b>			
Cooperative Extension:			
Salaries and benefits		\$ 285,225	
Operating expenses		17,558	
Total Cooperative Extension	\$ 305,119	302,783	\$ 2,336
Soil and Water Conservation:			
Salaries and benefits		139,993	
Operating expenses		24,929	
Total Soil and Water Conservation	179,878	164,922	14,956
<b>Total Environmental Protection</b>	<b>484,997</b>	<b>467,705</b>	<b>17,292</b>
<b>Human Services</b>			
Public Health:	945,555	945,555	-
Mental Health:	171,194	171,194	-
Social Services:			
Salaries and benefits		3,680,851	
Operating expenses		366,288	
Capital outlay		6,985	
Beneficiary payments		1,375,045	
Total Social Services	6,929,234	5,429,169	1,500,065
Project on Aging:			
Salaries and benefits		1,242,938	
Operating expenses		206,874	
Total Project on Aging	1,699,906	1,449,812	250,094
Veterans Services:			
Salaries and benefits		144,324	
Operating expenses		3,064	
Total Veterans Services	151,756	147,388	4,368
<b>Total Human Services</b>	<b>9,897,645</b>	<b>8,143,118</b>	<b>1,754,527</b>
<b>Education</b>			
Public Schools - current		14,780,467	
Public Schools - capital outlay		1,373,358	
Community College - current		997,793	
Community College - capital outlay		50,000	
<b>Total Education</b>	<b>17,593,390</b>	<b>17,201,618</b>	<b>391,772</b>
<b>Cultural and Recreational</b>			
Library:	741,660	741,660	-
Recreation:			
Salaries and benefits		1,563,361	
Operating expenses		226,711	
Total Recreation	2,057,078	1,790,072	267,006
<b>Total Cultural and Recreational</b>	<b>2,798,738</b>	<b>2,531,732</b>	<b>267,006</b>
<b>Debt Service</b>			
Principal retirement		6,005,000	
Interest and fees		2,190,030	
<b>Total Debt Service</b>	<b>8,194,630</b>	<b>8,195,030</b>	<b>(400)</b>
<b>TOTAL EXPENDITURES</b>	<b>76,091,124</b>	<b>63,835,961</b>	<b>12,255,163</b>
Revenues over (under) expenditures	(1,633,873)	21,752,971	23,386,844

## Watauga County, North Carolina

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets	\$ 10,000	\$ 11,068	\$ 1,068
Transfers to Capital Projects Fund	(17,472,571)	(17,472,571)	-
Transfers from Capital Projects Fund	9,203,557	9,203,557	-
Fund balance appropriated	<u>9,892,887</u>	<u>-</u>	<u>(9,892,887)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>1,633,873</u></b>	<b><u>(8,257,946)</u></b>	<b><u>(9,891,819)</u></b>
<b>Net change in fund balance</b>	<b>\$ <u>-</u></b>	<b>13,495,025</b>	<b>\$ <u>13,495,025</u></b>
<b>Fund balance, beginning of year</b>		<b>51,692,442</b>	
<b>Prior period adjustment</b>		<b><u>(182)</u></b>	
<b>Fund balance, beginning, restated</b>		<b>51,692,260</b>	
<b>Fund balance, end of year</b>		<b>\$ <u>65,187,285</u></b>	

**Watauga County, North Carolina**  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 891,052	\$ 891,052
Reenergize Watauga	-	3,946	3,946
	<u>-</u>	<u>894,998</u>	<u>894,998</u>
<b>Expenditures:</b>			
General government	<u>17,472,571</u>	<u>-</u>	<u>17,472,571</u>
Revenues over (under) expenditures	<u>(17,472,571)</u>	<u>894,998</u>	<u>18,367,569</u>
<b>Other financing sources (uses):</b>			
Transfer from other funds	17,472,571	17,472,571	-
Transfer to other funds	(27,467,555)	(27,467,555)	-
Appropriated fund balance	<u>27,467,555</u>	<u>-</u>	<u>(27,467,555)</u>
<b>Total other financing sources (uses)</b>	<u>17,472,571</u>	<u>(9,994,984)</u>	<u>(27,467,555)</u>
Net change in fund balance	<u>\$ -</u>	<u>(9,099,986)</u>	<u>\$ (9,099,986)</u>
<b>Fund balance, beginning of year</b>		<u>33,132,685</u>	
<b>Fund balance, end of year</b>		<u>\$ 24,032,699</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, 2023

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
<b>Restricted intergovernmental</b>					
Donation of land - Watauga County Schools	\$ 1,105,000	\$ 1,105,000	\$ -	\$ 1,105,000	\$ -
Donations	-	-	115,000	115,000	115,000
Total intergovernmental	<u>1,105,000</u>	<u>1,105,000</u>	<u>115,000</u>	<u>1,220,000</u>	<u>115,000</u>
Investment earnings	-	2,060	894,890	896,950	896,950
<b>Total revenues</b>	<u>1,105,000</u>	<u>1,107,060</u>	<u>1,009,890</u>	<u>2,116,950</u>	<u>1,011,950</u>
<b>Expenditures:</b>					
Capital outlay - land	1,305,000	1,285,608	534	1,286,142	18,858
Building and improvements	49,131,000	-	5,335,874	5,335,874	43,795,126
Professional services	3,094,000	1,801,281	978,778	2,780,059	313,941
<b>Total expenditures</b>	<u>53,530,000</u>	<u>3,086,889</u>	<u>6,315,186</u>	<u>9,402,075</u>	<u>(44,127,925)</u>
Revenues over (under) expenditures	<u>(52,425,000)</u>	<u>(1,979,829)</u>	<u>(5,305,296)</u>	<u>(7,285,125)</u>	<u>45,139,875</u>
<b>Other financing sources:</b>					
Proceeds from installment obligations issued	31,800,000	-	31,800,000	31,800,000	-
Premium on installment obligations	2,997,002	-	2,997,002	2,997,002	-
Transfer from other Funds	17,627,998	2,864,000	14,763,998	17,627,998	-
<b>Total other financing sources</b>	<u>52,425,000</u>	<u>2,864,000</u>	<u>49,561,000</u>	<u>52,425,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>884,171</u>	44,255,704	<u>\$ 45,139,875</u>	<u>\$ 45,139,875</u>
<b>Fund balance at beginning of year</b>			<u>884,171</u>		
<b>Fund balance at end of year</b>			<u>\$ 45,139,875</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, 2023

