

**TENTATIVE AGENDA & MEETING NOTICE  
BOARD OF COUNTY COMMISSIONERS**

**TUESDAY, DECEMBER 1, 2015  
8:30 A.M.**

**WATAUGA COUNTY ADMINISTRATION BUILDING  
COMMISSIONERS' BOARD ROOM**

| <b>TIME</b> | <b>#</b> | <b>TOPIC</b>  | <b>PRESENTER</b>    | <b>PAGE</b> |
|-------------|----------|---|---------------------|-------------|
| 8:30        | 1        | CALL REGULAR MEETING TO ORDER   |                     |             |
|             | 2        | APPROVAL OF MINUTES:<br>November 17, 2015, Regular Meeting<br>November 17, 2015, Closed Session |                     | 1           |
| 8:35        | 3        | BOARD ORGANIZATIONAL MATTERS  |                     |             |
|             |          | A. Election of Officers   |                     | 9           |
|             |          | B. Staff Appointments   |                     | 10          |
|             |          | C. Fidelity Bonds   |                     | 11          |
|             |          | D. Commissioner Appointments to<br>Boards & Commissions   |                     | 13          |
|             |          | E. Regular Meeting Schedule   |                     | 15          |
| 8:40        | 4        | APPROVAL OF THE DECEMBER 1, 2015, AGENDA  |                     | 17          |
| 8:45        | 5        | PRESENTATION OF FISCAL YEAR 2015 AUDIT  | MS. MISTY WATSON    | 19          |
| 8:50        | 6        | BLUE RIDGE CONSERVANCY REQUEST FOR WATAUGA<br>RIVER ACCESS                                      | MR. ERIC HIEGL      | 139         |
| 8:55        | 7        | DISCUSSION REGARDING PANHANDLING ORDINANCE  | SHERIFF HAGAMAN     | 147         |
| 9:00        | 8        | PRESENTATION OF PROJECT ON AGING'S ANNUAL<br>REPORT   | MS. ANGIE BOITNOTTE | 165         |
| 9:05        | 9        | PROPOSED CONTRACT FOR LICENSE PLATE AGENCY  | MR. LARRY WARREN    | 173         |
| 9:10        | 10       | MISCELLANEOUS ADMINISTRATIVE MATTERS  | MR. DERON GEOUQUE   |             |
|             |          | A. January's Meeting Schedule   |                     | 217         |
|             |          | B. Announcements  |                     | 219         |
| 9:15        | 11       | PUBLIC COMMENT  |                     | 221         |
| 10:15       | 12       | BREAK   |                     | 221         |
| 10:20       | 13       | CLOSED SESSION<br>Attorney/Client Matters – G. S. 143-318.11(a)(3)                              |                     | 221         |
| 10:30       | 14       | ADJOURN   |                     | 221         |

**AGENDA ITEM 2:**

**APPROVAL OF MINUTES:**

November 17, 2015, Regular Meeting

November 17, 2015, Closed Session

**DRAFT****MINUTES****WATAUGA COUNTY BOARD OF COMMISSIONERS  
TUESDAY, NOVEMBER 17, 2015**

The Watauga County Board of Commissioners held a regular meeting, as scheduled, on Tuesday, November 17, 2015, at 5:30 P.M. in the Commissioners' Board Room of the Watauga County Administration Building, Boone, North Carolina.

**PRESENT:** Jimmy Hodges, Chairman  
David Blust, Vice-Chairman  
Billy Kennedy, Commissioner  
Perry Yates, Commissioner  
Stacy "Four" Eggers, IV, County Attorney  
Deron Geouque, County Manager  
Anita J. Fogle, Clerk to the Board

Chairman Hodges called the meeting to order at 5:31 P.M.

Commissioner Yates opened the meeting with a prayer and Vice-Chairman Blust led the Pledge of Allegiance.

Chairman Hodges stated that Commissioner Welch was absent due to a prior commitment.

**APPROVAL OF MINUTES**

Chairman Hodges called for additions and/or corrections to the October 20, 2015, regular meeting and closed session minutes.

Vice-Chairman Blust, seconded by Commissioner Yates, moved to approve the October 20, 2015, regular meeting minutes as presented.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

Vice-Chairman Blust, seconded by Commissioner Yates, moved to approve the October 20, 2015, closed session minutes as presented.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

**APPROVAL OF AGENDA**

Chairman Hodges called for additions and/or corrections to the November 17, 2015, agenda.

Commissioner Yates, seconded by Commissioner Kennedy, moved to approve the November 17, 2015, agenda as presented.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

### **WATAUGA COUNTY PUBLIC LIBRARY ANNUAL REPORT**

Ms. Monica Caruso, County Librarian, presented the Watauga County Public Library Annual Report and introduced the Library's new mascot, ARLy. Ms. Caruso updated the Board on various grants received by the Library and presented statistics on annual usage of the facility.

This report was presented for information only and, therefore, no action was required.

### **PRESENTATION OF WATAUGA COUNTY COMMUNITY CHILD PROTECTION TEAM'S ANNUAL REPORT AND APPOINTMENT OF MEMBERS FOR 2016**

On behalf of Ms. Gail Hawkinson, County Manager Geouque presented the annual report for the Watauga County Community Child Protection Team. A membership list was also presented for approval. The Child Protection Team is tasked with reducing the acts of abuse and violence against children in the County.

Commissioner Kennedy stated that the Child Protection Team had not received a report from the State for the report filed by the Team in January 2015.

Commissioner Yates, seconded by Vice-Chairman Blust, moved to approve the membership list as presented.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

### **PROJECT ON AGING MATTERS**

#### ***A. Request to Accept Additional Allocation for FY 2016 Home & Community Care Block Grant (H&CCBG)***

Ms. Angie Boitnotte, Project on Aging Director, presented an increase in the FY 2016 Home and Community Care Block Grant (H&CCBG) funds in the amount of \$4,271. The required local match of \$475 is present in the Project on Aging's FY 2016 budget.

Commissioner Kennedy, seconded by Commissioner Yates, moved to accept the \$4,271 increase in Community Care Block Grant (H&CCBG) funds for FY 2016 as well as the local match in the amount of \$475.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
 Nay-0  
 Absent-1(Welch)

***B. Request to Accept Additional Appropriation of State Funds for Senior Centers***

Ms. Angie Boitnotte stated that the Project on Aging was eligible to receive an additional \$15,200, in Senior Center funding from the North Carolina General Assembly and the North Carolina Division of Aging. The L. E. Harrill Senior Center is eligible for \$11,400 and the Western Watauga Community Center for \$3,800. The required 25% local match, \$5,067, is currently in the Agency's existing budget.

Vice-Chairman Blust, seconded by Commissioner Yates, moved to authorize Ms. Boitnotte to request to accept the additional State funding.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
 Nay-0  
 Absent-1(Welch)

**TAX MATTERS**

***A. Monthly Collections Report***

County Manager Geouque presented the Tax Collections Report for the month of October 2015. This report was presented for information only and, therefore, no action was required.

***B. Refunds and Releases***

The County Manager presented the Refunds and Releases Report for October 2015 for Board approval:

TO BE TYPED IN MINUTE BOOK

Commissioner Kennedy, seconded by Vice-Chairman Blust, moved to approve the Refunds and Releases Report for October 2015, as presented.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
 Nay-0  
 Absent-1(Welch)

**FINANCE MATTERS**

***A. Proposed Juvenile Crime Prevention Council (JCPC) Budget Amendment***

Ms. Margaret Pierce, Finance Director, presented a revised Juvenile Crime Prevention Council (JCPC) FY 2015-16 Funding Allocation form. Watauga County JCPC received an additional \$3,115 with the finalization of the State budget. The JCPC recommends approval of these funds for Project Challenge. Project Challenge will provide the required \$935 match. No additional County funding is required.

Commissioner Kennedy, seconded by Commissioner Yates, moved to approve the revised funding allocation as requested.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

***B. Smoky Mountain Center Quarterly Report***

Ms. Margaret Pierce, Finance Director, will present the Smoky Mountain Center Quarterly Financial Report as required by Statute.

This report was presented for information only and, therefore, no action was required.

***C. Proposed Inmate Catastrophic Insurance Contract***

Ms. Margaret Pierce, Finance Director, presented the contract renewal with Insurance Management Consultants, Inc. for catastrophic insurance for inmates housed in the County jail. The insurance shields the County from large medical claims that occur while inmates are being housed in the Watauga County Jail. The proposed renewal is in the amount of \$28,909.44 with a \$10,000 deductible. This is a 9% reduction from last year's renewal which can be attributable to a reduction in the number of inmates. Adequate funds are available to cover the contracted cost.

Commissioner Yates, seconded by Commissioner Kennedy, moved to renew the contract with Insurance Management Consultants, Inc. in the amount of \$28,909.44.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

***D. Budget Amendments***

Ms. Margaret Pierce, Finance Director, reviewed the following budget amendments:

| Account #     | Description             | Debit    | Credit   |
|---------------|-------------------------|----------|----------|
| 103839-389000 | Miscellaneous Revenues  |          | \$41,610 |
| 104310-454000 | Capital Outlay-Vehicles | \$41,610 |          |

The amendment recognizes funds for Sheriff's Office vehicles in the amount of the insurance settlements received for recent accidents.

|               |                           |          |           |
|---------------|---------------------------|----------|-----------|
| 103300-345000 | ROAP Grant                |          | \$142,343 |
| 104500-469845 | Elderly and Disabled      | \$54,262 |           |
| 104500-469844 | Employment Transportation | \$14,153 |           |
| 104500-469843 | Rural General Populations | \$73,928 |           |

The amendment recognizes funds received from NC DOT for the Rural Operating Assistance Program funds accepted by the Board at the October 6, 2015, meeting. No County dollars are required as a match.

|               |   |         |
|---------------|---|---------|
| 103586-332006 | Senior Health Insurance Information Program | \$3,051 |
| 105550-449901 | SHIIP                                       | \$3,051 |

The amendment allocates funds for the Senior Health Insurance Information Program (SHIIP) as accepted by the Board at the August 18, 2015, Meeting. No County Dollars are required as a match.

Commissioner Yates, seconded by Commissioner Kennedy, moved to approve the budget amendments as presented by Ms. Pierce.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

### **COMMISSIONER DISCUSSION**

Commissioner Blust requested the Board send a memo to Appalachian District Health Department requesting a resolution be expedited regarding issues with Mr. Coy Miller's septic permit. Commissioner Yates stated that the State was not willing to even entertain the idea of mediation regarding the matter.

Discussion was also held regarding the possibility of separating from Appalachian District Health Department and operating a County-run Health Department. Commissioner Kennedy asked for legal clarification.

County Attorney Eggers stated that the County could operate a one-county health department legally; however, it would be a matter of the feasibility and availability of funds as to whether it work for Watauga County.

After discussion, the Board agreed by consensus to direct the County Manager to send a letter to Appalachian District Health Department requesting the Coy Miller case be resolved as soon as possible. The Board also directed the County Manager to research the feasibility of operating a County-run health department.

### **MISCELLANEOUS ADMINISTRATIVE MATTERS**

#### ***A. Proposed Resolution Establishing the Register of Deeds Salary***

County Manager Geouque stated that, per Statute, prior to the filing period for 2016 elections, the Board must establish the salary for the Register of Deeds in order for filing fees to be determined. The entry level salary on the County's current pay plan is \$50,408 and is the amount listed in the proposed resolution.

Commissioner Yates, seconded by Vice-Chairman Blust, moved to adopt the resolution establishing the Register of Deeds Salary as presented.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
 Nay-0  
 Absent-1(Welch)

### ***B. Announcements***

County Manager Geouque announced that the Annual County Christmas Luncheon, scheduled on Tuesday, December 8, 2015, will be held at Dan'l Boone Inn from 11:45 A.M. to 2:00 P.M.

### **PUBLIC COMMENT**

There was no public comment.

### **CLOSED SESSION**

At 6:36 P.M., Commissioner Kennedy, seconded by Vice-Chairman Blust, moved to enter Closed Session to discuss Attorney/Client Matters, per G. S. 143-318.11(a)(3).

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
 Nay-0  
 Absent-1(Welch)

Commissioner Kennedy, seconded by Commissioner Yates, moved to resume the open meeting at 7:07 P.M.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
 Nay-0  
 Absent-1(Welch)

Commissioner Yates, seconded by Vice-Chairman Blust moved to add Land Acquisition, per G. S. 143-318.11(a)(5)(i) to the Closed Session.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
 Nay-0  
 Absent-1(Welch)

### **OTHER DISCUSSION**

A brief discussion was held regarding County-owned surplus bleachers. An organization in Wilkes County has offered to purchase the bleachers. The County Manager stated that there may be use for the bleachers within the County. There is also concerns as to whether, if sold, the buyer would remove the entire set of bleachers or leave portions of the structure for the County to dispose.

By consensus, the Board agreed to direct the County Manager to determine whether the County has use for the bleachers and, if not, to follow proper procedure for selling the bleachers with the stipulation that the buyer must remove the entire structure.



**ADJOURN**

Commissioner Kennedy, seconded by Commissioner Yates, moved to adjourn the meeting at 7:14 P.M.

VOTE: Aye-4(Hodges, Blust, Kennedy, Yates)  
Nay-0  
Absent-1(Welch)

Jimmy Hodges, Chairman

ATTEST:  
Anita J. Fogle, Clerk to the Board

**AGENDA ITEM 3:****BOARD ORGANIZATIONAL MATTERS*****A. Election of Officers***

Since there is no Chairman at this point in time, it has been customary for the County Manager to conduct the election; however, this can be handled by a commissioner if that is the desire of the Board. Nominations are taken from the floor, and the election is by simple majority of the Board members. Following the election of officers, the new Chairman assumes his duties and presides over the meeting. It is appropriate at this time for the commissioners to change the seating arrangements if they so desire, or this could be done at a later meeting.

**AGENDA ITEM 3:****BOARD ORGANIZATIONAL MATTERS*****B. Staff Appointments***

It has been local practice for the Board to take action on the following staff appointments who serve at the pleasure of the Board. These include County Manager, Deron Geouque; Clerk to the Board, Anita Fogle; Substitute Clerks to the Board, Monica Harrison (Human Resource Coordinator) and Tammy Adams (Asst. HR Coord./Admin Support Specialist); and the County Attorney (the appointment of the attorney can be done by individual name or firm name whichever is appropriate). Also, a separate Department of Social Services Attorney may be appointed or the appointed County Attorney may serve at the discretion of the Board.

Board action is requested.

**AGENDA ITEM 3:**

**BOARD ORGANIZATIONAL MATTERS**

*C. Fidelity Bonds*

Board action is needed to set these specific name fidelity bonds for the positions as shown in the packet. Ms. Margaret Pierce will be present for discussion.



# WATAUGA COUNTY

## FINANCE OFFICE

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

### MEMORANDUM

**TO: Deron Geouque, County Manager**  
**FROM: Margaret Pierce, Finance Director**  
**SUBJECT: Fidelity Bonds and Authorized Signers**  
**DATE: November 19, 2015**

The following fidelity bonds are in place and require the annual approval of the Watauga County Board of Commissioners. Currently, the County Manager serves as Deputy Finance Director in the absence of the Finance Director and is bonded as such. The Finance Director, County Manager, and Chair of the Board of Commissioners serve as the authorized signers for disbursements. Official depositories of the County are Yadkin Bank, BB&T Bank, First Citizens Bank, Great State Bank, PNC Bank, and Wells Fargo Bank.

| <u>Position</u>                            | <u>Bond Amount</u> | <u>Statutory Requirement</u>   |
|--|--------------------|--|
| Finance Director                           | \$50,000           | No less than \$50,000,<br>NCGS 159-29  |
| Deputy Finance Director/<br>County Manager | \$50,000           |  |
| Tax Collector                              | \$50,000           | Amount considered reasonable<br>by BCC, NCGS 105-349-c                           |
| Register of Deeds                          | \$50,000           | At least \$10,000, but no more<br>than \$50,000, NCGS 161-4                      |
| Sheriff                                    | \$25,000           | Amount considered reasonable<br>by BCC, but no more than<br>\$25,000, NCGS 162-8 |

Board approval is requested for the bonds, official depositories and the authorized signers as listed above.

**AGENDA ITEM 3:****BOARD ORGANIZATIONAL MATTERS*****D. Commissioner Appointments to Boards & Commissions***

Included in the packet is a list of Boards & Commissions on which the commissioners themselves have served in the past. Some of these are legal requirements that the commissioners serve, and some are at the request of the agencies. The majority of these appointments can be made by the Chairman of the Board although several of them do require Board action. Therefore, it has been the practice for the Chairman to submit a list of appointments with Board action to approve the entire list. If there is more than one nomination for a particular appointment, the Board may vote on each nomination separately.

## Commissioner Appointments to Boards & Commissions

### As of December 1, 2014

| Board/Commission  | Member        |
|---|---------------|
| Appalachian District Health Department  | Yates         |
| Appalachian Theatre Board of Trustees Ex-Officio Member   | Kennedy       |
| AppalCART Authority   | Blust         |
| Blue Ridge Resource Conservation & Development Area   | Blust         |
| Caldwell Community College & Technical Institute - Watauga Advisory Board                         | Welch         |
| Children's Council/Child Protection Team  | Kennedy       |
| Cooperative Extension Advisory Leadership Board   | Yates         |
| Economic Development Commission (EDC)   | Yates         |
| Educational Planning Committee (2 appointees)   | Blust & Welch |
| EMS Advisory Committee  | Kennedy       |
| High Country Council of Governments<br>Executive Board<br>Rural Transportation Advisory Committee | Hodges        |
| Juvenile Crime Prevention Council (JCPC)  | Welch         |
| Library Board   | Kennedy       |
| Motor Vehicle Valuation Review Committee  | Welch         |
| New River Service Authority Board   | Hodges        |
| Northwest Regional Housing Authority (five-year term expires Dec. 12, 2019)                       | Pat Vines     |
| POA Advisory Committee (Home & Community Care Block Grant)  | Kennedy       |
| Sheriff's Office Liaison  | Kennedy       |
| Smoky Mountain Center Board (LME for Mental Health Services)                                      | Kennedy       |
| Social Services Advisory Board  | Hodges        |
| Watauga County Fire Commission  | Yates         |
| Watauga County Personnel Advisory Committee   | Hodges        |
| Watauga County Recreation Commission  | Welch         |
| Watauga Medical Center Board of Trustees  | Hodges        |
| Watauga Opportunities, Inc.   | Blust         |
| Workforce Development Board (WDB)   | Chairman      |

## **AGENDA ITEM 3:**

### **BOARD ORGANIZATIONAL MATTERS**

#### ***E. Regular Meeting Schedule***

The Board's regular meetings are currently scheduled for the 1st Tuesday and the 3rd Tuesday of each month at 8:30 A.M. and 5:30 P.M. respectively. This schedule can continue or may be changed at the pleasure of the Board.



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**AGENDA ITEM 4:**

**APPROVAL OF THE DECEMBER 1, 2015, AGENDA**

Now that the Board has been officially constituted, it is appropriate for the Board to take action to adopt the agenda.

If you have questions or require more information, please do not hesitate to contact me.