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
ARP Funds	\$ 10,911,724	\$ 4,092,545	\$ 4,232,480	\$ 8,325,025	\$ (2,586,699)
Investment earnings	<u>-</u>	<u>8,842</u>	<u>151,832</u>	<u>160,674</u>	<u>160,674</u>
<b>Total revenues</b>	<u>10,911,724</u>	<u>4,101,387</u>	<u>4,384,312</u>	<u>8,485,699</u>	<u>(2,426,025)</u>
<b>Expenditures:</b>					
ARP Expenditures	<u>7,750,000</u>	<u>932,593</u>	<u>4,232,480</u>	<u>5,165,073</u>	<u>2,584,927</u>
<b>Total expenditures</b>	<u>7,750,000</u>	<u>932,593</u>	<u>4,232,480</u>	<u>5,165,073</u>	<u>(2,584,927)</u>
Revenues over (under) expenditures	<u>7,750,000</u>	<u>(932,593)</u>	<u>151,832</u>	<u>3,320,626</u>	<u>158,902</u>
Transfers to General Fund	3,161,724	3,161,724	-	3,161,724	-
Net change in fund balance	\$ <u>-</u>	<u>7,070</u>	151,832	\$ <u>158,902</u>	\$ <u>158,902</u>
<b>Fund balance at beginning of year</b>			<u>7,070</u>		
<b>Fund balance at end of year</b>			\$ <u>158,902</u>		

**Watauga County, North Carolina**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2023

	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	Emergency 911 Building Project Fund	SCIF Project Fund						
<b>ASSETS:</b>																	
Restricted cash and cash equivalents	\$ 118,250	\$ 25,481	\$ 348,272	\$ 107,233	\$ 253,977	\$ -	\$ -	\$ -	\$ 392,147	\$ 275,955	\$ 348,586	-	-	1,869,901			
Cash and cash equivalents	-	-	-	-	-	-	\$28,052	\$4,346	-	-	-	-	-	53,260			
Due from other governments	-	-	13,057	21,672	-	-	-	-	-	80,385	7,970	-	-	123,064			
Taxes receivable, net	-	-	-	116,032	349,269	-	-	-	-	-	-	-	-	465,301			
Total assets	<u>\$ 118,250</u>	<u>\$ 25,481</u>	<u>\$ 361,329</u>	<u>\$ 244,937</u>	<u>\$ 603,246</u>	<u>\$ -</u>	<u>\$ 28,052</u>	<u>\$ 4,346</u>	<u>\$ 392,147</u>	<u>\$ 356,340</u>	<u>\$ 356,556</u>	<u>-</u>	<u>-</u>	<u>\$ 2,511,546</u>			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>																	
<b>Liabilities:</b>																	
Accounts payable and accrued liabilities	-	264	1,877	128,905	-	1,884	-	-	40,000	-	32,764	-	-	205,694			
Unearned revenue	-	-	-	-	-	-	-	-	352,147	-	323,792	-	-	675,939			
Due to other governments	-	-	-	-	603,246	-	28,052	4,346	-	-	-	-	-	635,644			
Total Liabilities	<u>-</u>	<u>264</u>	<u>1,877</u>	<u>128,905</u>	<u>603,246</u>	<u>-</u>	<u>28,052</u>	<u>4,346</u>	<u>392,147</u>	<u>-</u>	<u>356,556</u>	<u>-</u>	<u>-</u>	<u>1,517,277</u>			
<b>Deferred Inflows of Resources:</b>																	
Taxes receivable	-	-	-	116,032	-	-	-	-	-	-	-	-	-	116,032			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,032</u>			
<b>Fund Balances:</b>																	
Restricted for:																	
Stabilization by State Statute	-	-	90,800	-	-	-	-	-	-	80,385	-	-	-	171,185			
Health services	-	-	-	-	-	-	-	-	-	-	-	-	-	18,978			
Public Safety	118,250	25,217	268,652	-	-	-	-	-	-	275,955	-	-	-	688,074			
Total fund balances	<u>118,250</u>	<u>25,217</u>	<u>359,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>878,237</u>			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 118,250</u>	<u>\$ 25,481</u>	<u>\$ 361,329</u>	<u>\$ 244,937</u>	<u>\$ 603,246</u>	<u>\$ -</u>	<u>\$ 28,052</u>	<u>\$ 4,346</u>	<u>\$ 392,147</u>	<u>\$ 356,340</u>	<u>\$ 356,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,511,546</u>			

**Watauga County, North Carolina**  
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2023

	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	Opioid Fund	Emergency 911 Building Project Fund	SCIF Project Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>												
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 4,938,957	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	4,938,957
Other taxes and licenses	-	-	-	-	4,155,748	119,817	-	-	-	-	-	4,275,565
Permits and fees	-	-	-	-	-	49,425	-	-	-	-	-	49,425
Sales and services	-	-	-	-	-	-	209,021	-	-	-	-	209,021
Restricted intergovernmental	-	14,379	202,940	-	-	-	-	40,000	590,655	324,053	-	1,172,027
Other miscellaneous revenues	-	-	-	-	-	-	-	-	-	298,874	-	298,874
Investment earnings	2,845	649	9,878	-	-	-	-	-	-	59	-	13,431
Total revenues	2,845	15,028	212,818	4,938,957	4,155,748	119,817	209,021	40,000	590,655	622,986	-	10,957,300
<b>EXPENDITURES</b>												
General government	-	-	-	-	-	-	209,021	-	-	622,986	-	881,432
Economic development	-	-	-	-	4,155,748	-	-	-	-	-	-	4,155,748
Public safety	0	18,435	438,867	4,938,957	-	-	-	40,000	3,734,315	-	-	9,170,574
Human services	-	-	-	-	-	121,710	-	-	-	-	-	121,710
Education	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	18,435	438,867	4,938,957	4,155,748	121,710	209,021	40,000	3,734,315	622,986	-	14,329,464
Excess (deficiency) of revenues over expenditures	2,845	(3,407)	(226,049)	-	-	(1,893)	-	-	(3,143,660)	-	-	(3,372,164)
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfer to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other funds	-	-	-	-	-	-	-	-	3,500,000	-	-	3,500,000
Total other financing sources and uses	-	-	-	-	-	-	-	-	3,500,000	-	-	3,500,000
Net change in fund balances	2,845	(3,407)	(226,049)	-	-	(1,893)	-	-	356,340	-	-	127,836
Fund balances, beginning of year	115,405	28,624	585,319	-	-	20,871	-	-	-	-	-	750,219
Prior period restatement - change in accounting principle	-	-	-	-	-	-	-	-	-	-	-	-
Prior period adjustment	-	-	182	-	-	-	-	-	-	-	-	182
Fund balance, beginning of year, restated	115,405	28,624	585,501	-	-	20,871	-	-	-	-	-	750,401
Fund balances, end of year	\$ 118,250	\$ 25,217	\$ 359,452	\$ -	\$ -	\$ 18,978	\$ -	\$ -	\$ 356,340	\$ -	\$ -	\$ 878,237

**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, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Restricted intergovernmental - Federal	\$ 11,900	\$ -	\$ (11,900)
Investment earnings	<u>-</u>	<u>2,845</u>	<u>2,845</u>
<b>Total revenues</b>	<u>11,900</u>	<u>2,845</u>	<u>(9,055)</u>
<b>Expenditures:</b>			
Public safety	<u>11,900</u>	<u>-</u>	<u>11,900</u>
Revenues over (under) expenditures	<u>-</u>	<u>2,845</u>	<u>2,845</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>2,845</u>	<u>\$ 2,845</u>
<b>Fund balance, beginning of year</b>		<u>115,405</u>	
<b>Fund balance, end of year</b>		<u>\$ 118,250</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, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Restricted intergovernmental - State	\$ 24,650	\$ 14,379	\$ (10,271)
Investment earnings	<u>100</u>	<u>649</u>	<u>549</u>
<b>Total revenues</b>	<u>24,750</u>	<u>15,028</u>	<u>(9,722)</u>
<b>Expenditures:</b>			
Public safety	24,750	18,435	6,315
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>24,750</u>	<u>18,435</u>	<u>6,315</u>
Revenues over (under) expenditures	<u>-</u>	<u>(3,407)</u>	<u>(3,407)</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,407)</u>	<u>\$ (3,407)</u>
<b>Fund balance, beginning of year</b>		<u>28,624</u>	
<b>Fund balance, end of year</b>		<u>\$ 25,217</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Restricted intergovernmental:			
Emergency Telephone Surcharge funds	\$ 471,606	\$ 202,940	\$ (268,666)
Investment earnings	<u>-</u>	<u>9,878</u>	<u>9,878</u>
<b>Total revenues</b>	<u>471,606</u>	<u>212,818</u>	<u>(258,788)</u>
<b>Expenditures:</b>			
Public safety:			
Implementation services	10,000	9,992	8
Software	52,505	41,453	11,052
Training	13,864	4,747	9,117
Telephones	340,900	60,302	280,598
Hardware	49,337	319,830	(270,493)
Furniture	<u>5,000</u>	<u>2,543</u>	<u>2,457</u>
<b>Total expenditures</b>	<u>471,606</u>	<u>438,867</u>	<u>32,739</u>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing sources (uses):</b>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(226,049)</u>	<u>\$ (226,049)</u>
<b>Fund balance, beginning of year</b>		585,319	
<b>Prior period adjustment</b>		<u>182</u>	
<b>Fund balance, beginning, restated</b>		<u>585,501</u>	
<b>Fund balance, end of year</b>		<u>\$ 359,452</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, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Ad valorem taxes	\$ 4,941,191	\$ 4,938,957	\$ (2,234)
<b>Total revenues</b>	<b>4,941,191</b>	<b>4,938,957</b>	<b>(2,234)</b>
<b>Expenditures:</b>			
Public safety:			
Beaver Dam Fire Department	158,386	153,679	
Beech Mountain Fire Department	2,671	2,236	
Blowing Rock Fire Department	719,212	719,138	
Boone Fire Department	1,406,543	1,405,748	
Cove Creek Fire Department	376,846	379,696	
Creston Fire Department	8,119	8,055	
Deep Gap Fire Department	293,866	293,944	
Fall Creek Fire Department	13,144	13,644	
Foscoe Fire Department	797,244	808,470	
Meat Camp Fire Department	341,279	341,270	
Shawneehaw Fire Department	172,425	172,334	
Stewart Simmons Fire Department	393,016	381,811	
Todd Fire Department	82,654	83,159	
Zionville Fire Department	175,786	175,773	
<b>Total expenditures</b>	<b>4,941,191</b>	<b>4,938,957</b>	<b>2,234</b>
Net change in fund balance	\$ -	-	\$ -
<b>Fund balance, beginning of year</b>		-	
<b>Fund balance, end of year</b>		\$ -	

**Watauga County, North Carolina**  
Occupancy Tax Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Occupancy tax	\$ <u>4,155,800</u>	\$ <u>4,155,748</u>	\$ <u>(52)</u>
<b>Total revenues</b>	<u>4,155,800</u>	<u>4,155,748</u>	<u>(52)</u>
<b>Expenditures:</b>			
Tourism development	4,104,200	4,104,191	9
Administrative fee	<u>51,600</u>	<u>51,557</u>	<u>43</u>
<b>Total expenditures</b>	<u>4,155,800</u>	<u>4,155,748</u>	<u>52</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
<b>Fund balance, beginning of year</b>		<u>-</u>	
<b>Fund balance, end of year</b>		\$ <u><u>-</u></u>	