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## AGENDA ITEM 5:

### PRESENTATION OF FISCAL YEAR 2015 AUDIT

#### MANAGER'S COMMENTS:

Ms. Misty Watson will present the Fiscal Year 2015 County audit. The County's financial position remains strong due to the direction provided by the Commissioners and through execution of that direction by County staff. Below are some of the financial highlights:

- ❖ The total assets of the County exceeded its liabilities at the close of the fiscal year by \$128,858,190.
- ❖ The County's unassigned fund balance for the general fund was \$18,192,063 at the end of the year, representing 38.99% of total General Fund expenditures. This is an increase of \$1,443,552 in the unassigned fund balance from the previous year.
- ❖ The collection rate for property taxes was 98.37% which was an increase from last year's 98.02%. The County is still above the statewide average of 97.23% in 2014.
- ❖ **Outstanding debt principal decreased by \$5,002,291.** Total outstanding debt principal at June 30, 2015 is \$47,273,471. Watauga County's legal debt limit is \$658,298,987 so the County continues to be well below the state limits.
- ❖ No material weaknesses were found in the County's accounting systems or internal controls.

The audit is presented for information only; however, staff is requesting the Board transfer the \$1,443,552 increase in the unassigned fund balance to the Capital Project Fund for future County needs. Also, included is the fiscal year 2016 audit contract with Misty Watson, CPA, PA in the amount of \$37,000. Funds have been budgeted to cover the expenditure.

Board action is required to approve the transfer of the \$1,443,552 increase in the unassigned fund balance to the Capital Project Fund for future County projects and approve the fiscal year 2016 audit contract in the amount of \$37,000.



## WATAUGA COUNTY FINANCE OFFICE

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

### MEMORANDUM

**TO: Deron Geouque, County Manager**  
**FROM: Margaret Pierce, Finance Director**  
**SUBJECT: Misty D. Watson, CPA, PA Contract for FY 15-16**  
**DATE: November 20, 2015**

Attached is a copy of the fiscal year 2015-16 audit contract with Misty D. Watson, CPA, PA. The contract amount of \$37,000.00 is the same as the prior fiscal year. The funding for this contract is requested in the Finance Department budget for FY 15-16.

Board approval is requested for a contract amount not to exceed \$37,000 with Misty D. Watson, CPA, PA to complete the County's Fiscal Year 15-16 audit.

LGC-205 (Rev. 2016)

**CONTRACT TO AUDIT ACCOUNTS**Of Watauga CountyPrimary Governmental UnitDiscretely Presented Component Unit (DPCU) if applicableOn this 1st day of December, 2015,Auditor: Misty D. Watson, CPA PA Auditor Mailing Address: PO Box 2122, Boone, NC 28607Hereinafter referred to as The Auditorand Board of Commissioners (Governing Board(s)) of Watauga County  
(Primary Government)and : hereinafter referred to as the Governmental Unit(s), agree as follows:  
(Discretely Presented Component Unit)

1. The Auditor shall audit all statements and disclosures required by generally accepted accounting principles (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit (s) for the period beginning July 1, 2015, and ending June 30, 2016. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion will be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with generally accepted auditing standards. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated workpapers may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC CPA Board).  
  
County and Multi-County Health Departments: The Office of State Auditor will designate certain programs that have eligibility requirements to be considered major programs in accordance with OMB Circular A-133 for the State of North Carolina. The LGC will notify the auditor and the County and Multi-Health Department of these programs. A County or a Multi-County Health Department may be selected to audit any of these programs as major.
3. If an entity is determined to be a component of another government as defined by the group audit standards - the entity's auditor will make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.
4. This contract contemplates an unqualified opinion being rendered. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government*

## Contract to Audit Accounts (cont.)

Watauga County

Governmental Unit

Discretely Presented Component Units (DPCU) if applicable

*Auditing Standards.* The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract (See Item 22). **If the audit firm received a peer review rating other than pass**, the Auditor shall not contract with the Governmental Unit without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to Government Accounting Standards or if financial statements are not prepared in accordance with GAAP and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment..

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the State and Local Government Finance Division (SLGFD) within four months of fiscal year end. Audit report is due on: October 31, 2016. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay must be submitted to the secretary of the LGC for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor will make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. **Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC.** (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work must be submitted by email in PDF format to the Secretary of the LGC for approval. The invoices must be sent via upload through the current portal address: <http://nctreasurer.slgfd.leapfile.net> Subject line should read "Invoice – [Unit Name]. The PDF invoice marked 'approved' with approval date will be returned by email to the Auditor to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.
9. In consideration of the satisfactory performance of the provisions of this contract, the Primary Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the LGC, the fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. (Note: **Fees listed on signature pages.**)
10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall include documentation either in the notes to the audited financial statements or as a separate report submitted to the SLGFD along with the audit report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the SLGFD simultaneously with the Governmental Unit's audited financial statements unless otherwise specified in the bond documents.

## Contract to Audit Accounts (cont.)

Watauga County

Governmental Unit

Discretely Presented Component Units (DPCU) if applicable

11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, but not be limited to, the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the client or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board as soon as practical after the close of the accounting period.
12. If the audit firm is required by the NC CPA Board or the Secretary of the LGC to have a pre-issuance review of their audit work, there must be a statement added to the engagement letter specifying the pre-issuance review including a statement that the Governmental Unit will not be billed for the pre-issuance review. The pre-issuance review must be performed **prior** to the completed audit being submitted to the LGC. The pre-issuance report must accompany the audit report upon submission to the LGC.
13. The Auditor shall electronically submit the report of audit to the LGC as a text-based PDF file when (or prior to) submitting the invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the SLGFD by any interested parties. Any subsequent revisions to these reports must be sent to the Secretary of the LGC. These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings, by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and other lawful purposes of the Governmental Unit without subsequent consent of the Auditor. If it is determined by the LGC that corrections need to be made to the Governmental Unit's financial statements, they should be provided within three days of notification unless another time frame is agreed to by the LGC.

If the OSA designates certain programs to be audited as major programs, as discussed in item #2, agreed-upon procedures report, a turnaround document and a representation letter addressed to the OSA shall be submitted to the LGC.

The LGC's process for submitting contracts, audit reports and invoices is subject to change. Auditors should use the submission process in effect at the time of submission. The most current instructions will be found on our website: <https://www.netreasurer.com/slgl/Pages/Audit-Forms-and-Resources.aspx>

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor
15. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, on the Amended LGC-205 contract form and pre-audited if the change includes a change in audit fee. This amended contract needs to be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract, and then must be submitted through the audit contract portal to the Secretary of the LGC for approval. The portal address to upload your amended contract is <http://netreasurer.slgfd.leapfile.net>. No change shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.
16. Whenever the Auditor uses an engagement letter with the Governmental Unit, Item #17 is to be completed by referencing the engagement letter and attaching a copy of the engagement letter to the contract to incorporate the engagement letter into the contract. In case of conflict between the terms of the engagement letter and the terms of



Contract to Audit Accounts (cont.)

Watauga County

Governmental Unit

Discretely Presented Component Units (DPCU) if applicable

this contract, the terms of this contract will control. Engagement letter terms are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item #22 of this contract. Engagement letters containing indemnification clauses will not be approved by the LGC.

17. Special provisions should be limited. Please list any special provisions in an attachment.
18. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU must be named along with the parent government on this audit contract. Signatures from the DPCU Board chairman and finance officer also must be included on this contract.
19. The contract must be executed, pre-audited, physically signed by all parties including Governmental Unit and Auditor signatures and submitted in PDF format to the Secretary of the LGC. The current portal address to upload your contractual documents is <http://nctreasurer.slgfd.leapfile.net> Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of October 2015. These instructions are subject to change. Please check the NC Treasurer's web site at [www.nctreasurer.com](http://www.nctreasurer.com) for the most recent instructions.
20. The contract is not valid until it is approved by the LGC Secretary. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. **The audit should not be started before the contract is approved.**
21. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.
22. **E-Verify.** Auditor **shall comply** with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor **shall require** such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.
23. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item 16 for clarification).

***SIGNATURE PAGES FOLLOW***

Contract to Audit Accounts (cont.) Watauga County

Governmental Unit

Discretely Presented Component Units (DPCU) if applicable

Watauga County - FEES

Year-end bookkeeping assistance – [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards] 0.00

Audit \$37,000.00

Preparation of the annual financial Statements 0.00

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

The 75% cap for interim invoice approval for this audit contract is \$ 27,750.00

\*\* NA if there is to be no interim billing

Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.

Audit Firm Signature:

Misty D. Watson, CPA PA

Name of Audit Firm

By Misty D. Watson

Authorized Audit firm representative name: Type or print

Signature of authorized audit firm representative

Date

misty@mistywatsoncpa.com

Email Address of Audit Firm

Governmental Unit Signatures:

Watauga County

Name of Primary Government

By

Mayor / Chairperson: Type or print name and title

Signature of Mayor/Chairperson of governing board

Date

By N/A

Chair of Audit Committee - Type or print name

\*\*

Signature of Audit Committee Chairperson

Date

\*\* If Governmental Unit has no audit committee, mark this section "N/A"

Watauga County

**PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)**

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

By Margaret Pierce

**Primary Governmental Unit Finance Officer:**

Type or print name

Primary Government Finance Officer Signature

Date

*(Pre-audit Certificate must be dated.)*

margaret.pierce@watgov.org

Email Address of Finance Officer

Date Primary Government Governing Body Approved Audit Contract - G.S. 159-34(a)

Contract to Audit Accounts (cont.) Watauga County

Governmental Unit

Discretely Presented Component Units (DPCU) if applicable

**\*\* This page to only be completed by Discretely Presented Component Units \*\***

**FEEES**

**Year-end bookkeeping assistance – [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards]** \_\_\_\_\_

**Audit** \_\_\_\_\_

**Preparation of the annual financial Statements** \_\_\_\_\_

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

**The 75% cap for interim invoice approval for this audit contract is \$** \_\_\_\_\_

**\*\* NA if there is to be no interim billing**

*Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.*

**DPCU Governmental Unit Signatures:**

\_\_\_\_\_  
Name of Discretely Presented Component Unit

By \_\_\_\_\_  
**DPCU Board Chairperson:** Type or print name and title

\_\_\_\_\_  
Signature of Chairperson of DPCU governing board

\_\_\_\_\_  
Date

By \_\_\_\_\_  
**Chair of Audit Committee** - Type or print name

\_\_\_\_\_  
Signature of Audit Committee Chairperson

\_\_\_\_\_  
Date

**\*\* If Governmental Unit has no audit committee, mark this section "N/A"**

**PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)**

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

By \_\_\_\_\_  
**DPCU Finance Officer:**  
Type or print name

\_\_\_\_\_  
**DPCU Finance Officer Signature**

\_\_\_\_\_  
**Date**  
*(Pre-audit Certificate **must be dated.**)*

\_\_\_\_\_  
**Email Address of Finance Officer**

\_\_\_\_\_  
**Date DPCU Governing Body Approved Audit Contract - G.S. 159-34(a )**

Contract to Audit Accounts (cont.) Watauga County

Governmental Unit

Discretely Presented Component Units (DPCU) if applicable

**Steps to Completing the Audit Contract**

1. Complete the Header Information – **NEW:** If a DPCU is subject to the audit requirements as detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not issued for the DPCU and is to be included in the Primary Government's audit, the DPCU must be named with the parent government on this Audit contract. The Board chairman of the DPCU also must sign the Audit contract.
2. Item No. 1 – Complete the period covered by the audit
3. Item No. 6 – Fill in the audit due date. For Governmental Unit (s), the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – If the process for invoice approval instructions changed, the Auditor should make sure he and his administrative staff are familiar with the current process. Instructions for each process can be found at the following link. <https://www.nctreasurer.com/slgl/Pages/Audit-Forms-and-Resources.aspx>
5. Item No. 9 – **NEW:** Please note that the fee section has been moved to the signature pages, Pages 5 & 6.
6. Item No. 16 – If there is a reference to an engagement letter or other document (ex: Addendum), has the engagement letter or other document been acknowledged by the Governmental Unit and attached to the contract submitted to the SLGFD?
  - a. Do the terms and fees specified in the engagement letter agree with the Audit contract? *"In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control."*
  - b. Does the engagement letter contain an indemnification clause? **The audit contract will not be approved if there is an indemnification clause – refer to LGC Memo # 986.**
7. Complete the fee section for BOTH the Primary Government and the DPCU (if applicable) on the signature pages, please note:
  - The cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year's total audit fee. If the contract fee is partially variable, we will compare the authorized interim payment on the contract to 75% of last year's actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: <https://www.nctreasurer.com/slgl/Pages/Non-Audit-Services-and-Audit-Fees.aspx> - Auditors and Audit Fees.  
Please call or email Steven Holmberg of our office at 919-807-2394 [steven.holmberg@nctreasurer.com](mailto:steven.holmberg@nctreasurer.com) if you have any questions about the fees on this list.
  - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?

## Contract to Audit Accounts (cont.)

## Watauga County

## Governmental Unit

## Discretely Presented Component Units (DPCU) if applicable

- For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? (Note: See previous bullet point regarding variable fees.)
  - If there is to be no interim billing, please indicate N/A instead of leaving the line blank.
8. Signature Area – There are now 2 Signature Pages: one for the Primary Government and one for the DPCU. Send the page(s) that are applicable to your Unit of Government. Make sure all signatures have been obtained, and properly dated. **The contract must be approved by Governing Boards pursuant to G.S. 159-34(a).** NEW - If this contract includes auditing a DPCU that is a Public Authority under the Local Government Budget and Fiscal Control Act it must be named in this Audit contract and the Board chairperson of the DPCU **must also sign** the Audit contract in the area indicated. If the DPCU has a separate Audit, a separate Audit contract is required for the DPCU.
  9. Please place the date the Unit's Governing Board and the DPCU's governing Board (if applicable) approved the audit contract in the space provided.
    - a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
    - b. Has the pre-audit certificate for the Primary Government (and the DPCU if applicable) been signed and dated by the appropriate party?
    - c. Has the name and title of the Mayor or Chairperson of the Unit's Governing Board and the DPCU's Chairperson (if applicable) been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor's signature?
  10. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated on the applicable signature page(s) of the contract.
  11. Has the most recently issued peer review report for the audit firm been included with the contract? This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is only required to send the most current Peer Review report to us once – not multiple times.
  12. After all the signatures have been obtained and the contract is complete, please convert the contract and all other supporting documentation to be submitted for approval into a PDF file. Peer Review Reports should be submitted in a separate PDF file. These documents should be submitted using the most current submission process which can be obtained at the NC Treasurer's web site – <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>.
  13. NEW: If an audit is unable to be completed by the due date, an Amended Contract should be completed and signed by the unit and auditor, using the new "Amended LGC-205" form (Rev. 2015). The written explanation for the delay is now included on the contract itself to complete, and must be signed by the original parties to the contract.



**WATAUGA COUNTY, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

***Misty D. Watson, CPA, PA***

*PO Box 2122*

*Boone, NC 28607*



## WATAUGA COUNTY, NORTH CAROLINA

### BOARD OF COUNTY COMMISSIONERS

Jimmy Hodges, Chairman

David Blust, Vice Chairman

John Welch

Billy Kennedy

Perry Yates

### COUNTY OFFICIALS

Deron T. Geouque

County Manager

Margaret Pierce

Finance Director

Stacy C. Eggers, IV

County Attorney

Amy Shook

Register of Deeds

Larry Warren

Tax Administrator

**Watauga County, North Carolina**  
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June 30, 2015

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## FINANCIAL SECTION

**MISTY D WATSON, CPA, P.A.  
CERTIFIED PUBLIC ACCOUNTANT  
PO BOX 2122  
BOONE, NORTH CAROLINA 28607  
TELEPHONE (828) 263-1100**

Independent Auditor's Report

To the Board of County Commissioners  
Watauga County, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Watauga County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of AppalCART, which represents 90.70 percent, 90.80 percent, and 78.36 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AppalCART is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Watauga County District U Tourism Development Authority were not audited in accordance with Governmental Auditing Standards.

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

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

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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 June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, the other Postemployment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 56 to 61 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and 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 consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

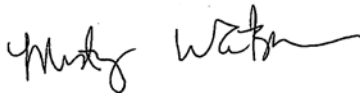
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Watauga County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules,

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 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 the 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 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.

A handwritten signature in black ink, appearing to read "Misty Watson". The signature is written in a cursive, flowing style.

Misty D Watson, CPA, P.A.

Boone, NC  
September 30, 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## Watauga County

Year Ended June 30, 2015

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, 2015. We encourage users to read the information presented here in conjunction with additional information we have furnished in the County's financial statements and notes which follow this narrative.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$128,858,190.
- The County's total net position increased by \$7,834,834 primarily due to an increase in cash assets from revenues exceeding budget projections and a reduction in outstanding liabilities coupled with operating expenditures below expected levels.
- The County's unassigned fund balance for the general fund was \$18,192,063 at the end of the year, representing 38.99% of total General Fund expenditures. This is an increase of \$1,443,552 in unassigned fund balance over the previous year.
- The Middlefork Greenway extension project near Mystery Hill was completed.
- Restrooms and paving were completed at Rocky Knob Park.
- A memorial for law enforcement officers who died in the line of duty was completed.
- The fiscal year 2013-14 increase in unassigned fund balance of \$2,094,595 was appropriated to the Capital Project Fund for the County's CIP in addition to the initially budgeted \$300,000 for future school needs.

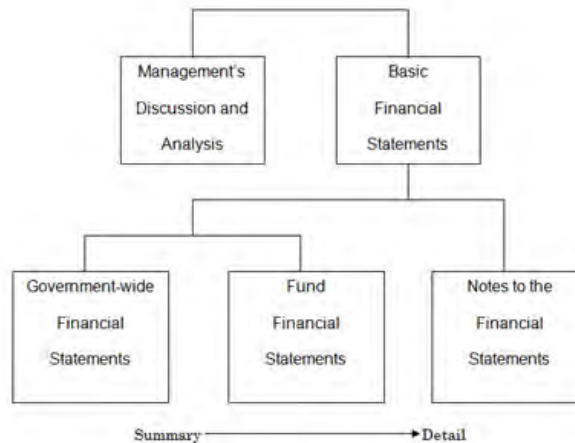
### Overview of the Financial Statements

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

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

#### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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. Effective July 1, 2006, the Watauga County Board of Commissioners levied six percent occupancy tax and created a Tourism Development Authority to administer funds collected to promote tourism in the County. The six voting members of the Authority Board are appointed by the County Board of Commissioners.

### Fund Financial Statements

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

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

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: 1) the final budget as amended by the board, 2) the actual resources, charges to appropriations, and ending balances in the General Fund,

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 23 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 56 of this report.

### Government-Wide Financial Analysis

#### Watauga County's Net Position

Figure 2

|                                      | Governmental   |                | Business-type |              | Total          |                |
|--------------------------------------|----------------|----------------|---------------|--------------|----------------|----------------|
|                                      | Activities     |                | Activities    |              |                |                |
|                                      | 2015           | 2014           | 2015          | 2014         | 2015           | 2014           |
| Current and other assets             | \$ 35,690,173  | \$ 31,292,863  | \$ 4,897,264  | \$ 4,331,569 | \$ 40,587,437  | \$ 35,624,432  |
| Net capital assets                   | 139,527,310    | 141,616,318    | 4,658,480     | 4,997,665    | 144,185,790    | 146,613,983    |
| Total assets                         | 175,217,483    | 172,909,181    | 9,555,744     | 9,329,234    | 184,773,227    | \$ 182,238,415 |
| Total deferred outflows of resources | 729,287        | 728,060        | 64,737        | 62,677       | 794,024        | 790,737        |
| Long-term liabilities outstanding    | 48,274,945     | 52,866,779     | 98,309        | 105,010      | 48,373,254     | 52,971,789     |
| Other liabilities                    | 5,604,966      | 8,384,613      | 169,425       | 432,998      | 5,774,391      | 8,817,611      |
| Total liabilities                    | 53,879,911     | 61,251,392     | 267,734       | 538,008      | 54,147,645     | 61,789,400     |
| Total deferred inflows of resources  | 2,344,468      | 137,671        | 216,948       | 78,725       | 2,561,416      | 216,396        |
| Net position:                        |                |                |               |              |                |                |
| Net investment in capital assets     | 92,898,978     | 90,114,724     | 4,658,480     | 4,997,665    | 97,557,458     | 95,112,389     |
| Restricted                           | 6,383,437      | 4,894,743      | -             | -            | 6,383,437      | 4,894,743      |
| Unrestricted                         | 20,439,976     | 17,238,711     | 4,477,319     | 3,777,513    | 24,917,295     | 21,016,224     |
| Total net position                   | \$ 119,722,391 | \$ 112,248,178 | \$ 9,135,799  | \$ 8,775,178 | \$ 128,858,190 | \$ 121,023,356 |

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 \$128,858,190 at June 30, 2015. The County's net position increased by \$7,834,834 for the fiscal year. Net position is reported in three categories: Net investment in capital assets of \$97,557,458; restricted net position of \$6,383,437; and unrestricted net position of \$24,917,295.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2015, the increase in this category of net position correlates to reduced outstanding debt along with increased capital assets.

Another category of net position is restricted net position. This represents resources that are subject to external restrictions on how they may be used. The County has restricted assets due to statutory requirements for Register of Deeds Automation Enhancement Funds, Tax Revaluation, and Stabilization. Grant requirements and special revenues account for the balance.

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 assets and reductions in outstanding liabilities;
- Addition of pension assets due to accounting changes with GASB 68 requirements.

### Watauga County Changes in Net Position Figure 3

|  | Governmental Activities |               | Business-type Activities |             | Total         |               |
|--|-------------------------|---------------|--------------------------|-------------|---------------|---------------|
|  | 2015                    | 2014          | 2015                     | 2014        | 2015          | 2014          |
| <b>Revenues</b>  |                         |               |                          |             |               |               |
| Program revenues:  |                         |               |                          |             |               |               |
| Charges for services   | \$ 1,532,806            | \$ 1,527,412  | \$4,346,485              | \$4,269,233 | \$ 5,879,291  | \$ 5,796,645  |
| Operating grants and contributions                                     | 4,973,943               | 4,772,517     | 113,697                  | 107,109     | 5,087,640     | 4,879,626     |
| Capital grants   | 707,700                 | 987,886       | -                        | -           | 707,700       | 987,886       |
| General revenues:  |                         |               |                          |             |               |               |
| Property taxes   | 30,935,535              | 31,592,278    | -                        | -           | 30,935,535    | 31,592,278    |
| Other taxes  | 12,260,357              | 13,348,987    | -                        | -           | 12,260,357    | 13,348,987    |
| Grant and contributions not restricted to specific programs            | 1,961,409               | 1,226,554     | -                        | -           | 1,961,409     | 1,226,554     |
| Other  | 2,034,114               | 556,315       | 22,164                   | 84,428      | 2,056,278     | 640,743       |
| Total revenues   | 54,405,864              | 54,011,949    | 4,482,346                | 4,460,770   | 58,888,210    | 58,472,719    |
| <b>Expenses</b>  |                         |               |                          |             |               |               |
| General government   | 9,442,939               | 9,067,437     | -                        | -           | 9,442,939     | 9,067,437     |
| Public safety  | 12,617,487              | 12,850,289    | -                        | -           | 12,617,487    | 12,850,289    |
| Transportation   | 167,182                 | 165,742       | -                        | -           | 167,182       | 165,742       |
| Economic & physical development  | 521,052                 | 548,323       | -                        | -           | 521,052       | 548,323       |
| Environment protection   | 355,573                 | 337,553       | -                        | -           | 355,573       | 337,553       |
| Humans services  | 7,536,917               | 7,822,521     | -                        | -           | 7,536,917     | 7,822,521     |
| Cultural and recreation  | 1,142,379               | 1,441,150     | -                        | -           | 1,142,379     | 1,441,150     |
| Education  | 13,307,102              | 13,553,377    | -                        | -           | 13,307,102    | 13,553,377    |
| Interest on long-term debt   | 1,881,412               | 2,028,373     | -                        | -           | 1,881,412     | 2,028,373     |
| Solid Waste  | -                       | -             | 4,081,333                | 4,323,410   | 4,081,333     | 4,323,410     |
| Total expenses   | 46,972,043              | 47,814,765    | 4,081,333                | 4,323,410   | 51,053,376    | 52,138,175    |
| Increase (decrease) in net position before transfers and special items | 7,433,821               | 6,197,184     | 401,013                  | 137,360     | 7,834,834     | 6,334,544     |
| Transfers  | 40,392                  | 54,381        | (40,392)                 | (54,381)    | -             | -             |
| Increase (decrease) in net position after transfer and special items   | 7,474,213               | 6,251,565     | 360,621                  | 82,979      | 7,834,834     | 6,334,544     |
| Net position, beginning, previously reported                           | 111,807,321             | 110,177,373   | 8,734,589                | 8,651,610   | 120,541,910   | 118,828,983   |
| Restatement  | 440,857                 | (4,621,617)   | 40,589                   | -           | 481,446       | (4,621,617)   |
| Net position, beginning, restated                                      | 112,248,178             | 105,555,756   | 8,775,178                | 8,651,610   | 121,023,356   | 114,207,366   |
| Net position, ending   | \$119,722,391           | \$111,807,321 | \$9,135,799              | \$8,734,589 | \$128,858,190 | \$120,541,910 |

**Governmental activities:** Governmental activities increased the County's net position by \$7,915,070 including prior period restatements, thereby accounting for 95.18% 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 along with continue high property tax collections at a rate of 98.37% for FY 14-15, an increase of 18 basis points over last year;
- Close monitoring of expenditures throughout the year with actual expenditures well below budget.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Business-type activities:** Business-type activities increased Watauga County's net position by \$401,210 (4.82%) including prior period restatements. Key elements of this increase are as follows:

- Revenues in excess of projections for sale of recycled materials due to anticipated volume reductions not materializing;
- Capital expenditures for the household hazardous waste were delayed, creating savings.

### 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 Funds increased to \$18,192,063 while total fund balance increased to \$24,030,993. 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 38.99 percent of total General Fund expenditures (\$46,662,440), while total fund balance represents 51.50 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 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 \$2,949,340 with approximately \$2.1 million of the amendments related to funds set aside for future capital needs of the County, \$430,000 for school lottery projects, and approximately \$425,000 for additional projects and grant funding received. The actual operating revenues for the General Fund were \$1,168,460 more than the budgeted amount. Actual operating expenses were less than budgeted by \$4,508,971.

**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 \$4,477,319. The total increase in proprietary net position was \$360,621.

### Capital Asset and Debt Administration

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**Capital Assets:** Watauga County's investment in capital assets for its governmental and business type activities as of June 30, 2015, totals \$144,185,790 (net of depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year include:

- Purchased new vehicles and equipment for County governmental departments;
- Completion of the Middlefork greenway extension, Rocky Knob Park restrooms and paving, and the Law Enforcement Memorial for slain officers;
- Continued work on the new ambulance base site and the greenway/underpass at Brookshire Park and Hwy 421;
- Began work on a new building for household hazardous waste collection.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Watauga County's Capital Assets Figure 4

|                          | <b>Governmental</b>   | <b>Business</b>     | <b>Total</b>          |
|--------------------------|-----------------------|---------------------|-----------------------|
|                          | <b>Activities</b>     | <b>Activities</b>   |                       |
|                          | 2015                  | 2015                | 2015                  |
| Land                     | \$ 44,138,126         | \$ 975,497          | \$ 45,113,623         |
| Buildings                | 106,839,487           | 4,110,817           | 110,950,304           |
| Other improvements       | 5,444,317             | 445,921             | 5,890,238             |
| Leasehold improvements   | 1,009,463             | 319,960             | 1,329,423             |
| Equipment                | 6,540,284             | 1,507,531           | 8,047,815             |
| Vehicles                 | 1,977,542             | 1,334,909           | 3,312,451             |
| Construction in progress | 421,480               | 1,750               | 423,230               |
| Intangible assets        | 15,600                | -                   | 15,600                |
| <b>Total</b>             | <b>\$ 166,386,299</b> | <b>\$ 8,696,385</b> | <b>\$ 175,082,684</b> |

Additional information on the County's capital assets can be found in note 3 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2015, Watauga County had no bonded debt outstanding or authorized.

### Watauga County's Outstanding Debt Figure 5

|                          | <b>Governmental Activities</b> |               |
|--------------------------|--------------------------------|---------------|
|                          | <u>2014</u>                    | <u>2015</u>   |
| General obligation bonds | \$ 1,155,000                   | \$ -          |
| Installment purchase     | \$ 51,120,762                  | \$ 47,273,471 |

Watauga County's total debt decreased by \$5,002,291 or (9.57%) during the past fiscal year due to scheduled debt service payments. No new debt was issued. 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. The legal debt margin for Watauga County as of June 30, 2015 is \$658,298,987. Additional information regarding Watauga County's long-term debt can be found in Note 3.B.7.b of this report.

## Economic Factors and Next Year's Budgets and Rates

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

- The County continues to experience growth in tourism and has seen continued revenue increases for more than six years related to tourism;
- The County's unemployment rate of 5.3% as of August 2015 is slightly lower than the state average of 5.9% and just above the federal rate of 5.1% and is consistent with the trends seen before the economic recession;
- 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;
- Construction and real estate sales have continued to show minor increases, consistent with state and national trends with no major projects anticipated in the next fiscal year.

## Budget Highlights for the Fiscal Year Ending June 30, 2016

**Governmental activities** – The County's property tax rate is maintained at 31.3 cents per \$100 in property valuation for the tenth year in a row. Tax revenues are expected to remain level with minor growth for new construction. Sales tax revenue is projected

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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with a minor increase based on state projections and more history with the ad valorem method of distribution. Other revenues are expected to maintain current levels with minor increases.

Budgeted expenditures in the General Fund include increased school current capital funding, department budgets with minor increases predominately due to personnel salary and benefit increases. Capital purchases are allocated mainly for vehicle replacements with other projects still limited to primarily repairs and maintenance due to recession cuts. Completion during Fiscal Year 15-16 is expected on the new ambulance base in the western part of the County and the Brookshire/Hwy 421 underpass greenway project. Funds are allocated to be set aside again this year for future capital school projects of \$375,000 (a \$75,000 increase over FY 14-15) and \$450,000 for county projects.

**Businesses-type activities** – Budgeted revenues for solid waste fees are projected at current year amounts with property owners continuing to receive 2,000 pounds of free disposal at the transfer station. Budgeted expenditures include funding for an increase in waste hauling expenses due to potential contracted increases in April 2016. Funds have also been budgeted for a new household hazardous waste collection building to allow for increased opportunities for disposal of these items at an estimated cost of \$80,000 with most of the funding for the building coming from grants, a replacement truck at \$27,000 and replacement of a wheel loader estimated at \$249,000.

### Requests for Information

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

## BASIC FINANCIAL STATEMENTS

Watauga County, North Carolina  
Statement of Net Position  
June 30, 2015

|  | Primary Government      |                          |                | Component Units |   |
|--|-------------------------|--------------------------|----------------|-----------------|---|
|  | Governmental Activities | Business-type Activities | Total          | AppalCART       | Watauga County District U Tourism Development Authority |
| <b>ASSETS</b>  |                         |                          |                |                 |   |
| Cash and cash equivalents  | \$ 28,964,615           | \$ 4,378,642             | \$ 33,343,257  | \$ 1,183,528    | \$ 1,281,174  |
| Restricted cash and cash equivalents   | 885,131                 | -                        | 885,131        | -               | -   |
| Receivables (net)  | 1,539,053               | 337,398                  | 1,876,451      | 19,791          | -   |
| Due from other governments   | 2,678,376               | 27,581                   | 2,705,957      | 415,950         | 98,178  |
| Inventory  | -                       | -                        | -              | 124,974         | -   |
| Net pension asset  | 1,102,124               | 89,014                   | 1,191,138      | -               | 16,808  |
| Intangible asset for advanced funding of OPEB NOO  | 520,874                 | 64,629                   | 585,503        | -               | -   |
| Capital assets:  |                         |                          |                |                 |   |
| Land, intangible, and construction in progress   | 44,575,206              | 977,247                  | 45,552,453     | 1,064,885       | -   |
| Other capital assets, net of depreciation  | 94,952,104              | 3,681,233                | 98,633,337     | 10,809,660      | -   |
| Total capital assets   | 139,527,310             | 4,658,480                | 144,185,790    | 11,874,545      | -   |
| Total assets   | 175,217,483             | 9,555,744                | 184,773,227    | 13,618,788      | 1,396,160   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                         |                          |                |                 |   |
| Pensions-change in proportion and difference between employer contributions and proportionate share of contributions | 6,707                   | 77                       | 6,784          | -               | -   |
| Contributions to pension plan in current fiscal year   | 702,264                 | 64,660                   | 766,924        | -               | 10,075  |
| Unamortized charge on refunding  | 20,316                  | -                        | 20,316         | -               | -   |
| Total deferred outflows of resources   | 729,287                 | 64,737                   | 794,024        | -               | 10,075  |
| <b>LIABILITIES</b>   |                         |                          |                |                 |   |
| Accounts payable and accrued expenses  | 1,042,259               | 169,425                  | 1,211,684      | 202,458         | 7,739   |
| Accrued interest payable   | 175,826                 | -                        | 175,826        | -               | -   |
| Due to other governments   | 97,966                  | -                        | 97,966         | -               | -   |
| Unamortized liability for bond premiums  | 4,228,261               | -                        | 4,228,261      | -               | -   |
| Liabilities payable from restricted assets   | 60,654                  | -                        | 60,654         | -               | -   |
| Long-term liabilities:   |                         |                          |                |                 |   |
| Due within one year  | 4,117,361               | -                        | 4,117,361      | 61,241          | 7,400   |
| Due in more than one year  | 44,157,584              | 98,309                   | 44,255,893     | -               | -   |
| Total liabilities  | 53,879,911              | 267,734                  | 54,147,645     | 263,699         | 15,139  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                         |                          |                |                 |   |
| Revenue paid in advance  | -                       | -                        | -              | 149,382         | -   |
| Pension deferrals  | 2,339,021               | 216,948                  | 2,555,969      | -               | 53,623  |
| Prepaid taxes and fees   | 5,447                   | -                        | 5,447          | -               | -   |
| Total deferred inflows of resources  | 2,344,468               | 216,948                  | 2,561,416      | 149,382         | 53,623  |
| <b>NET POSITION</b>  |                         |                          |                |                 |   |
| Net investment in capital assets   | 92,898,978              | 4,658,480                | 97,557,458     | 11,874,545      | -   |
| Restricted for:  |                         |                          |                |                 |   |
| Stabilization by State Statute   | 5,511,097               | -                        | 5,511,097      | -               | 98,178  |
| Public safety  | 544,507                 | -                        | 544,507        | -               | -   |
| Register of Deeds  | 169,364                 | -                        | 169,364        | -               | -   |
| Environmental protection   | 3,879                   | -                        | 3,879          | -               | -   |
| Revaluation  | 154,590                 | -                        | 154,590        | -               | -   |
| Tourism promotion  | -                       | -                        | -              | -               | 1,239,295   |
| Unrestricted (deficit)   | 20,439,976              | 4,477,319                | 24,917,295     | 1,331,162       | -   |
| Total net position   | \$ 119,722,391          | \$ 9,135,799             | \$ 128,858,190 | \$ 13,205,707   | \$ 1,337,473  |

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



**Watauga County, North Carolina**  
**Statement of Activities**  
For the Year Ended June 30, 2015

|  | <b>Program Revenues</b> |                             |   |   |
|--|-------------------------|-----------------------------|---|---|
| <b>Functions/Programs</b>                                    | <b>Expenses</b>         | <b>Charges for Services</b> | <b>Operating Grants and Contributions</b> | <b>Capital Grants and Contributions</b> |
| <b>Primary government:</b>                                   |                         |                             |   |   |
| Governmental Activities:                                     |                         |                             |   |   |
| General government   | \$ 9,442,939            | \$ 650,314                  | \$ 172,788                                | \$ -                                    |
| Public safety  | 12,617,487              | 516,135                     | 613,284                                   | -                                       |
| Transportation   | 167,182                 | -                           | 119,019                                   | -                                       |
| Economic and physical development                            | 521,052                 | -                           | -   | -                                       |
| Environmental protection                                     | 355,573                 | -                           | 27,678                                    | 10,982                                  |
| Human services   | 7,536,917               | 30,452                      | 4,030,607                                 | -                                       |
| Cultural and recreational                                    | 1,142,379               | 335,905                     | 10,000                                    | 443,464                                 |
| Education  | 13,307,102              | -                           | 567                                       | 253,254                                 |
| Interest on long-term debt                                   | 1,881,412               | -                           | -   | -                                       |
| Total governmental activities                                | 46,972,043              | 1,532,806                   | 4,973,943                                 | 707,700                                 |
| Business-type activities:                                    |                         |                             |   |   |
| Solid waste  | 4,081,333               | 4,346,485                   | 113,697                                   | -                                       |
| Total  | \$ 51,053,376           | \$ 5,879,291                | \$ 5,087,640                              | \$ 707,700                              |
| Component units:   |                         |                             |   |   |
| AppalCART  | \$ 4,275,913            | \$ 2,084,006                | \$ 1,705,943                              | \$ 1,237,115                            |
| Watauga County District U Tourism Development Authority      | \$ 1,053,217            | \$ -                        | \$ 280,906                                | \$ -                                    |
| General revenues:  |                         |                             |   |   |
| Taxes:   |                         |                             |   |   |
| Property taxes, levied for general purpose                   |                         |                             |   |   |
| Local option sales tax                                       |                         |                             |   |   |
| Other taxes and licenses                                     |                         |                             |   |   |
| Grants and contributions not restricted to specific programs |                         |                             |   |   |
| Investment earnings, unrestricted                            |                         |                             |   |   |
| Miscellaneous, unrestricted                                  |                         |                             |   |   |
| Transfers  |                         |                             |   |   |
| Total general revenues, special items, and transfers         |                         |                             |   |   |
| Change in net position                                       |                         |                             |   |   |
| Net position, beginning previously reported                  |                         |                             |   |   |
| Restatement  |                         |                             |   |   |
| Net position, beginning, restated                            |                         |                             |   |   |
| Net position, ending   |                         |                             |   |   |