**Watauga County, North Carolina**  
 Representative Payee Fund  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ <u>149,209</u>	\$ <u>119,817</u>	\$ <u>(29,392)</u>
<b>Total revenues</b>	<u>149,209</u>	<u>119,817</u>	<u>(29,392)</u>
<b>Expenditures:</b>			
Human services			
Payments made for the benefit of beneficiaries	<u>149,209</u>	<u>121,710</u>	<u>27,499</u>
<b>Total expenditures</b>	<u>149,209</u>	<u>121,710</u>	<u>27,499</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,893)</u>	<u>\$ (1,893)</u>
<b>Fund balance, beginning of year</b>		<u>20,871</u>	
<b>Fund balance, end of year</b>		<u>\$ <u>18,978</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Permits and fees			
Register of deeds	\$ <u>100,000</u>	\$ <u>49,425</u>	\$ <u>(50,575)</u>
<b>Total revenues</b>	<u>100,000</u>	<u>49,425</u>	<u>(50,575)</u>
<b>Expenditures:</b>			
General government			
Payments of fees collected to the State of N.C.	<u>100,000</u>	<u>49,425</u>	<u>50,575</u>
<b>Total expenditures</b>	<u>100,000</u>	<u>49,425</u>	<u>50,575</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
<b>Fund balance, beginning of year</b>		<u>-</u>	
Prior period restatement - change in accounting principle		-	
<b>Fund balance, beginning of year, restated</b>		<u>-</u>	
<b>Fund balance, end of year</b>		\$ <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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Permits and fees			
Register of deeds	\$ <u>280,000</u>	\$ <u>209,021</u>	\$ <u>(70,979)</u>
<b>Total revenues</b>	<u>280,000</u>	<u>209,021</u>	<u>(70,979)</u>
<b>Expenditures:</b>			
General government			
Payments of penalties, fines and forfeitures to the Watauga County Board of Education	<u>280,000</u>	<u>209,021</u>	<u>70,979</u>
<b>Total expenditures</b>	<u>280,000</u>	<u>209,021</u>	<u>70,979</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
<b>Fund balance, beginning of year</b>		-	
Prior period restatement - change in accounting principle		-	
<b>Fund balance, beginning of year, restated</b>		-	
<b>Fund balance, end of year</b>		\$ <u><u>-</u></u>	

**Watauga County, North Carolina**  
**Opioid Fund**  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Permits and fees			
Register of deeds	\$ <u>392,147</u>	\$ <u>40,000</u>	\$ <u>(352,147)</u>
<b>Total revenues</b>	<u>392,147</u>	<u>40,000</u>	<u>(352,147)</u>
<b>Expenditures:</b>			
General government			
Payments of penalties, fines	<u>392,147</u>	<u>40,000</u>	<u>352,147</u>
<b>Total expenditures</b>	<u>392,147</u>	<u>40,000</u>	<u>352,147</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
<b>Fund balance, beginning of year</b>		<u>-</u>	
Prior period restatement - change in accounting principle		-	
<b>Fund balance, beginning of year, restated</b>		<u>-</u>	
<b>Fund balance, end of year</b>		\$ <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, 2023

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>					
Restricted intergovernmental:					
OSBM SCIF funds	\$ 662,500	\$ 14,655	\$ 324,053	\$ 338,708	\$ (323,792)
Other miscellaneous revenues	263,925		298,874	298,874	\$ 34,949
Investment earnings	-	20	59	79	79
<b>Total revenues</b>	<u>926,425</u>	<u>14,675</u>	<u>622,986</u>	<u>637,661</u>	<u>(288,764)</u>
<b>Expenditures:</b>					
Hannah building roof	363,925	6,134	382,897	389,031	(25,106)
County parking deck	362,500	-	233,744	233,744	128,756
Hannah building road	200,000	8,541	6,345	14,886	185,114
<b>Total expenditures</b>	<u>926,425</u>	<u>14,675</u>	<u>622,986</u>	<u>637,661</u>	<u>(288,764)</u>
Net change in fund balance	\$ <u>-</u>	<u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
<b>Fund balance at beginning of year</b>			<u>-</u>		
<b>Fund balance at end of year</b>			<u>\$ -</u>		

**Watauga County, North Carolina**  
Emergency 911 building Project Fund  
Schedule of Revenues and Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2023

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Restricted intergovernmental:					
911 Priority grant	\$ 2,797,013	\$ -	\$ 590,655	\$ 590,655	\$ (2,206,358)
Investment earnings	-	-	-	-	-
<b>Total revenues</b>	<u>2,797,013</u>	<u>-</u>	<u>590,655</u>	<u>590,655</u>	<u>(2,206,358)</u>
<b>Expenditures:</b>					
Equipment	2,797,013	-	590,655	590,655	2,206,358
Land and building	3,500,000	-	3,143,660	3,143,660	356,340
Buildings and improvement	-	-	-	-	-
<b>Total expenditures</b>	<u>6,297,013</u>	<u>-</u>	<u>3,734,315</u>	<u>3,734,315</u>	<u>(2,562,698)</u>
Revenues over (under) expenditures	-	-	(3,143,660)	(3,143,660)	356,340
<b>Other financing sources (uses):</b>					
Proceeds from installment obligations issued	-	-	-	-	-
Premium on installment obligations	-	-	-	-	-
Transfer to other funds	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Transfer from other funds	3,500,000	-	3,500,000	3,500,000	-
<b>Total other financing sources</b>	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	356,340	<u>\$ 356,340</u>	<u>\$ 356,340</u>
<b>Fund balance at beginning of year</b>			<u>-</u>		
<b>Fund balance at end of year</b>			<u>\$ 356,340</u>		