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

| Net (Expense) Revenues and Changes in Net Position |                          |                       |                      |   |
|--|--------------------------|-----------------------|----------------------|---|
| Primary Government                                 |                          |                       | Component Units      |   |
| Governmental Activities                            | Business-type Activities | Total                 | AppalCART            | Watauga County District U Tourism Development Authority |
| \$ (8,619,837)                                     | \$ -                     | \$ (8,619,837)        | \$                   |   |
| (11,488,068)                                       | -                        | (11,488,068)          |                      |   |
| (48,163)   | -                        | (48,163)              |                      |   |
| (521,052)  | -                        | (521,052)             |                      |   |
| (316,913)  | -                        | (316,913)             |                      |   |
| (3,475,858)  | -                        | (3,475,858)           |                      |   |
| (353,010)  | -                        | (353,010)             |                      |   |
| (13,053,281)                                       | -                        | (13,053,281)          |                      |   |
| (1,881,412)  | -                        | (1,881,412)           |                      |   |
| <u>(39,757,594)</u>                                | <u>-</u>                 | <u>(39,757,594)</u>   |                      |   |
| -  | 378,849                  | 378,849               |                      |   |
| <u>(39,757,594)</u>                                | <u>378,849</u>           | <u>(39,378,745)</u>   |                      |   |
|  |                          |                       | 751,151              |   |
|  |                          |                       |                      | <u>(772,311)</u>  |
| 30,935,535   | -                        | 30,935,535            | -                    | -   |
| 12,260,357   | -                        | 12,260,357            | -                    | -   |
| 1,961,409  | -                        | 1,961,409             | -                    | 1,107,885   |
| 1,334,311  | -                        | 1,334,311             | -                    | -   |
| 78,805   | 10,784                   | 89,589                | 26                   | 402   |
| 620,998  | 11,380                   | 632,378               | -                    | -   |
| 40,392   | (40,392)                 | -                     | -                    | -   |
| <u>47,231,807</u>                                  | <u>(18,228)</u>          | <u>47,213,579</u>     | <u>26</u>            | <u>1,108,287</u>  |
| 7,474,213  | 360,621                  | 7,834,834             | 751,177              | 335,976   |
| 111,807,321  | 8,734,589                | 120,541,910           | 12,454,530           | 1,040,432   |
| 440,857  | 40,589                   | 481,446               | -                    | (38,935)  |
| 112,248,178  | 8,775,178                | 121,023,356           | -                    | 1,001,497   |
| <u>\$ 119,722,391</u>                              | <u>\$ 9,135,799</u>      | <u>\$ 128,858,190</u> | <u>\$ 13,205,707</u> | <u>\$ 1,337,473</u>                                     |

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

**Watauga County, North Carolina**  
Governmental Funds  
Balance Sheet  
June 30, 2015

|   | <u>General</u>       | <u>Capital<br/>Projects<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|--------------------------------------|---|---|
| <b>ASSETS</b>   |                      |                                      |   |   |
| Cash and cash equivalents   | \$ 22,078,768        | \$ 6,885,847                         | \$ -                                    | \$ 28,964,615                           |
| Restricted cash and cash equivalents                                | 327,833              | -                                    | 557,298                                 | 885,131                                 |
| Taxes receivable, net   | 901,869              | -                                    | 222,972                                 | 1,124,841                               |
| Due from other governments  | 2,631,980            | -                                    | 46,396                                  | 2,678,376                               |
| Accounts receivable, net  | 35,349               | -                                    | -                                       | 35,349                                  |
| Due from other funds  | 6,473                | -                                    | -                                       | 6,473                                   |
| Total assets  | <u>\$ 25,982,272</u> | <u>\$ 6,885,847</u>                  | <u>\$ 826,666</u>                       | <u>\$ 33,694,785</u>                    |
| <b>LIABILITIES</b>  |                      |                                      |   |   |
| Accounts payable and accrued liabilities                            | \$ 983,812           | \$ -                                 | \$ -                                    | \$ 983,812                              |
| Due to other governments  | -                    | -                                    | 97,966                                  | 97,966                                  |
| Due to other funds  | -                    | -                                    | 6,473                                   | 6,473                                   |
| Liabilities to be paid from restricted assets                       | 60,654               | -                                    | 51,974                                  | 112,628                                 |
| Total liabilities   | <u>1,044,466</u>     | <u>-</u>                             | <u>156,413</u>                          | <u>1,200,879</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                      |                                      |   |   |
| Taxes receivable  | 901,869              | -                                    | 125,243                                 | 1,027,112                               |
| Prepaid taxes   | 4,944                | -                                    | 503                                     | 5,447                                   |
| Total deferred inflows of resources                                 | <u>906,813</u>       | <u>-</u>                             | <u>125,746</u>                          | <u>1,032,559</u>                        |
| <b>FUND BALANCES</b>  |                      |                                      |   |   |
| Restricted for:   |                      |                                      |   |   |
| Stabilization for State Statute                                     | 5,511,097            | -                                    | -                                       | 5,511,097                               |
| Public safety   | -                    | -                                    | 544,507                                 | 544,507                                 |
| Register of Deeds   | 169,364              | -                                    | -                                       | 169,364                                 |
| Environmental protection  | 3,879                | -                                    | -                                       | 3,879                                   |
| Revaluation   | 154,590              | -                                    | -                                       | 154,590                                 |
| Committed for:  |                      |                                      |   |   |
| Capital projects  | -                    | 6,885,847                            | -                                       | 6,885,847                               |
| Unassigned  | 18,192,063           | -                                    | -                                       | 18,192,063                              |
| Total fund balances   | <u>24,030,993</u>    | <u>6,885,847</u>                     | <u>544,507</u>                          | <u>31,461,347</u>                       |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 25,982,272</u> | <u>\$ 6,885,847</u>                  | <u>\$ 826,666</u>                       | <u>\$ 33,694,785</u>                    |

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

|   |                       |
|---|-----------------------|
| Total Fund Balance, Governmental Funds  | 31,461,347            |
| The intangible assets resulting from advance contributions to the OPEB NOO in excess of the annual required contribution are not financial resources and therefore are not reported in the funds. | 520,874               |
| Net pension asset   | 1,102,124             |
| Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.  | 708,971               |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   | 139,527,310           |
| Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.   | 372,390               |
| Deferred inflows of resources for taxes receivable.   | 1,027,112             |
| Pension related deferrals   | (2,339,021)           |
| Charges related to advance on refunding bond issues.  | 20,316                |
| Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.                           | <u>(52,679,032)</u>   |
| Net position of governmental activities   | <u>\$ 119,722,391</u> |

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

**Watauga County, North Carolina**  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2015

|  | <b>General</b>       | <b>Capital<br/>Projects<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------|--------------------------------------|---|---|
| <b>REVENUES</b>                                      |                      |                                      |   |   |
| Ad valorem taxes                                     | \$ 27,939,146        | \$ -                                 | \$ 2,948,609                            | \$ 30,887,755                           |
| Local option sales taxes                             | 12,260,357           | -                                    | -                                       | 12,260,357                              |
| Other taxes and licenses                             | 798,746              | -                                    | 1,162,663                               | 1,961,409                               |
| Unrestricted intergovernmental                       | 1,334,311            | -                                    | -                                       | 1,334,311                               |
| Restricted intergovernmental                         | 5,133,276            | -                                    | 427,483                                 | 5,560,759                               |
| Permits and fees                                     | 700,646              | -                                    | -                                       | 700,646                                 |
| Sales and services                                   | 1,056,281            | -                                    | -                                       | 1,056,281                               |
| Investment earnings                                  | 62,804               | 16,001                               | 1,205                                   | 80,010                                  |
| Donations  | 72,246               | -                                    | -                                       | 72,246                                  |
| Miscellaneous  | 604,310              | -                                    | -                                       | 604,310                                 |
| Total revenues                                       | <u>49,962,123</u>    | <u>16,001</u>                        | <u>4,539,960</u>                        | <u>54,518,084</u>                       |
| <b>EXPENDITURES</b>                                  |                      |                                      |   |   |
| Current:   |                      |                                      |   |   |
| General government                                   | 6,920,442            | -                                    | 1,129,177                               | 8,049,619                               |
| Public safety  | 9,472,374            | -                                    | 3,257,766                               | 12,730,140                              |
| Transportation                                       | 167,182              | -                                    | -                                       | 167,182                                 |
| Economic and physical development                    | 470,844              | -                                    | 33,047                                  | 503,891                                 |
| Environmental protection                             | 369,609              | -                                    | -                                       | 369,609                                 |
| Human services                                       | 7,322,189            | -                                    | -                                       | 7,322,189                               |
| Cultural and recreational                            | 1,437,048            | -                                    | -                                       | 1,437,048                               |
| Education  | 13,307,102           | -                                    | -                                       | 13,307,102                              |
| Capital outlay                                       | -                    | -                                    | 17,933                                  | 17,933                                  |
| Debt service:  |                      |                                      |   |   |
| Principal  | 5,002,291            | -                                    | -                                       | 5,002,291                               |
| Interest   | 2,193,359            | -                                    | -                                       | 2,193,359                               |
| Total expenditures                                   | <u>46,662,440</u>    | <u>-</u>                             | <u>4,437,923</u>                        | <u>51,100,363</u>                       |
| Excess (deficiency) of<br>revenues over expenditures | <u>3,299,683</u>     | <u>16,001</u>                        | <u>102,037</u>                          | <u>3,417,721</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                                      |   |   |
| Transfers from other funds                           | 1,408,122            | 2,394,595                            | -                                       | 3,802,717                               |
| Transfers to other funds                             | <u>(2,394,595)</u>   | <u>(1,367,730)</u>                   | <u>-</u>                                | <u>(3,762,325)</u>                      |
| Total other financing sources and uses               | <u>(986,473)</u>     | <u>1,026,865</u>                     | <u>-</u>                                | <u>40,392</u>                           |
| Net change in fund balance                           | 2,313,210            | 1,042,866                            | 102,037                                 | 3,458,113                               |
| Fund balances, beginning of year                     | 21,717,783           | 5,842,981                            | 442,470                                 | 28,003,234                              |
| Fund balances, end of year                           | <u>\$ 24,030,993</u> | <u>\$ 6,885,847</u>                  | <u>\$ 544,507</u>                       | <u>\$ 31,461,347</u>                    |

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

**Watauga County, North Carolina**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balance of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2015

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

|   |    |           |
|---|----|-----------|
| Net changes in fund balances - total governmental funds | \$ | 3,458,113 |
|---|----|-----------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|  |                    |             |
|--|--------------------|-------------|
| Capital outlay expenditures which were capitalized | \$ 1,487,333       |             |
| Sale of land at book value                         | (160,000)          |             |
| Depreciation expense for governmental assets       | <u>(3,416,341)</u> | (2,089,008) |

|   |  |         |
|---|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. |  | 702,264 |
|---|--|---------|

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>47,780</u> | 47,780 |
|--|---------------|--------|

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.

|  |                |         |
|--|----------------|---------|
| Other postemployment benefits                      | 101,649        |         |
| Pension expense                                    | (58,804)       |         |
| Compensated absences                               | (562)          |         |
| Advance funding of LEO pension obligation          | (1,455)        |         |
| Amortization of bond premiums and deferred charges | <u>298,305</u> | 339,133 |
| Combined adjustment                                |                |         |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                      |               |                  |
|--------------------------------------|---------------|------------------|
| Principal payments on long term debt | 5,002,291     |                  |
| Decrease in accrued interest payable | <u>13,640</u> | <u>5,015,931</u> |

|  |    |                         |
|--|----|-------------------------|
| Total changes in net position of governmental activities | \$ | <u><u>7,474,213</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, 2015

|  | <b>General Fund</b> |                    |                      | Variance with<br>Final Budget-<br>Positive<br>(Negative) |
|--|---------------------|--------------------|----------------------|--|
|  | Budget              |                    | Actual<br>Amounts    |  |
|  | Original            | Final              |                      |  |
| <b>Revenues:</b>                       |                     |                    |                      |  |
| Ad valorem taxes                       | \$ 27,296,370       | \$ 27,296,370      | \$ 27,939,146        | \$ 642,776   |
| Local option sales tax                 | 10,686,133          | 10,778,173         | 12,260,357           | 1,482,184  |
| Other taxes and licenses               | 688,500             | 688,500            | 798,746              | 110,246  |
| Unrestricted intergovernmental         | 1,352,500           | 1,352,500          | 1,334,311            | (18,189)   |
| Restricted intergovernmental           | 4,733,603           | 6,605,286          | 5,133,276            | (1,472,010)  |
| Permits and fees                       | 681,446             | 681,446            | 700,646              | 19,200   |
| Sales and services                     | 803,455             | 811,551            | 1,056,281            | 244,730  |
| Investment earnings                    | 60,100              | 60,100             | 62,804               | 2,704  |
| Donations                              | 18,000              | 115,533            | 72,246               | (43,287)   |
| Miscellaneous                          | 427,557             | 404,204            | 604,310              | 200,106  |
| Total revenues                         | <u>46,747,664</u>   | <u>48,793,663</u>  | <u>49,962,123</u>    | <u>1,168,460</u>   |
| <b>Expenditures:</b>                   |                     |                    |                      |  |
| Current:                               |                     |                    |                      |  |
| General government                     | 7,717,667           | 9,341,201          | 6,920,442            | 2,420,759  |
| Public safety                          | 9,642,120           | 9,784,368          | 9,472,374            | 311,994  |
| Transportation                         | 67,495              | 167,182            | 167,182              | -  |
| Economic and Physical Development      | 495,223             | 534,267            | 470,844              | 63,423   |
| Environmental Protection               | 366,512             | 409,589            | 369,609              | 39,980   |
| Human Services                         | 7,628,761           | 7,890,613          | 7,322,189            | 568,424  |
| Cultural and Recreation                | 1,455,774           | 1,467,088          | 1,437,048            | 30,040   |
| Education                              | 13,652,868          | 14,381,452         | 13,307,102           | 1,074,350  |
| Debt service:                          |                     |                    |                      |  |
| Principal retirement                   | 5,002,291           | 5,002,291          | 5,002,291            | -  |
| Interest and other charges             | 2,193,360           | 2,193,360          | 2,193,359            | 1  |
| Total expenditures                     | <u>48,222,071</u>   | <u>51,171,411</u>  | <u>46,662,440</u>    | <u>4,508,971</u>   |
| Revenues over (under) expenditures     | <u>(1,474,407)</u>  | <u>(2,377,748)</u> | <u>3,299,683</u>     | <u>5,677,431</u>   |
| <b>Other financing sources (uses):</b> |                     |                    |                      |  |
| Transfers from other funds             | 1,240,392           | 1,408,122          | 1,408,122            | -  |
| Transfers to other funds               | (300,000)           | (2,394,595)        | (2,394,595)          | -  |
| Fund balance appropriated              | 534,015             | 3,364,221          | -                    | (3,364,221)  |
| Total other financing sources (uses)   | <u>1,474,407</u>    | <u>2,377,748</u>   | <u>(986,473)</u>     | <u>(3,364,221)</u>                                       |
| Net change in fund balance             | -                   | -                  | 2,313,210            | 2,313,210  |
| Fund balance, beginning of year        | -                   | -                  | 21,717,783           | -  |
| Fund balance, end of year              | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ 24,030,993</u> | <u>\$ -</u>  |

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

**Watauga County, North Carolina**  
 Statement of Net Position  
 Proprietary Fund  
 June 30, 2015

|  | <u>Enterprise Fund</u>  |
|--|-------------------------|
|  | <u>Solid Waste Fund</u> |
| <b>ASSETS</b>  |                         |
| Current assets:  |                         |
| Cash and cash equivalents  | \$ 4,378,642            |
| Receivables, net   | 337,398                 |
| Due from other governments   | 27,581                  |
| Total current assets   | <u>4,743,621</u>        |
| Non-current assets:  |                         |
| Net pension asset  | 89,014                  |
| Intangible asset for advance funding of OPEB NOO   | 64,629                  |
| Capital assets:  |                         |
| Land and construction in progress  | 977,247                 |
| Other capital assets, net of depreciation  | 3,681,233               |
| Subtotal capital assets  | <u>4,658,480</u>        |
| Total non-current assets   | <u>4,812,123</u>        |
| Total assets   | <u>9,555,744</u>        |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                         |
| Pensions-change in proportion and difference between employer contributions and proportionate share of contributions | 77                      |
| Contributions to pension plan in current fiscal year   | 64,660                  |
| Total deferred outflows of resources   | <u>64,737</u>           |
| <b>LIABILITIES</b>   |                         |
| Accounts payable   | 169,425                 |
| Accrued compensated absences   | 98,309                  |
| Total liabilities  | <u>267,734</u>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                         |
| Pension deferrals  | 216,948                 |
| Total deferred inflows of resources  | <u>216,948</u>          |
| <b>NET POSITION</b>  |                         |
| Net investment in capital assets   | 4,658,480               |
| Unrestricted   | 4,477,319               |
| Total net position   | <u>\$ 9,135,799</u>     |

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

**Watauga County, North Carolina**  
 Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2015

|  | <u>Enterprise Fund</u>  |
|--|-------------------------|
|  | <u>Solid Waste Fund</u> |
| <b>OPERATING REVENUES:</b>                   |                         |
| Charges for services                         | \$ 4,346,485            |
| Total operating revenues                     | <u>4,346,485</u>        |
| <br><b>OPERATING EXPENSES:</b>               |                         |
| Landfill operations                          | 3,675,923               |
| Recycling operations                         | 64,476                  |
| Depreciation                                 | <u>340,934</u>          |
| Total operating expenses                     | <u>4,081,333</u>        |
| Operating income (loss)                      | <u>265,152</u>          |
| <br><b>NONOPERATING REVENUES (EXPENSES):</b> |                         |
| Interest and investment revenue              | 10,784                  |
| Miscellaneous revenues                       | 11,380                  |
| Restricted intergovernmental revenues        | <u>113,697</u>          |
| Total nonoperating revenues (expenses)       | <u>135,861</u>          |
| Income (loss) before transfers               | 401,013                 |
| Transfers (to) from other funds (net)        | <u>(40,392)</u>         |
| Change in net position                       | 360,621                 |
| Total net position, beginning                | <u>8,734,589</u>        |
| Restatement                                  | 40,589                  |
| Net position, beginning, restated            | <u>8,775,178</u>        |
| Total net position, ending                   | <u>\$ 9,135,799</u>     |

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



**Watauga County, North Carolina**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2015

|   | <b>Enterprise Fund</b>  |
|---|-------------------------|
|   | <b>Solid Waste Fund</b> |
| Cash flows from operating activities:   |                         |
| Cash received from customers  | \$ 4,287,966            |
| Cash paid for goods and services  | (2,585,265)             |
| Cash paid to employees for services   | (1,313,829)             |
| Net cash provided by operating activities   | 388,872                 |
| Cash flows from noncapital financing activities:  |                         |
| Restricted intergovernmental revenues   | 113,697                 |
| Miscellaneous revenues  | 11,380                  |
| Operating transfers (net)   | (40,392)                |
| Net cash provided by noncapital financing activities  | 84,685                  |
| Cash flows from capital and related financing activities:                                   |                         |
| Acquisition and construction of capital assets  | (1,750)                 |
| Net cash used by capital and related financing activities                                   | (1,750)                 |
| Cash flows from investing activities:   |                         |
| Interest on investments   | 10,784                  |
| Net cash provided by investing activities   | 10,784                  |
| Net increase (decrease) in cash and cash equivalents  | 482,591                 |
| Cash and cash equivalents, July 1   | 3,896,051               |
| Cash and cash equivalents, June 30  | \$ 4,378,642            |
| <br><b>Reconciliation of operating income to net cash provided by operating activities:</b> |                         |
| Operating income (loss)   | \$ 265,152              |
| Adjustments to reconcile operating income to net cash provided by operating activities:     |                         |
| Depreciation  | 340,934                 |
| Pension expense   | 5,600                   |
| Changes in assets, liabilities, deferred outflows and inflows of resources:                 |                         |
| Decrease in accounts receivable   | 22,217                  |
| Increase in due from other governments  | (2,011)                 |
| Decrease in accounts payable  | (78,638)                |
| Decrease in unearned revenue  | (78,725)                |
| Increase in deferred outflows of resources for pensions                                     | (64,660)                |
| Increase in intangible asset for advance funding of OPEB NOO                                | (14,296)                |
| Decrease in accrued compensated absences  | (6,701)                 |
| Total adjustments   | 123,720                 |
| Net cash provided by operating activities   | \$ 388,872              |

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

**Watauga County, North Carolina**  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2015

|  | <b>Pension<br/>Trust<br/>Funds</b> | <b>Agency<br/>Funds</b> |
|--|------------------------------------|-------------------------|
|  | <u>          </u>                  | <u>          </u>       |
| <b>Assets</b>                            |                                    |                         |
| Cash and cash equivalents                | \$ 1,009,870                       | 64,695                  |
| Accounts receivable                      | <u>1,159</u>                       | <u>24,284</u>           |
|  | <u>1,011,029</u>                   | <u>88,979</u>           |
| <b>Liabilities and Net Position</b>      |                                    |                         |
| Liabilities:                             |                                    |                         |
| Accounts payable and accrued liabilities | \$ <u>          -</u>              | <u>88,979</u>           |
| Net position:                            |                                    |                         |
| Assets held in trust                     | \$ <u>1,011,029</u>                | <u>          -</u>      |

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

**Watauga County, North Carolina**  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds  
 For the Year Ended June 30, 2015

|                                | <b>Pension<br/>Trust<br/>Funds</b> |
|--------------------------------|------------------------------------|
|                                | <u>                    </u>        |
| <b>Additions:</b>              |                                    |
| Employer contributions         | \$ 288,125                         |
| Interest earned                | <u>6,187</u>                       |
| Total additions                | <u>294,312</u>                     |
| <b>Deductions:</b>             |                                    |
| Benefits                       | 176,038                            |
| Administrative expense         | <u>237</u>                         |
| Total deductions               | <u>176,275</u>                     |
| Change in net position         | 118,037                            |
| <b>Net position, beginning</b> | <u>892,992</u>                     |
| <b>Net position, ending</b>    | <u>\$ 1,011,029</u>                |

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

Notes to the Financial Statements  
For the Year Ended June 30, 2015

**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 seven-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, PO Box 2357, 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. Watauga County's Board of Commissioners appoints the six 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 St., Boone, NC 28607.

**B. Basis of Presentation – Basis of Accounting****Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The Statement of Net Position and the Statement 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.

# WATAUGA COUNTY, NORTH CAROLINA

120115 BCC Meeting

## Notes to the Financial Statements For the Year Ended June 30, 2015

Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, 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.

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 LEO 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 Irrevocable Trust Fund accounts for the County's contributions for healthcare coverage provided to qualified retirees. The Special Separation Allowance 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 but are not held in a trust that meets the criteria outlined in GASB Statement 68, paragraph 4.

*Agency Funds* – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Trust Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain

Notes to the Financial Statements  
For the Year Ended June 30, 2015

individuals; the Vehicle Tax-Towns Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities within the County but are not revenues to the County; the Inmate Commissary Fund, which accounts for monies deposited with the County's Detention Center for the benefit of certain individuals; the Fines and Forfeitures Fund which accounts for various fines and forfeitures that the County is required to remit to the Watauga County Board of Education, the Deed of Trust Fee Fund which accounts for fees collected by the Register of Deeds which are remitted to the State Treasurer on a monthly basis, and the Town of Boone Tax Fund which accounts for property taxes billed and collected by the County on behalf of the Town of Boone.

*Non-major Funds* – The County maintains seven 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, and the CDBG Scattered Site Housing 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

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principals Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Project Fund, the Federal Equitable Sharing, the State Substance Abuse Tax, the Emergency Telephone System, Fire Districts, Occupancy Tax Special Revenue Funds, and Enterprise funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the CDBG Scattered Site Housing Grant 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 immaterial 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.

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2015

State law [G.S. 159-30(c)] authorizes the County, AppalCART, and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; 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 NCCMT Cash Portfolio's securities, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

### **2. Cash and Cash Equivalents**

The County pools money from several funds, except the Other Post Employment Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. AppalCART 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 and cash equivalents.

### **3. Restricted Cash**

Money for Tax Revaluation is classified as restricted assets because its use is restricted per NC General Statute 153A-150. Money for the Register of Deeds Automation Enhancement Fund is restricted by NC General Statute 161-50 to pay for the computer equipment and imaging technology for the Register of Deeds' office. The grant for purchase of a no-till drill requires that any rental fees be restricted for maintenance of the equipment. 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 System funds are restricted per NC General Statute 62A-46. Occupancy tax revenues are restricted for disbursement to the Watauga District U Tourism Development Authority. Taxes levied on behalf of the fire districts are restricted as payable to the districts.

#### Watauga County Restricted Cash

|                                |                           |                   |
|--------------------------------|---------------------------|-------------------|
| Governmental Activities        |                           |                   |
| General Fund                   | Tax revaluation           | \$ 154,590        |
|                                | Register of Deeds         | 169,364           |
|                                | Grant requirements        | 3,879             |
| Federal Equitable Sharing Fund | Law enforcement           | 68,288            |
| State Substance Abuse Tax Fund | Law enforcement           | 69,976            |
| Emergency Telephone Fund       | 911 eligible expenditures | 407,210           |
| Occupancy Tax Fund             | Tourism                   | 237               |
| Fire District Funds            | Unexpended collections    | 11,587            |
| Total Governmental Activities  |                           | <u>\$ 885,131</u> |

### **4. 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, 2014.

### **5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for



# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2015

doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

### 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.

### 7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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 the facility, full responsibility for maintenance of the facility, and stipulate the County will convey title back to the Board of Education once all restrictions of the financing agreements have been met. The property is reflected as a capital asset in the financial statements of the Watauga County Board of Education.

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

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

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

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

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

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

### 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

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 several items that meet this criterion – a charge on refunding, pension related deferrals, and contributions made to the pension plan in the current fiscal year. 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 two items that meet the criterion for this category – prepaid taxes and other pension related deferrals.

**9. 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 Statements of Net Position.

**10. Compensated Absences**

The vacation policies of the County and AppalCART provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide, proprietary fund and AppalCART statements. The vacation policy of the Authority provides for the accumulation of up to 15 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.

**11. Net Position/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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not an expendable resource.

Notes to the Financial Statements  
For the Year Ended June 30, 2015

*Restricted Fund Balance* – This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance restricted under State Statute [G.S. 159-8(a)].

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

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

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

Restricted for Environmental Protection – portion of fund balance restricted by grant revenue source for expenditures associated with the Soil and Water no till drill equipment.

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

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

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

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

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

**12. Defined Benefit Pension 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, 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 this purpose, plan member contributions are 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 - Stewardship, Compliance, and Accountability**

**A. Material Violations of Finance-Related Legal and Contractual Provisions**

There were no instances of noncompliance with North Carolina Statutes.

**Note 3 - 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, 2015, the County's deposits had a carrying amount of \$25,242,276 and a bank balance of \$25,634,302. Of the bank balance, \$1,250,000 was covered by federal depository insurance, and \$4,791,751 in non-interest bearing deposits and \$19,592,551 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2015, Watauga County had \$2,900 cash on hand.

At June 30, 2015, AppalCART's deposits had a carrying amount of \$1,177,158 and a bank balance of \$1,177,611. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$927,611 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2015, AppalCART had \$150 cash on hand.

At June 30, 2015, the Authority's deposits had a carrying amount of \$779,181 and a bank balance of \$610,362. Of the balance, \$250,000 was covered by federal depository insurance and \$360,362 in interest bearing deposits was covered by collateral held under the Pooling Method. The Authority had no cash on hand.

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Notes to the Financial Statements  
For the Year Ended June 30, 2015

**2. Investments**

As of June 30, 2015, the County had the following investments and maturities:

| <b>Investment Type</b>                          | <b>Fair Value</b>    | <b>Less Than<br/>6 Months</b> | <b>6-12 Months</b> | <b>1 - 3 Years</b>  |
|---|----------------------|-------------------------------|--------------------|---------------------|
| US Government Agencies                          | \$ 5,032,857         | \$ -                          | \$ -               | \$ 5,032,857        |
| NC Capital Management Trust-<br>Cash Portfolio  | 1,985,222            | 1,985,222                     | N/A                | N/A                 |
| NC Capital Management Trust-<br>Term Portfolio* | 3,028,214            | 3,028,214                     | -                  | -                   |
| <b>Total:</b>                                   | <b>\$ 10,046,293</b> | <b>\$ 5,013,436</b>           | <b>\$ -</b>        | <b>\$ 5,032,857</b> |

\* Because the NC Capital Management Trust Term Portfolio had duration of .19 years, it was presented as an investment with a maturity of less than 6 months.

*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. The County's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Agencies with Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation are rated AA+ by Standard & Poor's and AAA by Moody's Investors Service.

At June 30, 2015, AppalCART's investments consisted of \$6,370 in the North Carolina Capital Management Trust's Cash Portfolio. AppalCART has no policy on interest rate risk or credit risk.

At June 30, 2015, the Authority's investments consisted of the following:

| <b>Investment Type</b>                       | <b>Fair Value</b> | <b>Maturity</b> | <b>Rating</b> |
|--|-------------------|-----------------|---------------|
| NC Capital Management Trust – Cash Portfolio | \$101,404         | N/A             | AAAM          |
| NC Capital Management Trust – Term Portfolio | 400,589           | .19 years       | Unrated       |
|  | <u>\$501,993</u>  |                 |               |

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

*Credit risk.* The Authority has no formal policy regarding credit risk, but has internal management procedures that limits the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015. The

**WATAUGA COUNTY, NORTH CAROLINA**

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

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

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

| Tax Year<br>Levied | Tax                 | Interest          | Total               |
|--------------------|---------------------|-------------------|---------------------|
| 2011               | \$ 614,039          | \$ 173,466        | \$ 787,505          |
| 2012               | 622,137             | 119,761           | 741,898             |
| 2013               | 629,116             | 64,484            | 693,600             |
| 2014               | 673,162             | -                 | 673,162             |
| <b>Total</b>       | <b>\$ 2,538,454</b> | <b>\$ 357,711</b> | <b>\$ 2,896,165</b> |

**4. Receivables**

Receivables at the government-wide level at June 30, 2015, were as follows:

|                                 | <b>Accounts</b> | <b>Taxes<br/>Receivable</b> | <b>Interest<br/>Receivable</b> | <b>Total</b> |
|---------------------------------|-----------------|-----------------------------|--------------------------------|--------------|
| <b>Governmental Activities:</b> |                 |                             |                                |              |
| General                         | \$ 41,822       | \$ 1,296,309                | \$ 334,862                     | \$ 1,672,993 |
| Other Governmental              | -               | 259,056                     | 37,528                         | 296,584      |
| Total receivables               | 4,822           | 1,555,365                   | 372,390                        | 1,969,577    |
| Allowance for doubtful accounts | -               | (430,524)                   | -                              | (430,524)    |
| Total-governmental activities   | \$ 41,822       | \$ 1,124,841                | \$ 372,390                     | \$ 1,539,053 |
| <b>Business-type Activities</b> |                 |                             |                                |              |
| Solid Waste                     | \$ 431,396      | \$ -                        | \$ -                           | \$ 431,396   |
| Allowance for doubtful accounts | (93,998)        | -                           | -                              | (93,998)     |
| Total-business-type activities  | \$ 337,398      | \$ -                        | \$ -                           | \$ 337,398   |

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For the Year Ended June 30, 2015

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

|  |                     |
|--|---------------------|
| Home and Community Block Grant                     | \$ 24,831           |
| Local Option Sales Taxes                           | 1,732,934           |
| June DMV fees for tag office                       | 10,758              |
| NC Ag Trust Fund grant reimbursement               | 10,982              |
| Avery County Inmate Housing Fee                    | 1,350               |
| Town of Blowing Rock ABC bottle taxes due          | 320                 |
| NC Dept of Insurance grant reimbursement           | 3,000               |
| NC Dept of Agriculture grant reimbursement         | 420                 |
| AppalCART reimbursement                            | 119                 |
| Town of Blowing Rock sales tax agreement payment   | 38,986              |
| Town of Seven Devils sales tax agreement payment   | 8,643               |
| Town of Beech Mountain sales tax agreement payment | 54,069              |
| Town of Boone tax collection fee                   | 114                 |
| CDBG reimbursements                                | 6,473               |
| Town of Boone ABC bottle taxes due                 | 1,220               |
| DOR Medicaid Hold Harmless                         | 54,290              |
| USDA POA reimbursements                            | 4,574               |
| NC DOR VTS   | 111,653             |
| Court fees   | 32,929              |
| NC DOT grant reimbursement                         | 176,446             |
| DSS reimbursements                                 | 248,587             |
| US DOJ grant reimbursement                         | 3,208               |
| Emergency Telephone System revenues                | 27,829              |
| Solid Waste Disposal Tax                           | 5,951               |
| Scrap Tire Tax                                     | 17,868              |
| White Goods Tax                                    | 3,762               |
| Medicaid POA reimbursements                        | 6,021               |
| Sales Tax Refunds                                  | 118,620             |
| Total:   | <u>\$ 2,705,957</u> |

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

**5. Capital Assets**

**Primary Government:**

Capital asset activity for the year ended June 30, 2015, was as follows:

|  | Beginning<br>Balances       | Increases        | Decreases      | Ending<br>Balances          |
|--|-----------------------------|------------------|----------------|-----------------------------|
| <b>Governmental activities:</b>                  |                             |                  |                |                             |
| <b>Capital assets not being depreciated:</b>     |                             |                  |                |                             |
| Land   | \$ 44,168,826               | 129,300          | 160,000        | \$ 44,138,126               |
| Intangible                                       | 15,600                      | -                | -              | 15,600                      |
| Construction in progress                         | 406,733                     | 559,248          | 544,501        | 421,480                     |
| Total capital assets not being depreciated       | <u>44,591,159</u>           | <u>688,548</u>   | <u>704,501</u> | <u>44,575,206</u>           |
| <b>Capital assets being depreciated:</b>         |                             |                  |                |                             |
| Buildings  | 107,221,581                 | 216,018          | 598,112        | 106,839,487                 |
| Other improvements                               | 5,104,469                   | 345,928          | 6,080          | 5,444,317                   |
| Leasehold improvements                           | -                           | 1,009,463        | -              | 1,009,463                   |
| Equipment  | 6,457,912                   | 119,578          | 37,206         | 6,540,284                   |
| Vehicles and motorized equipment                 | 2,024,016                   | 256,491          | 302,965        | 1,977,542                   |
| Total capital assets being depreciated           | <u>120,807,978</u>          | <u>1,947,478</u> | <u>944,363</u> | <u>121,811,093</u>          |
| Less accumulated depreciation for:               |                             |                  |                |                             |
| Buildings  | 16,341,285                  | 2,177,559        | 78,437         | 18,440,407                  |
| Other improvements                               | 1,123,860                   | 526,096          | 6,080          | 1,643,876                   |
| Leasehold improvements                           | -                           | 120,120          | -              | 120,120                     |
| Equipment  | 4,806,857                   | 495,102          | 37,206         | 5,264,753                   |
| Vehicles and motorized equipment                 | 1,510,817                   | 181,981          | 302,965        | 1,389,833                   |
| Total accumulated depreciation                   | <u>23,782,819</u>           | <u>3,500,858</u> | <u>424,688</u> | <u>26,858,989</u>           |
| Total capital assets being depreciated, net      | <u>97,025,159</u>           |                  |                | <u>94,952,104</u>           |
| <b>Governmental activity capital assets, net</b> | <u><u>\$141,616,318</u></u> |                  |                | <u><u>\$139,527,310</u></u> |

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

|                                   |                            |
|-----------------------------------|----------------------------|
| General government                | \$ 2,029,191               |
| Public safety                     | 528,140                    |
| Environmental protection          | 2,102                      |
| Economic and physical development | 17,161                     |
| Human services                    | 435,775                    |
| Cultural and recreational         | 403,972                    |
| Total depreciation expense        | <u><u>\$ 3,416,341</u></u> |

Assets were reclassified to leasehold improvements to allow for better classification and this change accounts for the additional increase of \$84,517 in accumulated depreciation above depreciation expense and the added increase in assets of \$460,145 above the actual new assets added of \$1,487,333.



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|  | Beginning<br>Balances      | Increases      | Decreases      | Ending<br>Balances         |
|--|----------------------------|----------------|----------------|----------------------------|
| <b>Business-type activities:</b>             |                            |                |                |                            |
| <b>Capital assets not being depreciated:</b> |                            |                |                |                            |
| Land   | \$ 975,497                 | -              | -              | \$ 975,497                 |
| Construction in progress                     | -                          | 1,750          | -              | 1,750                      |
| Total capital assets not being depreciated   | <u>975,497</u>             | <u>1,750</u>   | <u>-</u>       | <u>977,247</u>             |
| <b>Capital assets being depreciated:</b>     |                            |                |                |                            |
| Improvements                                 | 753,491                    | -              | 307,570        | 445,921                    |
| Leasehold improvements                       | -                          | 319,960        | -              | 319,960                    |
| Buildings                                    | 4,123,207                  | -              | 12,390         | 4,110,817                  |
| Equipment                                    | 1,507,531                  | -              | -              | 1,507,531                  |
| Vehicles                                     | 1,334,909                  | -              | -              | 1,334,909                  |
| Total capital assets being depreciated       | <u>7,719,138</u>           | <u>319,960</u> | <u>319,960</u> | <u>7,719,138</u>           |
| Less accumulated depreciation for:           |                            |                |                |                            |
| Improvements                                 | 552,031                    | 28,341         | 307,570        | 272,802                    |
| Leasehold improvements                       | -                          | 312,917        | -              | 312,917                    |
| Building                                     | 952,747                    | 84,219         | 5,099          | 1,031,867                  |
| Equipment                                    | 1,185,610                  | 105,575        | -              | 1,291,185                  |
| Vehicles                                     | 1,006,582                  | 122,552        | -              | 1,129,134                  |
| Total accumulated depreciation               | <u>3,696,970</u>           | <u>653,604</u> | <u>312,669</u> | <u>4,037,905</u>           |
| Total capital assets being depreciated, net  | <u>4,022,168</u>           |                |                | <u>3,681,233</u>           |
| <b>Business-type capital assets, net</b>     | <u><u>\$ 4,997,665</u></u> |                |                | <u><u>\$ 4,658,480</u></u> |

Assets were reclassified to leasehold improvements to allow for better classification and this change accounts for the additional increase of \$312,669 in accumulated depreciation above depreciation expense and the added increase in assets of \$319,960 above the actual new assets added of \$1,750.