## Watauga County, North Carolina

## Solid Waste Fund

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

For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 5,435,130	\$ 5,820,254	\$ 385,124
Sale of recycled materials	248,750	148,527	(100,223)
Total	<u>5,683,880</u>	<u>5,968,781</u>	<u>284,901</u>
Non-operating revenues:			
Miscellaneous revenue	3,975	2,750	(1,225)
Investment earnings	8,000	223,337	215,337
Restricted intergovernmental revenues	138,025	164,725	26,700
Total	<u>150,000</u>	<u>390,812</u>	<u>240,812</u>
Total revenues	<u>5,833,880</u>	<u>6,359,593</u>	<u>525,713</u>
<b>Expenditures:</b>			
Landfill operations:			
Salaries and employee benefits		1,793,275	
Other operating expenditures		3,657,374	
Lease payments		10,944	
Total landfill operations	<u>5,774,825</u>	<u>5,461,593</u>	<u>313,232</u>
Recycling operations:			
Salaries and employee benefits		69,780	
Other operating expenses		55,657	
Total recycling operations	<u>126,362</u>	<u>125,437</u>	<u>925</u>
Capital outlay:			
Right to use asset		-	
Capital outlay		836,555	
Total capital outlay	<u>1,732,680</u>	<u>836,555</u>	<u>896,125</u>
Total expenditures	<u>7,633,867</u>	<u>6,423,585</u>	<u>1,210,282</u>
Revenues under/(over) expenditures	<u>(1,799,987)</u>	<u>(63,992)</u>	<u>1,735,995</u>
<b>Other financing sources:</b>			
Sale of fixed assets	35,000	23,905	(11,095)
Lease liabilities issued	-	-	-
Appropriated fund balance	1,764,987	-	(1,764,987)
Total other financing sources	<u>1,799,987</u>	<u>23,905</u>	<u>(1,776,082)</u>
Revenues over expenditures and other sources	<u>\$ -</u>	<u>(40,087)</u>	<u>\$ (40,087)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Change in deferred outflow of resources - pensions		217,645	
Change in net pension liability		(616,024)	
Change in deferred inflow of resources - pensions		313,805	
Change in deferred outflow of resources - OPEB		(110,988)	
Change in deferred inflow of resources - OPEB		19,273	
Change in net OPEB liability		65,970	
Change in accrued landfill post closure and closure costs		94,365	
Capital outlay		836,555	
Principal retirement		10,944	
Depreciation and amortizaation		(313,604)	
Change in accrued compensated absences		5,881	
Total reconciling items		<u>523,822</u>	
Change in net position		<u>\$ 483,735</u>	

**Watauga County, North Carolina**  
 Combining Schedule of Fiduciary Net Position  
 Irrevocable Trust Funds  
 For the Year Ended June 30, 2023

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 860,978	\$ 2,578,662	\$ 3,439,640
	<u>\$ 860,978</u>	<u>\$ 2,578,662</u>	<u>\$ 3,439,640</u>
<b>Net position:</b>			
Assets held in trust for retirement benefits	\$ 860,978	\$ 2,578,662	\$ 3,439,640
	<u>\$ 860,978</u>	<u>\$ 2,578,662</u>	<u>\$ 3,439,640</u>



**Watauga County, North Carolina**  
Combining Schedule of Changes in Fiduciary Net Position  
Irrevocable Trust Funds  
For the Year Ended June 30, 2023

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
<b>Additions:</b>			
Employer contributions	\$ 40,873	\$ 110,300	\$ 151,173
Interest	<u>20,265</u>	<u>125,887</u>	<u>146,152</u>
Total additions	<u>61,138</u>	<u>236,187</u>	<u>297,325</u>
<b>Deductions:</b>			
Benefits	40,873	110,300	151,173
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>40,873</u>	<u>110,300</u>	<u>151,173</u>
Change in net position	20,265	125,887	146,152
Net position, beginning	840,713	2,452,775	3,293,488
Net position, ending	<u>\$ 860,978</u>	<u>\$ 2,578,662</u>	<u>\$ 3,439,640</u>

**Watauga County, North Carolina**  
 Combining Statement of Fiduciary Net Position  
 Custodial Funds  
 June 30, 2023

	<u>Municipal Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Totals</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 10,259	\$ 14,843	\$ 25,102
Total assets	<u>\$ 10,259</u>	<u>\$ 14,843</u>	<u>\$ 25,102</u>
<b>Net position:</b>			
Restricted for:			
Individuals, organizations and other governments	<u>10,259</u>	<u>14,843</u>	<u>25,102</u>
Total net position	<u>\$ 10,259</u>	<u>\$ 14,843</u>	<u>\$ 25,102</u>

**Watauga County, North Carolina**  
Combining Statement of Changes in Fiduciary Net Position  
Custodial Funds  
June 30, 2023

	<u>Municipal Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Totals</u>
<b>Additions:</b>			
Ad valorem taxes for other governments	\$ 9,919,350	\$ -	\$ 9,919,350
Collections on behalf of inmates	-	166,611	166,611
Total additions	<u>9,919,350</u>	<u>\$ 166,611</u>	<u>\$ 10,085,961</u>
<b>Deductions:</b>			
Tax distributions to other governments	9,914,689	-	9,914,689
Payments on behalf of inmates	-	181,448	181,448
Total deductions	<u>9,914,689</u>	<u>181,448</u>	<u>10,096,137</u>
Change in net position	4,661	(14,837)	(10,176)
Net position, beginning	5,598	29,680	35,278
Net position, ending	<u>\$ 10,259</u>	<u>\$ 14,843</u>	<u>\$ 25,102</u>

**Watauga County, North Carolina**  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 For the Year Ended June 30, 2023

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022 - 2023	\$ -	\$ 44,697,864	\$ 44,230,190	\$ 467,674
2021 - 2022	511,218	-	319,001	192,217
2020 - 2021	232,019	-	101,454	130,565
2019 - 2020	147,904	-	56,563	91,341
2018 - 2019	64,423	-	21,748	42,675
2017 - 2018	63,465	-	17,080	46,385
2016 - 2017	34,797	-	8,228	26,569
2015 - 2016	26,478	-	3,709	22,769
2014 - 2015	24,129	-	8,169	15,960
2013 - 2014	22,904	-	22,904	-
2012 - 2013	20,678	-	20,678	-
	<u>\$ 1,148,015</u>	<u>\$ 44,697,864</u>	<u>\$ 44,809,724</u>	<u>1,036,155</u>
Plus: 2023 - 2024 receivable				37,534
Less: Allowance for uncollectible accounts General Fund				<u>(116,529)</u>
Ad valorem taxes receivable - net General Fund				<u>\$ 957,160</u>

**Reconciliation with revenues:**

Ad valorem taxes - General Fund		\$ 44,989,124
Reconciling items:		
Advertising and interest collected	(222,982)	
Taxes written off	21,204	
Prior year releases and refunds	<u>22,378</u>	
Total reconciling items		<u>(179,400)</u>
Total collections and credits		<u>\$ 44,809,724</u>