**Construction commitments**

The County has three active construction projects as of June 30, 2015. The governmental projects include Brookshire underpass project and a new ambulance base in the western area of the County. The business-type activities project is to create a year-round facility to collect household hazardous waste. At June 30, 2015, the government's commitments with contractors are as follows:

| Project                  | Spent-to-date     | Remaining<br>Commitment |
|--------------------------|-------------------|-------------------------|
| Hazardous waste building | \$ 1,750          | \$ -                    |
| Brookshire underpass     | 204,255           | 393,903                 |
| Ambulance base #3        | 217,225           | 18,720                  |
| Total                    | <u>\$ 423,230</u> | <u>\$ 412,623</u>       |

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For the Year Ended June 30, 2015

**Discretely presented component units**

Capital asset activity for the AppalCART for the year ended June 30, 2015, was as follows:

|   | Beginning<br>Balances      | Increases         | Decreases         | Ending<br>Balances         |
|---|----------------------------|-------------------|-------------------|----------------------------|
| <b>Business-type activities:</b>                    |                            |                   |                   |                            |
| <b>Capital assets not being depreciated:</b>        |                            |                   |                   |                            |
| Land  | \$ 1,114,242               | \$ -              | \$ -              | \$ 1,114,242               |
| Construction in progress                            | 99,150                     | -                 | -                 | 99,150                     |
| Total capital assets not being depreciated          | <u>1,213,392</u>           | -                 | -                 | <u>1,213,392</u>           |
| <b>Capital assets being depreciated:</b>            |                            |                   |                   |                            |
| Buildings   | 6,694,081                  | -                 | -                 | 6,694,081                  |
| Land improvements                                   | 159,662                    | -                 | 148,506           | 11,156                     |
| Office furniture and equipment                      | 287,449                    | 31,386            | 93,723            | 225,112                    |
| Shop equipment                                      | 405,006                    | 3,204             | 60,826            | 347,384                    |
| Vehicles  | 7,213,610                  | 1,279,797         | 521,642           | 7,971,765                  |
| Total capital assets being depreciated              | <u>14,759,808</u>          | <u>1,314,387</u>  | <u>824,697</u>    | <u>15,249,498</u>          |
| Less accumulated depreciation for:                  |                            |                   |                   |                            |
| Buildings   | 142,603                    | 133,918           | -                 | 276,521                    |
| Land improvements                                   | 152,151                    | 1,024             | 142,020           | 11,155                     |
| Office furniture and equipment                      | 168,216                    | 22,211            | 89,176            | 101,251                    |
| Shop equipment                                      | 215,058                    | 36,728            | 57,916            | 193,870                    |
| Vehicles  | 3,906,816                  | 620,374           | 521,642           | 4,005,548                  |
| Total accumulated depreciation                      | <u>4,584,844</u>           | <u>\$ 814,255</u> | <u>\$ 810,754</u> | <u>4,588,345</u>           |
| Total capital assets being depreciated, net         | <u>10,174,964</u>          |                   |                   | <u>10,661,153</u>          |
| <b>Business-type activities capital assets, net</b> | <u><u>\$11,388,356</u></u> |                   |                   | <u><u>\$11,874,545</u></u> |

Capital asset activity for the Watauga County District U Tourism Development Authority for the year ended June 30, 2015 was as follows:

|  | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|--|-----------------------|-----------|-----------|--------------------|
| <b>Governmental activities:</b>                    |                       |           |           |                    |
| <b>Capital assets being depreciated:</b>           |                       |           |           |                    |
| Furniture and fixtures                             | \$ 3,636              | -         | -         | \$ 3,636           |
| Computer equipment                                 | 13,778                | -         | -         | 13,778             |
| Total Capital assets being depreciated             | <u>17,414</u>         | -         | -         | <u>17,414</u>      |
| Less accumulated depreciation for:                 |                       |           |           |                    |
| Furniture and fixtures                             | 3,636                 | -         | -         | 3,636              |
| Computer equipment                                 | 13,778                | -         | -         | 13,778             |
| Total accumulated depreciation                     | <u>17,414</u>         | -         | -         | <u>17,414</u>      |
| <b>Total capital assets being depreciated, net</b> | <u><u>\$ -</u></u>    |           |           | <u><u>\$ -</u></u> |

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Notes to the Financial Statements  
For the Year Ended June 30, 2015

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2015, were as follows:

|                               | Vendors           | Salaries and<br>Benefits | Total               |
|-------------------------------|-------------------|--------------------------|---------------------|
| Governmental activities:      |                   |                          |                     |
| General                       | \$ 591,070        | \$ 392,742               | \$ 983,812          |
| Other governmental            | 58,447            | -                        | 58,447              |
| Total-governmental activities | <u>\$ 649,517</u> | <u>\$ 392,742</u>        | <u>\$ 1,042,259</u> |
| Business-type activities:     |                   |                          |                     |
| Solid Waste                   | <u>\$ 125,783</u> | <u>\$ 43,642</u>         | <u>\$ 169,425</u>   |

**2. Pension Plan Obligations**

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

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also

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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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$761,648 for the year ended June 30, 2015.

*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, 2015, the County reported an asset of \$1,048,391 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset 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, 2014, the County's proportion was 0.178%, which was a decrease of 0.003% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$65,956. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -                                      | \$ 114,555                                   |
| Changes of assumptions  | -   | -  |
| Net difference between projected and actual earnings on pension plan investments                            | -   | 2,440,633                                    |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 906                                       | -  |
| County contributions subsequent to the measurement date   | 761,648                                   | -  |
| Total   | <u>\$ 762,554</u>                         | <u>\$ 2,555,188</u>                          |

\$761,648 reported as deferred outflows of resources related to pensions resulting from County

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2015

contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |              |
|----------------------------|--------------|
| 2016                       | \$ (638,642) |
| 2017                       | (638,642)    |
| 2018                       | (638,642)    |
| 2019                       | (638,357)    |
| 2020                       | -            |
| Thereafter                 | -            |

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 4.25 to 8.55 percent, including inflation and productivity factor         |
| Investment rate of return | 7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income         | 36.0%                    | 2.5%  |
| Global Equity        | 40.5%                    | 6.1%  |
| Real Estate          | 8.0%                     | 5.7%  |
| Alternatives         | 6.5%                     | 10.5%   |
| Credit               | 4.5%                     | 6.8%  |
| Inflation Protection | 4.5%                     | 3.7%  |
| Total                | <u>100%</u>              |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. 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 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 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

|   | <u>1% Decrease<br/>(6.25%)</u> | <u>Discount Rate<br/>(7.25%)</u> | <u>1% Increase<br/>(8.25%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 3,558,695                   | \$ (1,048,391)                   | \$ (4,927,411)                 |

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

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

**1. Plan Description**

Watauga County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. 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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

|                             |           |
|-----------------------------|-----------|
| Retirees receiving benefits | 3         |
| Active plan members         | <u>46</u> |
| Total                       | <u>49</u> |

A separate report was not issued for the plan.

**2. Summary of Significant Accounting Policies:**

*Basis of Accounting.* Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

**3. 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 current year, the County contributed \$57,675, or 3.062% 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.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases of 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include postretirement benefits increases. The actuarial value of assets was market value. The remaining amortization period at December 31, 2014 was 17 years.

The following table shows the components of the County's annual pension cost for the current year, the amount actually contributed to the plan, and changes in the County's net obligation for the Separate Allowance:

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

|  |                    |
|--|--------------------|
| Annual Required Contribution               | \$ 56,965          |
| Interest on net pension obligation         | (3,140)            |
| Adjustment to annual required contribution | <u>5,305</u>       |
| Annual pension cost                        | 59,130             |
| Contributions made                         | <u>57,675</u>      |
| Decrease in net pension obligation         | 1,455              |
| Net pension obligation, beginning of year  | <u>(62,800)</u>    |
| Net pension obligation, end of year        | <u>\$ (61,345)</u> |

**4. Funded Status and Funding Progress**

| 3 Year Trend Information  |                              |                                  |                           |
|---------------------------|------------------------------|----------------------------------|---------------------------|
| For Year Ended<br>June 30 | Annual Pension Cost<br>(APC) | Percentage of APC<br>Contributed | Net Pension<br>Obligation |
| 2013                      | \$ 48,452                    | 99.10 %                          | \$ (66,456)               |
| 2014                      | 51,177                       | 92.86                            | (62,800)                  |
| 2015                      | 59,130                       | 97.54                            | (61,345)                  |

As of December 31, 2014, the most recent actuarial valuation date, the plan was 42.99 percent funded. The actuarial accrued liability for benefits was \$522,034, and the actuarial value of assets was \$224,415, resulting in an unfunded actuarial accrued liability (UAAL) of \$297,619. The covered payroll (annual payroll of active employees covered by the plan) was \$1,883,580, and the ratio of the UAAL to the covered payroll was 15.80 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 required the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$102,354, which consisted of \$91,542 from the County and \$10,812 from the law enforcement officers.

**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, 2015 to these plans were \$655,568 which consisted of \$510,001 from the County and \$145,567 from employees.



Notes to the Financial Statements  
For the Year Ended June 30, 2015**e. Registers 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year, and for the foreseeable future, is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,276 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$142,737 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014, the County's proportion was .63%, which was a decrease of .03% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of (\$1,552). At June 30, 2015, 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, 2015

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 1,310                                  | \$ -                                     |
| Net difference between projected and actual earnings on pension plan investments                            | -   | 768                                      |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 4,569                                     | -  |
| County contributions subsequent to the measurement date   | 5,276                                     | -  |
| Total   | <u>\$ 11,155</u>                          | <u>\$ 768</u>                            |

\$5,276 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |          |
|------------|----------|
| 2016       | \$ 2,480 |
| 2017       | 2,480    |
| 2018       | 342      |
| 2019       | (192)    |
| 2020       | -        |
| Thereafter | -        |

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 4.25 to 7.75 percent, including inflation and productivity factor         |
| Investment rate of return | 5.75 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 is 2.5%.

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

|   | <u>1% Decrease<br/>(4.75%)</u> | <u>Discount<br/>Rate (5.75%)</u> | <u>1% Increase<br/>(6.75%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ (128,171)                   | \$ (142,737)                     | \$ (155,256)                   |

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

**f. Other Postemployment Benefits – Watauga County**

**Health Benefits**

Under a County resolution as of September 1, 2001 Watauga County provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employers defined benefit plan to cover 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 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. A separate report was not issued for the Plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

|  | General<br>Employees: | Law Enforcement<br>Officers: |
|--|-----------------------|------------------------------|
| Retirees and dependents receiving benefits                         | 26                    | 1                            |
| Terminated plan members entitled to but not yet receiving benefits | -                     | -                            |
| Active plan Members  | <u>222</u>            | <u>43</u>                    |
| Total  | <u>248</u>            | <u>44</u>                    |

# WATAUGA COUNTY, NORTH CAROLINA

## Notes to the Financial Statements For the Year Ended June 30, 2015

*Funding Policy.* The Board of Commissioners established the contribution requirements of plan members and these requirements may be amended by the Board. 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 current ARC rate is 1.61% of annual covered payroll. For the current year, the County contributed \$230,450 or 2.30% of annual covered payroll. The County obtains healthcare coverage through private insurers. There were no contributions made by employees. The County's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

*Summary of Significant Accounting Policies.* The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Under a County resolution, the contributions are recognized when due and the County will provide the contributions to the HCB Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements, are reported as cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. Administration costs of the HCB Plan are financed through investment earnings.

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the postemployment healthcare benefits:

|  |                     |
|--|---------------------|
| Annual required contribution               | \$ 171,685          |
| Interest on net OPEB obligation            | (16,329)            |
| Adjustment to annual required contribution | 15,599              |
| Annual OPEB cost (expense)                 | 170,955             |
| Contributions made*                        | <u>286,900</u>      |
| Increase/(decrease) in net OPEB obligation | (115,945)           |
| Net OPEB obligation, beginning of year     | <u>(408,213)</u>    |
| Net OPEB obligation, end of year           | \$ <u>(524,158)</u> |

*\*Under GASB Statements 43 and 45, the OPEB liability may include an implicit subsidy amount based upon age adjusted costs reflecting the higher cost of benefits associated with older participants. For the purpose of determining the Net OPEB Obligation (NOO), the portion of the annual OPEB contributions for medical and prescription drug costs that are determined on a combined basis for actives and retirees (in this case pre-65 retirees) has been increased to include the impact of the 32% subsidy. The total contribution of \$286,900 includes \$56,450 due to the impact of the 32% implicit subsidy and actual cash contributions of \$230,450 paid by the employer. Correspondingly, in the financial statements, the costs associated with active employee medical and prescription drug benefits may need to be decreased by the same dollar amount to reflect that portion of the active employee contribution subsidizing retiree costs.*

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2015 were as follows:

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

| 3 Year Trend Information  |                              |  |                        |
|---------------------------|------------------------------|--|------------------------|
| For Year Ended<br>June 30 | Annual<br>OPEB Cost<br>(AOC) | Percentage of<br>Annual OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
| 2013                      | \$ 176,485                   | 120.0%   | \$ (377,712)           |
| 2014                      | 176,485                      | 116.5%   | (408,213)              |
| 2015                      | 170,955                      | 167.8%   | (524,158)              |

*Funded Status and Funding Progress.* As of December 31, 2014, the most recent actuarial valuation date, the plan was 27.9% funded. The actuarial accrued liability for benefits was \$2,516,822, and the actuarial value of assets was \$701,855, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,814,967. The covered payroll (annual payroll of active employees covered by the plan) was \$10,028,405, and the ratio of UAAL to the covered payroll was 18.1%.

Actuarial valuations of an ongoing plan involve estimated of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarially accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.00 percent inflation assumption. The medical cost trend rate varied between 7.50% and 5.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2014 was 30 years.

**g. 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

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

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 these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the County made contributions to the State for death benefits of \$10,424. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represents 0.12% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012 for law enforcement officers. Watauga County had a three year reprieve because it has been contributing for more than 20 years. Contributions will resume beginning July 1, 2015.

The County has elected to provide additional death benefits for all eligible employees through a commercial insurance carrier in 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.

**h. Retirement System – AppalCART and Watauga County District U Tourism Development Authority**

Please see the separately issued financial reports of AppalCART and Watauga County District U Tourism Development Authority for a complete description of each of their pension plans.

**3. Groundwater Contamination/Landfill Closure**

In March 1993, the County's engineers found groundwater contamination at the County's landfill site which exceeded State and Federal maximum contaminant levels for some constituents. On April 8, 1994, the County stopped accepting municipal solid waste at the County's landfill, and closure procedures were initiated. The County's engineers developed an assessment plan, which was approved by the NCDENR Solid Waste Management Division, to determine the extent, nature, and source of the contamination. The County installed groundwater monitoring wells in and around the landfill property to test for the presence of possible contaminants. On January 12, 1996, the County's engineers issued a Remedial Investigation and Alternative Report which proposed a remedial cap with some supplemental steps (including some continued assessment monitoring activities). In February 1996, the Board of Commissioners approved the engineer's proposal with some adjustments based on public comment. The County, after advertisement and bidding, awarded a contract for construction of the cap in May 1996. The approximate cost to date of the assessment and remedial cap is \$2,700,000. The capping project is complete and groundwater conditions remain stable. Groundwater testing continues, as required by NCDENR. Also, 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.

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Charge on refunding of debt  | \$ 20,316                            | \$ -                                |
| Pensions – difference between expected and actual experience   | -                                    | 114,555                             |
| Pensions – difference between projected and actual investment earnings   | -                                    | 2,441,404                           |
| Pensions – change in proportion and difference between employer contributions and proportionate share of contributions | 6,784                                | -                                   |
| Contributions to pension plan in 2014-15 fiscal year   | 766,924                              | -                                   |
| Prepaid taxes not yet earned (General)   | -                                    | 4,944                               |
| Prepaid taxes not yet earned (Special Revenue)   | -                                    | 503                                 |
| Taxes receivable, net (General)  |                                      | 901,869                             |
| Taxes receivable, net (Special Revenue)  |                                      | 125,243                             |
| Total  | <u>\$ 794,024</u>                    | <u>\$ 3,588,518</u>                 |

**5. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$69,456,290 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2,000,000 per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. The County provides employee health, dental and life insurance benefits through commercial carriers.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. Under this program, the County has purchased commercial flood insurance for \$1,123,800 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 performance bonds through a commercial surety bond. The Finance Officer, Tax Administrator, Register of Deeds, and County Manager (as Deputy Finance Officer) are each individually bonded for \$50,000 each. The Sheriff is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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.

**Notes to the Financial Statements  
For the Year Ended June 30, 2015**

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. These are the same pools that the County is a member.

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

**6. Contingent Liabilities**

On October 7, 2011, it was determined the joint agency, New River Service Authority (New River), would have to cease operations due to substantial financial losses over the last several years. The losses became apparent during the 2010-11 fiscal year financial statement preparation and the five counties involved (Alleghany, Ashe, Avery, Watauga and Wilkes) have worked to determine the liabilities and assets. Based on fiscal information received, the counties determined it was necessary to dissolve New River. As of this time, the actual amounts of the liabilities for each County have not been determined, but it could have a material effect on the County's finances.

**7. Long-term Obligations****a. Capital Leases**

The County has no capital lease agreements as a lessee.

**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 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. The County has five installment purchases serviced by the general fund.

The first installment purchase was executed on April 30, 2004 in the amount of \$5,000,000 for the renovation of existing structures to house the County's Law Enforcement Center. This installment purchase requires 60 quarterly principal payments of \$83,333 plus interest at 3.24 percent. The outstanding balance at June 30, 2015 is \$1,333,333.

The second installment purchase was executed on August 15, 2008 in the amount of \$2,600,000 for the purchase of land for the Tweetsie Incentive Project. This installment purchase calls for 40 quarterly principal payments of \$65,000 plus interest at 5.942 percent. The outstanding balance at June 30, 2015 is \$845,000.

The third installment purchase was executed in the amount of \$1,290,274 for Qualified School Construction Bonds on June 14, 2010 for school renovations. This installment purchase calls for 10 annual principal payments of \$129,028 plus interest at 5.8 percent with a federal interest credit giving an effective rate of zero percent prior to federal sequestration reductions affecting the annual reimbursement of interest. The outstanding balance at June 30, 2015 is \$645,138.