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Year Ended June 30, 2023

	Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 13,314,011,269	\$ 0.00318	\$ 42,367,444	\$ 42,367,444	\$ -
Motor vehicles	631,187,421	0.00318	2,007,176	-	2,007,176
Penalties	-		5,341	5,341	-
Total	<u>13,945,198,690</u>		<u>44,379,961</u>	<u>42,372,785</u>	<u>2,007,176</u>
<b>Discoveries:</b>					
Property taxed at current year's rate	124,619,552	0.00318	410,312	410,312	-
Penalties	-		312	312	-
Total	<u>124,619,552</u>		<u>410,624</u>	<u>410,624</u>	<u>-</u>
<b>Abatements:</b>					
	<u>(29,157,547)</u>		<u>(92,721)</u>	<u>(92,721)</u>	<u>-</u>
Total property valuation	\$ <u>14,040,660,695</u>				
			<b>Net levy</b>	44,697,864	42,690,688
					2,007,176
			<b>Uncollected taxes at June 30, 2023</b>	467,674	467,674
					-
			<b>Current year's taxes collected</b>	\$ <u>44,230,190</u>	\$ <u>42,223,014</u>
					\$ <u>2,007,176</u>
			<b>Current levy collection percentage</b>	<u>98.95%</u>	<u>98.90%</u>
					<u>100.00%</u>

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Year Ended June 30, 2023

**Secondary Market Disclosures:**

Assessed Valuation:		
Assessment Ratio		100%
Real Property	\$ 13,006,195,764	
Personal Property	922,335,111	
Public Service Companies	112,129,820	
Total Assessed Valuation	<u>\$ 14,040,660,695</u>	
Tax Rate per \$100		0.00318
Net Levy (Includes penalties, discoveries, releases and abatements)	<u>\$ 44,697,864</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, 2023:

Fire Protection District	Tax Rate per \$100	Net Levy
Beech Mountain Rural	\$ 0.05	\$ 2,355
Blowing Rock	0.05	719,390
Boone Rural	0.06	1,401,397
Cove Creek	0.05	376,864
Cove Creek Rural	0.05	337
Deep Gap	0.05	293,714
Foscoe	0.05	692,244
Foscoe Rural	0.05	113,015
Meat Camp	0.05	349,132
Northwest Watauga	0.05	164,775
Shawneehaw	0.05	162,103
Shawneehaw Rural	0.05	8,751
Stewart Simmons	0.085	379,810
Todd	0.07	81,742
Zionville	0.05	<u>172,899</u>
<b>Total Net Fire Protection District Levies</b>		<u><u>\$ 4,918,528</u></u>

**Watauga County, North Carolina**  
 Ten Largest Taxpayers  
 For the Year Ended June 30, 2023

Taxpayer	Type of Business	2022 Assessed Valuation	Percentage of Total Assessed Valuation	
Blue Ridge Electric Membership Coop	Electric Utility	\$ 87,051,700	0.62	%
Wallace Loft LLC	Rental Properties	72,249,380	0.51	
850 Blowing Rock Road (NC) Owner LP	Rental Properties	61,517,061	0.44	
Residence at Peak of Boone LLC	Rental Properties	22,648,990	0.16	
MV of Boone LLC	Rental Properties	39,437,070	0.28	
BVSHF III Boone I, LLC	Rental Properties	25,224,960	0.18	
Meadowview at Boone LLC	Rental Properties	38,400,770	0.27	
Skyline Terrace Apartments LLC	Commercial Rental Properties	32,067,400	0.23	
Bavarian Village LLC	Rental Properties	18,773,740	0.13	
Shadowline Student Property LLC	Rental Properties	77,662,400	0.55	
		<u>\$ 475,033,471</u>	<u>3.39</u>	%

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 Fire Districts  
 For the Year Ended June 30, 2023

	<b>Northwest Watauga Fire District</b>	<b>Beech Mtn. Rural Fire Service District</b>	<b>Blowing Rock Rural Fire District</b>	<b>Boone Rural Fire District</b>	<b>Cove Creek Fire District</b>
<b>Tax rate per \$100</b>	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.05
<b>Net levy</b>	\$ 164,775	\$ 2,355	\$ 719,390	\$ 1,401,397	\$ 376,864
<b>Uncollected taxes at June 30, 2023</b>	4,281	35	6,989	15,070	5,856
<b>Current year's taxes collected</b>	\$ 160,494	\$ 2,320	\$ 712,401	\$ 1,386,327	\$ 371,008
<b>Current levy collection percentage</b>	97.40%	98.51%	99.03%	98.92%	98.45%

	<b>Cove Creek Rural Fire Service District</b>	<b>Deep Gap Fire District</b>	<b>Foscoe Fire District</b>	<b>Foscoe Rural Fire Service District</b>	<b>Meat Camp Fire District</b>
<b>Tax rate per \$100</b>	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
<b>Net levy</b>	\$ 337	\$ 293,714	\$ 692,244	\$ 113,015	\$ 349,132
<b>Uncollected taxes at June 30, 2023</b>	-	5,243	6,169	1,484	7,669
<b>Current year's taxes collected</b>	\$ 337	\$ 288,471	\$ 686,075	\$ 111,531	\$ 341,463
<b>Current levy collection percentage</b>	100.00%	98.21%	99.11%	98.69%	97.80%

	<b>Shawnheehaw Fire District</b>	<b>Shawnheehaw Rural Fire Service District</b>	<b>Stewart Simmons Fire District</b>	<b>Todd Fire District</b>	<b>Zionville Fire District</b>
<b>Tax rate per \$100</b>	\$ 0.05	\$ 0.05	\$ 0.085	\$ 0.07	\$ 0.05
<b>Net levy</b>	\$ 162,103	\$ 8,751	\$ 379,810	\$ 81,742	\$ 172,899
<b>Uncollected taxes at June 30, 2023</b>	1,039	38	2,312	264	3,081
<b>Current year's taxes collected</b>	\$ 161,064	\$ 8,713	\$ 377,498	\$ 81,478	\$ 169,818
<b>Current levy collection percentage</b>	99.36%	99.57%	99.39%	99.68%	98.22%



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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, 2023, and the related notes to the financial statements, which collectively comprises Watauga County's basic financial statements, and have issued our report thereon dated January 31, 2024.

**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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-1 and 2023-2 that we consider to be significant deficiencies.

**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*.

### **Watauga County, North Carolina's Response to Findings**

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

### **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

January 31, 2024

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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, 2023. 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, 2023.

***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 provide 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

January 31, 2024

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**C. Randolph CPA, PLLC**

*Certified Public Accountant*

560 Beaver Creek School Rd.

West Jefferson, North Carolina 28694

Phone: (336) 846-3211

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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, 2023. 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, 2023.