**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

The fourth and fifth installment 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 obligation bonds were issued in two series, A and B. Series A is for a principal amount of \$45,045,000 with terms ranging from 2015 to 2028. The Series A bonds have an outstanding balance at June 30, 2015 of \$44,450,000. Series B is for \$10 million with a term of three years and a set rate of 1.81 percent and this series paid out in fiscal year 2014-15.

For Watauga County, the future minimum payments as of June 30, 2015, including \$14,408,021 of interest, are:

| Year Ending June 30 | Governmental Activities |                      | Business Activities |                 |
|---------------------|-------------------------|----------------------|---------------------|-----------------|
|                     | <u>Principal</u>        | <u>Interest</u>      | <u>Principal</u>    | <u>Interest</u> |
| 2016                | \$ 4,117,361            | \$ 2,052,859         | -                   | -               |
| 2017                | 4,082,361               | 1,917,276            | -                   | -               |
| 2018                | 4,077,361               | 1,749,144            | -                   | -               |
| 2019                | 3,882,361               | 1,584,107            | -                   | -               |
| 2020                | 3,479,027               | 1,434,709            | -                   | -               |
| 2021-2025           | 17,120,000              | 4,717,775            | -                   | -               |
| 2026-2028           | <u>10,515,000</u>       | <u>952,151</u>       | -                   | -               |
| Total payments      | \$ <u>47,273,471</u>    | \$ <u>14,408,021</u> | <u>-</u>            | <u>-</u>        |

**c. General Obligation Indebtedness**

The County has no general obligation debt outstanding or authorized as of June 30, 2015. The final payment on the County's general obligation debt was made during the current fiscal year.

At June 30, 2015, Watauga County had a legal debt margin of \$658,298,987.

**d. Advance Refunding**

In April 2004, the County issued \$4,275,000 of general obligation advance refunding bonds to provide resources to purchase U.S. government securities that were placed into an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,950,000 general obligation bonds. The refunding debt consists of \$3,950,000 1995 School Facility Serial Bonds (partially refunded for the maturities in the years 2005-2015). The balance on the charge for refunding is \$20,316 and a credit of \$27,083 for the annual amortization on the economic gain has been applied to the government-wide statements.

In June 2012, the County issued \$55,045,000 in limited obligation bonds to refinance the installment purchase loans for the purchase of land and construction of the new 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 sixteen year life of the new debt. A liability for the balance of the premium of \$4,228,261 and the annual amortization of \$325,388 is expensed in the government-wide statements.

**Debt Related to Capital Activities** – Of the total Governmental Activities debt listed \$46,628,332 relates to assets the County holds title. There is no unspent restricted cash related to this debt.

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

**e. 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, 2015:

|   | Balance              |                   |                     | Current              |                     |
|---|----------------------|-------------------|---------------------|----------------------|---------------------|
|   | July 1, 2014         | Increases         | Decreases           | Balance              | Portion of          |
| <b><u>Governmental activities:</u></b>              |                      |                   |                     | June 30, 2015        | Balance             |
| General obligation debt                             | \$ 1,155,000         | \$ -              | \$ 1,155,000        | \$ -                 | \$ -                |
| Installment purchases                               | 51,120,762           | -                 | 3,847,291           | 47,273,471           | 4,117,361           |
| Compensated absences                                | 1,000,913            | 816,484           | 815,923             | 1,001,474            | -                   |
| Total governmental activities                       | <u>\$ 53,276,675</u> | <u>\$ 816,484</u> | <u>\$ 5,818,214</u> | <u>\$ 48,274,945</u> | <u>\$ 4,117,361</u> |
| <b><u>Business-type activities:</u></b>             |                      |                   |                     |                      |                     |
| Compensated absences                                | \$ 105,010           | \$ 58,624         | \$ 65,325           | \$ 98,309            | \$ -                |
| Total business-type activities                      | <u>\$ 105,010</u>    | <u>\$ 58,624</u>  | <u>\$ 65,325</u>    | <u>\$ 98,309</u>     | <u>\$ -</u>         |
| <b><u>Discretely presented component units:</u></b> |                      |                   |                     |                      |                     |
| Compensated absences – AppalCART                    | \$ 58,889            | \$ 60,588         | \$ 58,236           | \$ 61,241            | \$ 61,241           |
| Compensated absences – Watauga County TDA           | \$ 7,789             | \$ 8,469          | \$ 8,858            | \$ 7,400             | \$ 7,400            |

For Watauga County, AppalCART, 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.

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2015, consist of the following:

|  |                     |
|--|---------------------|
| From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions | \$ 2,394,595        |
| From the Capital Projects Fund to the General Fund for school capital projects                             | 167,730             |
| From the Capital Projects Fund to the General Fund for debt service  | 1,200,000           |
| From the General Fund to the CDBG Grant Fund as an interfund loan  | 6,473               |
| From the Solid Waste Fund to the General Fund for debt service   | <u>40,392</u>       |
| Total  | \$ <u>3,809,190</u> |

**D. Net Investment in Capital Assets**

|                                  | Governmental         | Business-type       |
|----------------------------------|----------------------|---------------------|
| Capital assets                   | \$ 139,527,310       | \$ 4,658,480        |
| Less: long-term debt             | 46,628,332           | -                   |
| Net investment in capital assets | <u>\$ 92,898,978</u> | <u>\$ 4,658,480</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 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, 2015

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

|  |                      |
|--|----------------------|
| Total fund balance – General Fund        | \$ 24,030,993        |
| Less:                                    |                      |
| Stabilization by State Statute           | 5,511,097            |
| Register of Deeds Automation/Enhancement | 169,364              |
| Tax Revaluation                          | 154,590              |
| Grant Requirements                       | <u>3,879</u>         |
| Remaining Fund Balance                   | <u>\$ 18,192,063</u> |

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

Encumbrances:      General Fund - \$1,935,426      Non-Major funds - \$178,390

**Note 4 - 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 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, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$509,850 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, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$568,183 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 5 - 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 \$851,709 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.

**Note 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, which 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.

**WATAUGA COUNTY, NORTH CAROLINA**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

|   | <u>Federal</u>       |    | <u>State</u>      |
|---|----------------------|----|-------------------|
| Supplemental Nutrition Assistance Program | \$ 4,677,338         | \$ | -                 |
| Medical Assistance Program                | 22,242,658           |    | 12,080,893        |
| Child Health Insurance Program            | 591,090              |    | 186,732           |
|   | <u>\$ 27,511,086</u> | \$ | <u>12,267,625</u> |

**Note 7 - 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 8 - Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,171,376 and \$122,258, respectively.

Also during the fiscal year ended June 30, 2015, the County determined that certain asset transactions completed in prior years required restatement under the full accrual method. Adjustments were made to account for these transactions thereby increasing net position for governmental and business-type activities by \$1,612,233 and \$162,847, respectively.

**Note 9 - Subsequent Events**

For the year ended June 30, 2015, the County has evaluated subsequent events for potential recognition and disclosure through September 30, 2015 – the date the financial statements were available to be issued. No events were determined to require recognition or disclosure.

## Required Supplemental Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits
- Schedule of County's Proportionate Share of Net Pension Asset (LGERS)
- Schedule of County's Contributions (LGERS)
- Schedule of County's Proportionate Share of Net Pension Asset (RODSPF)
- Schedule of County's Contributions (RODSPF)

**Watauga County, North Carolina**  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information

**Schedule of Funding Progress**

| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Reserved Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</b> | <b>Unfunded AAL (UAAL) (b-a)</b> | <b>Funded Ratio (a/b)</b> | <b>Covered Payroll for Year Ending on Val Date (c)</b> | <b>UAAL as a % of Covered Payroll ((b-a)/c)</b> |
|---------------------------------|---|--|----------------------------------|---------------------------|--|---|
| 12/31/2009                      | \$ 172,321                                    | \$ 445,615   | \$ 273,294                       | 38.67                     | \$ 1,888,358   | 14.47%  |
| 12/31/2010                      | \$ 182,734                                    | \$ 418,911   | \$ 236,177                       | 43.62                     | \$ 1,737,216   | 13.60%  |
| 12/31/2011                      | \$ 193,407                                    | \$ 476,644   | \$ 283,237                       | 40.58                     | \$ 1,824,693   | 15.52%  |
| 12/31/2012                      | \$ 203,683                                    | \$ 490,697   | \$ 287,014                       | 41.51                     | \$ 1,743,117   | 16.47%  |
| 12/31/2013                      | \$ 213,981                                    | \$ 508,028   | \$ 294,047                       | 42.12                     | \$ 1,819,158   | 16.16%  |
| 12/31/2014                      | \$ 224,415                                    | \$ 522,034   | \$ 297,619                       | 42.99                     | \$ 1,883,580   | 15.80%  |

**Schedule of Employer Contributions**

| <b>Year Ended June 30</b> | <b>Annual Required Contribution</b> | <b>Percentage Contributed</b> |
|---------------------------|-------------------------------------|-------------------------------|
| 2010                      | \$ 27,043                           | 108.45%                       |
| 2011                      | \$ 52,879                           | 72.85%                        |
| 2012                      | \$ 44,535                           | 114.00%                       |
| 2013                      | \$ 47,634                           | 101.31%                       |
| 2014                      | \$ 49,086                           | 95.82%                        |
| 2015                      | \$ 56,965                           | 101.25%                       |

**Notes to the Required Schedules**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at December 31, 2014. Additional information as of the latest actuarial valuation follows:

|                               |                        |
|-------------------------------|------------------------|
| Valuation date                | 12/31/2014             |
| Actuarial cost method         | Projected unit credit  |
| Amortization method           | Level dollar, closed   |
| Remaining amortization period | 16 years               |
| Asset valuation method        | Market value of Assets |
| Actuarial assumptions:        |                        |
| Investment Rate of Return*    | 5.00%                  |
| Projected salary increase*    | 4.25 - 7.85%           |
| *Includes inflation at        | 3.00%                  |
| Cost of living adjustments    | N/A                    |

**Watauga County, North Carolina**  
 Other Postemployment Benefits  
 Required Supplementary Information

**Schedule of Funding Progress**

| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</b> | <b>Unfunded AAL (UAAL) (b) - (a)</b> | <b>Funded Ratio (a/b)</b> | <b>Covered Payroll (c)</b> | <b>UAAL as a % of Covered Payroll ((b-a) / c)</b> |
|---------------------------------|--------------------------------------|--|--------------------------------------|---------------------------|----------------------------|---|
| 12/31/2007                      | \$ -                                 | \$ 1,928,608   | \$ 1,928,608                         | 0.00%                     | \$ 9,979,587               | 19.30%  |
| 12/31/2009                      | \$ -                                 | \$ 1,899,693   | \$ 1,899,693                         | 0.00%                     | \$ 10,936,838              | 17.40%  |
| 12/31/2011                      | \$ 476,515                           | \$ 2,648,536   | \$ 2,172,021                         | 17.99%                    | \$ 9,419,789               | 23.06%  |
| 12/31/2012                      | \$ 522,755                           | \$ 2,522,669   | \$ 1,999,914                         | 20.70%                    | \$ 10,011,037              | 20.00%  |
| 12/31/2014                      | \$ 701,855                           | \$ 2,516,822   | \$ 1,814,967                         | 27.90%                    | \$ 10,028,405              | 18.10%  |

**Schedule of Employer Contributions**

| <b>Year Ending June 30</b> | <b>Annual Required Contributions</b> | <b>Percentage Contributed</b> |
|----------------------------|--------------------------------------|-------------------------------|
| 2011                       | \$ 160,959                           | 348.06%                       |
| 2012                       | \$ 189,788                           | 89.24%                        |
| 2013                       | \$ 177,098                           | 119.59%                       |
| 2014                       | \$ 177,098                           | 116.08%                       |
| 2015                       | \$ 171,685                           | 134.23%                       |

**Notes to the Required Schedules**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at December 31, 2014. Additional information as of the latest actuarial valuation follows:

|                               |                               |
|-------------------------------|-------------------------------|
| Valuation date                | 12/31/2014                    |
| Actuarial cost method         | Projected unit credit         |
| Amortization method           | Level Percentage of pay, open |
| Remaining amortization period | 30 years                      |
| Amortization factor           | 26.1695                       |
| Asset valuation method        | Market value of Assets        |
| Actuarial assumptions:        |                               |
| Investment Rate of Return*    | 4.00%                         |
| Medical cost trend rate       | 7.50 - 5.00%                  |
| Year of Ultimate trend rate   | 2020                          |
| <br>*Includes inflation at    | <br>3.00%                     |

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

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

|   | <u>2015</u>    | <u>2014</u>   |
|---|----------------|---------------|
| County's proportion of the net pension liability (asset) %  | (0.17777)%     | 0.18070%      |
| County's proportionate share of the net pension liability (asset) \$  | \$ (1,048,391) | \$ 2,178,129  |
| County's covered employee payroll   | \$ 10,536,590  | \$ 10,387,368 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | (9.95)%        | 20.97%        |
| Plan fiduciary net position as a percentage of the total pension liability**                                      | 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 employers in the LGERS plan.



**Watauga County, North Carolina  
 County's Contributions  
 Required Supplementary Information**

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

|  | <u>2015</u>   | <u>2014</u>   |
|--|---------------|---------------|
| Contractually required contribution                                  | \$ 761,648    | \$ 738,196    |
| Contributions in relation to the contractually required contribution | 761,648       | 738,196       |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>   |
| County's covered employee payroll                                    | \$ 10,536,590 | \$ 10,387,368 |
| Contributions as a percentage of covered employee payroll            | 7.23%         | 7.11%         |

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

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

|   | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|
| County's proportion of the net pension liability (asset) %  | 0.6609%      | 0.6297%      |
| County's proportionate share of the net pension liability (asset) \$  | \$ (141,158) | \$ (142,737) |
| County's covered employee payroll   | \$ 65,250    | \$ 66,840    |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | (216.33)%    | (213.55)%    |
| Plan fiduciary net position as a percentage of the total pension liability**                                      | 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 employers in the RODSPF plan.

**Schedule 6**

**Watauga County, North Carolina  
County's Contributions  
Required Supplementary Information**

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

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Contractually required contribution                                  | \$ 5,276    | \$ 5,142    |
| Contributions in relation to the contractually required contribution | 5,276       | 5,142       |
| Contribution deficiency (excess)                                     | <u>\$ -</u> | <u>\$ -</u> |
| County's covered employee payroll                                    | \$ 65,250   | \$ 66,840   |
| Contributions as a percentage of covered employee payroll            | 8.09%       | 7.69%       |

COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

**Watauga County, North Carolina**  
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

|   | <u>Final Budget</u>      | <u>Actual</u>            | <u>Variance</u>         |
|---|--------------------------|--------------------------|-------------------------|
| <b>Revenues:</b>                              |                          |                          |                         |
| Taxes - ad valorem:                           |                          |                          |                         |
| Current year                                  | \$                       | \$ 27,159,975            | \$                      |
| Prior years                                   |                          | 587,110                  |                         |
| Advertising and interest                      |                          | 192,061                  |                         |
| Total Taxes - ad valorem                      | <u>27,296,370</u>        | <u>27,939,146</u>        | <u>642,776</u>          |
| Local option sales taxes:                     |                          |                          |                         |
| Article 39 and 44                             |                          | 5,254,400                |                         |
| Article 40 one-half of one percent            |                          | 2,583,322                |                         |
| Article 42 one-half of one percent            |                          | 2,988,222                |                         |
| Medicaid hold harmless payment                |                          | 1,434,413                |                         |
| Total Local option sales taxes                | <u>10,778,173</u>        | <u>12,260,357</u>        | <u>1,482,184</u>        |
| Taxes - other:                                |                          |                          |                         |
| Real estate transfer tax                      |                          | 382,475                  |                         |
| ABC Bottle tax                                |                          | 19,755                   |                         |
| Heavy equipment rental tax                    |                          | 4,673                    |                         |
| Gross receipts tax                            |                          | 46,807                   |                         |
| Franchise tax                                 |                          | 345,036                  |                         |
| Total Taxes - other                           | <u>688,500</u>           | <u>798,746</u>           | <u>110,246</u>          |
| Unrestricted Intergovernmental:               |                          |                          |                         |
| Miscellaneous revenues from Towns             |                          | 1,312,332                |                         |
| Payments in lieu of taxes                     |                          | 21,979                   |                         |
| Total Unrestricted Intergovernmental          | <u>1,352,500</u>         | <u>1,334,311</u>         | <u>(18,189)</u>         |
| Restricted Intergovernmental:                 |                          |                          |                         |
| Grants-Federal and State                      |                          | 4,750,772                |                         |
| Public School Building Capital Fund - Lottery |                          | 195,544                  |                         |
| Public School Building Capital Fund - ADM     |                          | 16,086                   |                         |
| Federal Interest Credit                       |                          | 41,624                   |                         |
| Court facilities fees                         |                          | 129,250                  |                         |
| Total Restricted Intergovernmental            | <u>6,605,286</u>         | <u>5,133,276</u>         | <u>(1,472,010)</u>      |
| Permits and Fees:                             |                          |                          |                         |
| Sheriff's office permits and fees             |                          | 113,649                  |                         |
| Planning and inspection fees                  |                          | 226,931                  |                         |
| Register of deeds fees                        |                          | 286,291                  |                         |
| Fire inspection fees                          |                          | 5,050                    |                         |
| Occupancy tax administrative fee              |                          | 21,292                   |                         |
| Child Support fees                            |                          | 47,433                   |                         |
| Total Permits and Fees                        | <u>681,446</u>           | <u>700,646</u>           | <u>19,200</u>           |
| Sales and Service:                            |                          |                          |                         |
| POA services                                  |                          | 21,302                   |                         |
| TDA Financial services                        |                          | 38,000                   |                         |
| Recreation fees                               |                          | 335,905                  |                         |
| NC DMV fees                                   |                          | 145,335                  |                         |
| Reimbursement for Inmates                     |                          | 29,647                   |                         |
| Tax collection fees-Towns                     |                          | 116,549                  |                         |
| Passport processing fees                      |                          | 13,175                   |                         |
| Election revenues                             |                          | 25                       |                         |
| Sale of fixed assets                          |                          | 185,838                  |                         |
| Blowing Rock communication services           |                          | 170,505                  |                         |
| Total Sales and Service                       | <u>811,551</u>           | <u>1,056,281</u>         | <u>244,730</u>          |
| Investment earnings:                          |                          |                          |                         |
| Interest earned on investments                | <u>60,100</u>            | <u>62,804</u>            | <u>2,704</u>            |
| Miscellaneous:                                |                          |                          |                         |
| Other   |                          | 604,310                  |                         |
| Donations                                     |                          | 72,246                   |                         |
| Total Miscellaneous                           | <u>519,737</u>           | <u>676,556</u>           | <u>156,819</u>          |
| <b>TOTAL REVENUES</b>                         | <u><b>48,793,663</b></u> | <u><b>49,962,123</b></u> | <u><b>1,168,460</b></u> |