***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**

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*C. Randolph CPA, PLLC*

West Jefferson, North Carolina

January 31, 2024

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**WATAUGA COUNTY, NORTH CAROLINA**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

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

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

**Federal Awards**

Internal control over major federal programs:

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

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

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

The following were audited as major federal program for Watauga County for the fiscal year ended June 30, 2022:

<u>Program Name or Cluster</u>	<u>Assistance Listing No.</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



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**WATAUGA COUNTY, NORTH CAROLINA**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

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**State Awards**

Internal control over major state programs:

- Material weakness(es) identified? \_\_\_yes      x  \_no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_yes      x  \_none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act \_\_\_yes      x  \_no

Major State programs for Watauga County for the fiscal year ended June 30, 2023 are:

State Program

Public School Building Capital Fund – Lottery Funds  
Priority One 911 Grant

Federal Program – State Match

Medicaid Cluster

**II. Financial Statement Findings**

**Finding 2023-1: Significant Deficiency – Timeliness of Bank Reconciliations**

**Criteria:** Monthly bank reconciliations are an essential tool in internal control in order to balance general ledger accounts, appropriately record activity and identify accounting errors in a timely manner.

**Condition and context:** County failed to perform the bank reconciliations on a timely basis.

**Effect:** Accurate financial information was not available to management or the Board of Commissioners in a reasonable period of time to provide effective oversight and stewardship of public funds.

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## WATAUGA COUNTY, NORTH CAROLINA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2023

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**Cause:** Turnover in the Finance Department and lack of individuals on staff with the skills, knowledge and experience to perform the bank reconciliations timely and accurately.

**Recommendation:** We recommend that the County adheres to policies regarding the completion of the bank reconciliations and hire staff to both prepare and review the bank reconciliations with the appropriate skills.

**Management's Response:** The County agrees with this finding and has already taken action.

#### **Finding 2023-2: Significant Deficiency – Timeliness of Audited Financial Statements Submission**

**Criteria:** North Carolina General Statute 159-34 (NC G.S. 159-34) requires the submission of the annual audit 4 months past the end of the fiscal year, with an extended due date 5 months past the end of the fiscal year.

**Condition and context:** The June 30, 2023, financial statements were not submitted to the Local Government Commission until over 3 months past the original due date or 2 months past the extended due date.

**Effect:** The County has not complied with NC Statute G.S. 159-34.

**Cause:** High staff turnover, difficulty on locating the required support by the client, lack of staff with skills, knowledge, and experience in local government accounting, GASB reporting requirements, and N.C. General Statutes to accurately close the accounting period to prepare for audit.

**Recommendation:** We recommend the County hire sufficient staff in the Finance Department with the skills, knowledge, and experience in local government accounting, GASB reporting requirements, and N.C. General Statutes to meet the financial reporting deadline outlined in NC G.S. 156-34

**Management's response:** The County agrees with this finding and has already taken action.

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

None noted.

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

None noted.



# WATAUGA COUNTY

## FINANCE OFFICE

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

### **Corrective Action Plan For the Year Ended June 30, 2023**

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

##### **2023-1: Significant deficiency – Timeliness of Bank Reconciliations**

**Responsible Individuals:** County Manager

**Corrective Action to be taken:** The County manager and management will interview for a finance officer that will possess the skills, knowledge, and experience to perform bank reconciliations timely and accurately. In addition, the County manager and management will develop written procedures for the timely reconciliation of the County's bank accounts (e.g. monthly) that will include strong internal controls, ensure bank reconciliations tie to the general ledger, and will have a supervisor review by signing off on the reconciliations.

**Expected date of completion:** Immediately.

##### **2023-2: Significant deficiency – Timeliness of Audit Report Submission**

**Responsible Individuals:** County Manager

**Corrective Action:** The County manager and management faced many challenges with the abrupt departure of several finance officers. The County and management will interview for a finance officer that will possess the skills, knowledge, and experience to prepare for the annual audit each year.

**Expected date of completion:** Immediately.

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

None noted.

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

None noted.

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**WATAUGA COUNTY, NORTH CAROLINA**

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

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**Finding 2022-1:**

Corrected.

**WATAUGA COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2023**

Grantor/Pass-Through Grantor/Program/Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<b>Federal Awards:</b>						
<u>U.S. Department of Agriculture</u>						
Passed-through the N.C. Department of Health and Human Services:						
<u>Division of Social Services:</u>						
<u>SNAP Cluster</u>						
Administration:						
Supplemental Nutrition Assistance Program	10.561		313,473	-	-	281,524
Total SNAP Cluster			313,473	-	-	281,524
Total U.S. Department of Agriculture			313,473	-	-	281,524
<u>U.S. Department of Homeland Security</u>						
Passed-through the N.C. Department of Public Safety:						
Emergency Management Performance Grant	97.042		39,032	-	-	39,032
Homeland Security Grant	97.067	EMW-2021-SS-00023- 2040036	27,842	-	-	-
Disaster Grant - Public Assistance	97.036		-	-	-	-
Total U.S. Department of Homeland Security			66,874	-	-	39,032
<u>U.S. Department of Justice</u>						
Bulletproof Vest Partnership Program	16.607		4,386	-	-	4,386
Total U.S. Department of Justice			4,386	-	-	4,386
<u>U.S. Department of Treasury</u>						
Office of State Budget and Management/NC Pandemic Office:						
NC Pandemic Recovery Fund						
Local Assistance and Tribal Consistency	21.032		50,000	-	-	-
Coronavirus State and Local Fiscal Recovery Funds	21.027		4,232,480	-	-	-
			4,282,480	-	-	-
<u>U.S. Department of Housing and Urban Development</u>						
Community Development Block Grant - CV	14.228		96,833	-	83,033	-
<u>U.S. Department of Health &amp; Human Services</u>						
<u>Administration on Aging:</u>						
Passed-through High Country Council of Governments:						
<u>Aging Cluster:</u>						
Home and Community Care Block Grant (HCCBG)						
Special Programs for the Aging - Title III B - Access Services	93.044		5,667	162,092	-	18,641
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
Nutrition Services Incentive Program (NSIP)	93.053		21,570	-	-	-
Total Aging Cluster			165,143	170,204	-	34,866
Passed-through N.C. Department of Insurance:						
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations						
	93.779		2,976	-	-	-
<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		17,148	-	-	-
<u>Temporary Assistance for Needy Families Cluster:</u>						
Workfirst administrative	93.558		37,341	-	-	53,477
WorkFirst services	93.558		165,476	-	-	198,410
Total Temporary Assistance for Needy Families Cluster			202,817	-	-	251,887
Child Support Enforcement	93.563		181,966	(110)	-	93,851
<u>Low-Income Home Energy Assistance Block Grant:</u>						
Administration	93.568		152,948	-	-	-
Crisis Intervention Payments	93.568		135,546	-	-	-
LIEAP ARPA	93.568		44,823	-	-	-
LHWAP	93.568		9,240	-	-	-
Permanency Planning	93.645		15,022	(159)	(159)	4,901
Social Services Block Grant	93.667		222,416	-	-	58,253
Total Low-Income Home Energy Assistance Block Grant:			579,995	(159)	(159)	63,154
Total Division of Social Services			981,926	(269)	(159)	408,892
<u>Medicaid Cluster:</u>						
Medical Assistance Program:						
Administration	93.778		1,077,571	187,043	-	367,369
Total Medical Assistance Program			1,077,571	187,043	-	367,369

Division of Social Services:					
Administration					
Health choice	93.767	44,435	2,498	-	7,764
Total N.C. Health Choice		44,435	2,498	-	7,764
Foster Care and Adoption Cluster (Note 3)					
Adoption Assistance	93.659	4,550	-	-	3,187
Title IV-E Foster Care	93.658	134,555	8,827	-	107,798
Foster Care - Direct Benefit Payments	96.658	101,938	28,807	-	-
Adoption/Foster Care Special Provision	93.658	60,592	-	-	10,045
Total Foster Care and Adoption Cluster (Note 3)		301,635	37,634	-	121,030
Subsidized Child Care (Note 3)					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund - Administration	93.596	83,246	-	-	-
Total Child Care Development Fund Cluster		83,246	-	-	-
Total Subsidized Child Care (Note 3)		83,246	-	-	-
<u>Health Care Financing Administration</u>					
Passed-through the N.C. Department of Health and Human Services:					
Medical Assistance Program					
Chafee Foster Care Independence - Direct Benefit Payment	93.674	7,532	1,883	-	-
Total Division of Medical Assistance		7,532	1,883	-	-
Total U.S. Department of Health & Human Services		2,664,464	398,993	(159)	939,921
Total Federal Awards		7,428,510	398,993	82,874	1,264,863
<b>State Awards:</b>					
<u>N.C. Department of Health and Human Services:</u>					
Passed-through Region D Council of Governments:					
Senior center general purchases			14,575	-	-
POA ARPA			63,613	-	-
<u>Division of Social Services</u>					
State Foster Care Benefits Program	State Foster Care 23	-	301,385	-	184,363
Total N.C. Department of Health and Human Services		-	379,573	-	184,363
<u>N.C. Department of Public Safety:</u>					
Division of Administration, Community Programs					
2020 Corona Virus Protection	PROJ014515	-	2,601	-	-
Juvenile Crime Prevention Council Programs		-	139,176	139,176	40,603
Total N.C. Department of Public Safety		-	141,777	139,176	40,603
<u>N.C. Department of Information Technology</u>					
Priority One 911 Grant	G2022P1	-	590,655	-	-
Total N.C. Department of Information Technology		-	590,655	-	-
<u>N.C. Department of Public Instruction:</u>					
NC Public School Building Capital-Lottery Proceeds		-	278,203	278,203	-
Public School National Forest Service		-	445	445	-
Total N.C. Department of Public Instruction		-	278,648	278,648	-
<u>N.C. Department of Transportation:</u>					
Employment Transportation Operating Assistance		-	16,414	-	-
Elderly and Disabled Transportation Assistance		-	75,348	-	-
Rural General Public Program		-	102,850	-	-
Total N.C. Department of Transportation		-	194,612	-	-
<u>N.C. Department of Agriculture and Consumer Services:</u>					
Soil Conservation Assistance	G40100296015SWC	-	3,600	-	211,723
Streamflow Rehabilitation Assistance Program - Government	Contract # 22-080-4050	-	14,600	-	-
Soil Conservation Technician Cost Sharing	G40100296015SWC	-	26,888	-	26,888
Total N.C. Department of Agriculture		-	45,088	-	238,611
<u>N.C. Division of Veteran's Affairs</u>					
Veteran's Service Program	143B-1211C4	-	2,083	-	144,324
Total N.C. Division of Veteran's Affairs		-	2,083	-	144,324
<u>N.C. Department of Environmental Quality</u>					
Middlefork Greenway Section 4	Contract # 7397	-	20,000	-	-
Total N.C. Department of Environment Quality		-	20,000	-	-
<u>N.C. Office of State and Budget Management</u>					
State Capital and Infrastructure Fund		-	324,053	-	-
Register of Deeds	2065RD1	-	2,166	-	-
Total N.C. Office of State and Budget Management		-	326,219	-	-
Total State Awards		-	1,388,000	417,824	607,901
Other Financial Assistance:					
Opioid Settlement (See Note 4)		-	40,000	-	-
Total Federal and State Awards		\$ 7,428,510	\$ 1,826,993	\$ 500,698	\$ 1,872,764

**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, 2023. 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. Opioid Settlement

The North Carolina Department of Justice does not consider Opioid Settlement Funds either Federal or State financial assistance since they are from a settlement with major drug companies. Since these funds are subject to the State Single Audit Implementation Act, they are reported as Other Financial Assistance on the SEFSA and considered State awards for State single audit requirements.

5. 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

6. 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	\$ -	\$ 524,740
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 7,438,697	\$ -
Temporary Assistance for Needy Families	93.558	24,332	-
Adoption Assistance	93.659	391,175	70,051
Independent Living Transitional	93.674	25,477	-
Medical Assistance Program	93.778	34,851,535	13,456,146
Children's Health Insurance Program	93.767	251,520	56,250
Child Welfare Services Adoption	N/A	-	225,331
State/County Special Assistance Program	N/A	-	127,543
		<u>\$ 42,982,736</u>	<u>\$ 14,460,061</u>