## Watauga County, North Carolina

## General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

|                                | Final Budget     | Actual           | Variance       |
|--------------------------------|------------------|------------------|----------------|
| <b>EXPENDITURES:</b>           |                  |                  |                |
| <b>General Government</b>      |                  |                  |                |
| Governing Body:                |                  |                  |                |
| Salaries and benefits          | \$               | \$ 54,490        | \$             |
| Operating expenses             |                  | 3,947            |                |
| Total Governing Body           | <u>62,082</u>    | <u>58,437</u>    | <u>3,645</u>   |
| Administration:                |                  |                  |                |
| Salaries and benefits          |                  | 323,011          |                |
| Operating expenses             |                  | 4,783            |                |
| Total Administration           | <u>335,737</u>   | <u>327,794</u>   | <u>7,943</u>   |
| Finance:                       |                  |                  |                |
| Salaries and benefits          |                  | 310,735          |                |
| Operating expenses             |                  | 54,685           |                |
| Total Finance                  | <u>376,076</u>   | <u>365,420</u>   | <u>10,656</u>  |
| Tax Administration:            |                  |                  |                |
| Salaries and benefits          |                  | 929,126          |                |
| Operating expenses             |                  | 147,906          |                |
| Total Tax Administration       | <u>1,126,269</u> | <u>1,077,032</u> | <u>49,237</u>  |
| Tax Revaluation:               |                  |                  |                |
| Salaries and benefits          |                  | 850              |                |
| Operating expenses             |                  | 625              |                |
| Total Tax Revaluation          | <u>156,030</u>   | <u>1,475</u>     | <u>154,555</u> |
| Tag Office:                    |                  |                  |                |
| Salaries and benefits          |                  | 173,385          |                |
| Operating expenses             |                  | 4,825            |                |
| Total Tag Office               | <u>185,469</u>   | <u>178,210</u>   | <u>7,259</u>   |
| Legal Services:                |                  |                  |                |
| Operating expenses             | <u>64,150</u>    | <u>64,148</u>    | <u>2</u>       |
| Court facilities:              |                  |                  |                |
| Operating expenses             | <u>2,000</u>     | <u>1,429</u>     | <u>571</u>     |
| Board of Elections:            |                  |                  |                |
| Salaries and benefits          |                  | 204,053          |                |
| Operating expenses             |                  | 108,209          |                |
| Total Board of Elections       | <u>335,994</u>   | <u>312,262</u>   | <u>23,732</u>  |
| Register of Deeds:             |                  |                  |                |
| Salaries and benefits          |                  | 394,075          |                |
| Operating expenses             |                  | 86,504           |                |
| Total Register of Deeds        | <u>480,580</u>   | <u>480,579</u>   | <u>1</u>       |
| General Administration:        |                  |                  |                |
| Operating expenses             |                  | 521,936          |                |
| Capital outlay                 |                  | 5,930            |                |
| Total General Administration   | <u>1,073,473</u> | <u>527,866</u>   | <u>545,607</u> |
| Information Technologies:      |                  |                  |                |
| Salaries and benefits          |                  | 369,330          |                |
| Operating expenses             |                  | 320,207          |                |
| Capital outlay                 |                  | 58,384           |                |
| Total Information Technologies | <u>802,039</u>   | <u>747,921</u>   | <u>54,118</u>  |

## Watauga County, North Carolina

## General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

|   | Final Budget     | Actual           | Variance       |
|---|------------------|------------------|----------------|
| Maintenance:                                  |                  |                  |                |
| Salaries and benefits                         | \$               | \$ 1,004,625     | \$             |
| Operating expenses                            |                  | 34,789           |                |
| Capital outlay                                |                  | 30,324           |                |
| Total Maintenance                             | <u>1,128,232</u> | <u>1,069,738</u> | <u>58,494</u>  |
| Public Buildings                              |                  |                  |                |
| Courthouse:                                   |                  |                  |                |
| Operating expenses                            | <u>147,642</u>   | <u>133,226</u>   | <u>14,416</u>  |
| East Annex:                                   |                  |                  |                |
| Operating expenses                            | <u>32,317</u>    | <u>26,513</u>    | <u>5,804</u>   |
| Administration Building:                      |                  |                  |                |
| Operating expenses                            | <u>27,414</u>    | <u>27,410</u>    | <u>4</u>       |
| Emergency Management:                         |                  |                  |                |
| Operating expenses                            |                  | 5,236            |                |
| Capital outlay                                |                  | 100,631          |                |
| Total Emergency Management                    | <u>648,355</u>   | <u>105,867</u>   | <u>542,488</u> |
| Hannah:                                       |                  |                  |                |
| Operating expenses                            | <u>8,995</u>     | <u>7,514</u>     | <u>1,481</u>   |
| Health Department:                            |                  |                  |                |
| Operating expenses                            | <u>71,125</u>    | <u>62,797</u>    | <u>8,328</u>   |
| AppalCART:                                    |                  |                  |                |
| Operating expenses                            | <u>5,907</u>     | <u>3,688</u>     | <u>2,219</u>   |
| Library:                                      |                  |                  |                |
| Operating expenses                            | <u>66,061</u>    | <u>45,682</u>    | <u>20,379</u>  |
| Old Caldwell College and Technical Institute: |                  |                  |                |
| Operating expenses                            | <u>3,750</u>     | <u>3,747</u>     | <u>3</u>       |
| Western Watauga Comm. Center:                 |                  |                  |                |
| Operating expenses                            | <u>49,950</u>    | <u>37,210</u>    | <u>12,740</u>  |
| Parking Lots:                                 |                  |                  |                |
| Operating expenses                            | <u>5,991</u>     | <u>5,990</u>     | <u>1</u>       |
| West Courthouse Annex:                        |                  |                  |                |
| Operating expenses                            | <u>155,471</u>   | <u>32,873</u>    | <u>122,598</u> |
| Human Services Center:                        |                  |                  |                |
| Operating expenses                            | <u>119,706</u>   | <u>97,646</u>    | <u>22,060</u>  |
| Appalachian Enterprise Center:                |                  |                  |                |
| Operating expenses                            | <u>23,301</u>    | <u>20,731</u>    | <u>2,570</u>   |
| Law Enforcement Center:                       |                  |                  |                |
| Operating expenses                            | <u>265,956</u>   | <u>206,127</u>   | <u>59,829</u>  |
| Old Watauga High School:                      |                  |                  |                |
| Operating expenses                            | <u>475</u>       | <u>21</u>        | <u>454</u>     |
| NRSA Houses:                                  |                  |                  |                |
| Operating expenses                            | <u>1,120</u>     | <u>1,118</u>     | <u>2</u>       |
| Recreation Administration Center:             |                  |                  |                |
| Operating expenses                            | <u>3,020</u>     | <u>1,410</u>     | <u>1,610</u>   |

## Watauga County, North Carolina

## General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

|  | Final Budget     | Actual           | Variance         |
|--|------------------|------------------|------------------|
| Aquatics Center:                               |                  |                  |                  |
| Operating expenses                             | \$ 244,240       | \$ 82,480        | \$ 161,760       |
| Optimist Facility:                             |                  |                  |                  |
| Operating expenses                             | 36,301           | 32,344           | 3,957            |
| Recreation Fields/Parks:                       |                  |                  |                  |
| Operating expenses                             |                  | 75,634           |                  |
| Capital outlay                                 |                  | 285,689          |                  |
| Total Recreation Fields/Parks                  | 381,194          | 361,323          | 19,871           |
| Old Cove Creek School:                         |                  |                  |                  |
| Operating expenses                             | 62,486           | 25,986           | 36,500           |
| Brookshire Park:                               |                  |                  |                  |
| Operating expenses                             |                  | 23,109           |                  |
| Capital outlay                                 |                  | 163,046          |                  |
| Total Brookshire Park                          | 609,794          | 186,155          | 423,639          |
| Anne Marie Drive Fields:                       |                  |                  |                  |
| Operating expenses                             | 18,996           | 17,677           | 1,319            |
| Brookshire Soccer Complex:                     |                  |                  |                  |
| Operating expenses                             |                  | 8,396            |                  |
| Capital outlay                                 |                  | 16,480           |                  |
| Total Brookshire Soccer Complex                | 57,559           | 24,876           | 32,683           |
| Rocky Knob Park:                               |                  |                  |                  |
| Operating expenses                             |                  | 29,234           |                  |
| Capital outlay                                 |                  | 128,486          |                  |
| Total Rocky Knob Park                          | 165,944          | 157,720          | 8,224            |
| Total Public Buildings                         | 3,213,070        | 1,708,131        | 1,504,939        |
| <b>Total General Government</b>                | <b>9,341,201</b> | <b>6,920,442</b> | <b>2,420,759</b> |
| <b>Public Safety</b>                           |                  |                  |                  |
| Sheriff's Office:                              |                  |                  |                  |
| Salaries and benefits                          |                  | 2,876,323        |                  |
| Operating expenses                             |                  | 326,170          |                  |
| Capital outlay                                 |                  | 160,902          |                  |
| Total Sheriff's Office                         | 3,464,017        | 3,363,395        | 100,622          |
| Communications:                                |                  |                  |                  |
| Salaries and benefits                          |                  | 665,375          |                  |
| Operating expenses                             |                  | 35,136           |                  |
| Total Communications                           | 759,295          | 700,511          | 58,784           |
| Detention Center:                              |                  |                  |                  |
| Salaries and benefits                          |                  | 1,407,300        |                  |
| Operating expenses                             |                  | 585,992          |                  |
| Capital outlay                                 |                  | 26,534           |                  |
| Total Detention Center                         | 2,109,541        | 2,019,826        | 89,715           |
| Emergency Management and Fire Protection:      |                  |                  |                  |
| Salaries and benefits                          |                  | 304,524          |                  |
| Operating expenses                             |                  | 1,132,893        |                  |
| Total Emergency Management and Fire Protection | 1,437,420        | 1,437,417        | 3                |
| Planning and Inspections:                      |                  |                  |                  |
| Salaries and benefits                          |                  | 574,384          |                  |
| Operating expenses                             |                  | 17,280           |                  |
| Capital outlay                                 |                  | 19,374           |                  |
| Total Planning and Inspections                 | 629,869          | 611,038          | 18,831           |



**Watauga County, North Carolina**  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

|  | <u>Final Budget</u> | <u>Actual</u>    | <u>Variance</u> |
|--|---------------------|------------------|-----------------|
| Medical Examiner:                              |                     |                  |                 |
| Operating expenses                             | \$ 25,000           | \$ 19,200        | \$ 5,800        |
| Ambulance and Rescue Squad:                    |                     |                  |                 |
| Operating expenses                             | 1,191,700           | 1,157,368        | 34,332          |
| Animal Control:                                |                     |                  |                 |
| Salaries and benefits                          |                     | 109,547          |                 |
| Operating expenses                             |                     | 11,841           |                 |
| Total Animal Control                           | <u>123,645</u>      | <u>121,388</u>   | <u>2,257</u>    |
| Forestry:                                      |                     |                  |                 |
| Operating expenses                             | <u>43,881</u>       | <u>42,231</u>    | <u>1,650</u>    |
| <b>Total Public Safety</b>                     | <u>9,784,368</u>    | <u>9,472,374</u> | <u>311,994</u>  |
| <b>Transportation</b>                          |                     |                  |                 |
| Transportation:                                | <u>167,182</u>      | <u>167,182</u>   | <u>-</u>        |
| <b>Economic and Physical Development</b>       |                     |                  |                 |
| Special Appropriations:                        | <u>454,809</u>      | <u>420,552</u>   | <u>34,257</u>   |
| Economic Development:                          | <u>79,458</u>       | <u>50,292</u>    | <u>29,166</u>   |
| <b>Total Economic and Physical Development</b> | <u>534,267</u>      | <u>470,844</u>   | <u>63,423</u>   |
| <b>Environmental Protection</b>                |                     |                  |                 |
| Cooperative Extension:                         |                     |                  |                 |
| Salaries and benefits                          |                     | 232,169          |                 |
| Operating expenses                             |                     | 13,736           |                 |
| Total Cooperative Extension                    | <u>251,902</u>      | <u>245,905</u>   | <u>5,997</u>    |
| Soil and Water Conservation:                   |                     |                  |                 |
| Salaries and benefits                          |                     | 102,274          |                 |
| Operating expenses                             |                     | 21,430           |                 |
| Total Soil and Water Conservation              | <u>157,687</u>      | <u>123,704</u>   | <u>33,983</u>   |
| <b>Total Environmental Protection</b>          | <u>409,589</u>      | <u>369,609</u>   | <u>39,980</u>   |
| <b>Human Services</b>                          |                     |                  |                 |
| Public Health:                                 |                     |                  |                 |
| Operating expenses                             | <u>568,183</u>      | <u>568,183</u>   | <u>-</u>        |
| Mental Health:                                 |                     |                  |                 |
| Operating expenses                             | <u>171,194</u>      | <u>171,194</u>   | <u>-</u>        |
| Social Services - administration:              |                     |                  |                 |
| Salaries and benefits                          |                     | 2,597,118        |                 |
| Operating expenses                             |                     | 359,668          |                 |
| Capital outlay                                 |                     | 33,092           |                 |
| Total Social Services - administration         | <u>3,086,780</u>    | <u>2,989,878</u> | <u>96,902</u>   |
| Beneficiary payments:                          | <u>2,722,706</u>    | <u>2,313,168</u> | <u>409,538</u>  |
| Project on Aging:                              |                     |                  |                 |
| Salaries and benefits                          |                     | 919,060          |                 |
| Operating expenses                             |                     | 262,379          |                 |
| Total Project on Aging                         | <u>1,237,149</u>    | <u>1,181,439</u> | <u>55,710</u>   |
| Veterans Services:                             |                     |                  |                 |
| Salaries and benefits                          |                     | 95,902           |                 |
| Operating expenses                             |                     | 2,425            |                 |
| Total Veterans Services                        | <u>104,601</u>      | <u>98,327</u>    | <u>6,274</u>    |
| <b>Total Human Services</b>                    | <u>7,890,613</u>    | <u>7,322,189</u> | <u>568,424</u>  |

## Watauga County, North Carolina

## General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

|   | <u>Final Budget</u> | <u>Actual</u>        | <u>Variance</u>    |
|---|---------------------|----------------------|--------------------|
| <b>Education</b>                                  |                     |                      |                    |
| Public Schools - current                          | \$                  | \$ 12,063,401        | \$                 |
| Public Schools - capital outlay                   |                     | 391,992              |                    |
| Community College - current                       |                     | 841,709              |                    |
| Community College - capital outlay                |                     | 10,000               |                    |
| <b>Total Education</b>                            | <u>14,381,452</u>   | <u>13,307,102</u>    | <u>1,074,350</u>   |
| <b>Cultural and Recreational</b>                  |                     |                      |                    |
| Library:  |                     |                      |                    |
| Operating expenses                                | <u>509,850</u>      | <u>509,850</u>       | <u>-</u>           |
| Recreation:                                       |                     |                      |                    |
| Salaries and benefits                             |                     | 603,760              |                    |
| Operating expenses                                |                     | 124,911              |                    |
| Total Recreation                                  | <u>756,070</u>      | <u>728,671</u>       | <u>27,399</u>      |
| Aquatics:   |                     |                      |                    |
| Salaries and benefits                             |                     | 190,195              |                    |
| Operating expenses                                |                     | 8,332                |                    |
| Total Aquatics                                    | <u>201,168</u>      | <u>198,527</u>       | <u>2,641</u>       |
| <b>Total Cultural and Recreational</b>            | <u>1,467,088</u>    | <u>1,437,048</u>     | <u>30,040</u>      |
| <b>Debt Service</b>                               |                     |                      |                    |
| Principal retirement                              |                     | 5,002,291            |                    |
| Interest and fees                                 |                     | 2,193,359            |                    |
| <b>Total Debt Service</b>                         | <u>7,195,651</u>    | <u>7,195,650</u>     | <u>1</u>           |
| <b>TOTAL EXPENDITURES</b>                         | <u>51,171,411</u>   | <u>46,662,440</u>    | <u>4,508,971</u>   |
| Excess (deficiency) of revenues over expenditures | <u>(2,377,748)</u>  | <u>3,299,683</u>     | <u>5,677,431</u>   |
| <b>OTHER FINANCING SOURCES (USES):</b>            |                     |                      |                    |
| Transfers to Capital Projects Fund                | (2,394,595)         | (2,394,595)          | -                  |
| Transfers from Capital Projects Fund              | 1,367,730           | 1,367,730            | -                  |
| Transfers from Solid Waste Fund                   | 40,392              | 40,392               | -                  |
| Fund Balance Appropriated                         | <u>3,364,221</u>    | <u>-</u>             | <u>(3,364,221)</u> |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <u>2,377,748</u>    | <u>(986,473)</u>     | <u>(3,364,221)</u> |
| Net change in fund balance                        | \$ <u>-</u>         | 2,313,210            | <u>2,313,210</u>   |
| Fund balance, beginning of year                   |                     | <u>21,717,783</u>    |                    |
| Fund balance, end of year                         |                     | \$ <u>24,030,993</u> |                    |

**Watauga County, North Carolina**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

**Statement 2**

|   | <u>Special Revenue Funds</u>                      |   |  |                                     |                                   |   |   |
|---|---|---|--|-------------------------------------|-----------------------------------|---|---|
|   | <u>Federal<br/>Equitable<br/>Sharing<br/>Fund</u> | <u>State<br/>Substance<br/>Abuse<br/>Tax<br/>Fund</u> | <u>Emergency<br/>Telephone<br/>System<br/>Fund</u> | <u>Fire<br/>Districts<br/>Funds</u> | <u>Occupancy<br/>Tax<br/>Fund</u> | <u>CDBG<br/>Scattered<br/>Site<br/>Housing<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Special Revenue<br/>Funds</u> |
| <b>ASSETS:</b>  |   |   |  |                                     |                                   |   |   |
| Cash and cash equivalents   | \$ 68,288   | \$ 69,976   | \$ 407,210   | \$ 11,587                           | \$ 237                            | \$ -  | \$ 557,298  |
| Due from other governments  | -   | -   | 27,829   | 12,094                              | -                                 | 6,473   | 46,396  |
| Taxes receivable, net   | -   | -   | -  | 125,243                             | 97,729                            | -   | 222,972   |
| Total assets  | <u>\$ 68,288</u>                                  | <u>\$ 69,976</u>                                      | <u>\$ 435,039</u>                                  | <u>\$ 148,924</u>                   | <u>\$ 97,966</u>                  | <u>\$ 6,473</u>   | <u>\$ 826,666</u>                                       |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b> |   |   |  |                                     |                                   |   |   |
| Liabilities:  |   |   |  |                                     |                                   |   |   |
| Accounts payable and accrued liabilities                              | -   | 826   | 27,970   | 23,178                              | -                                 | -   | 51,974  |
| Due to other governments  | -   | -   | -  | -                                   | 97,966                            | -   | 97,966  |
| Due to other funds  | -   | -   | -  | -                                   | -                                 | 6,473   | 6,473   |
| Total Liabilities   | <u>-</u>  | <u>826</u>  | <u>27,970</u>                                      | <u>23,178</u>                       | <u>97,966</u>                     | <u>6,473</u>  | <u>156,413</u>  |
| Deferred Inflows of Resources:  |   |   |  |                                     |                                   |   |   |
| Taxes paid in advance   | -   | -   | -  | 503                                 | -                                 | -   | 503   |
| Taxes receivable  | -   | -   | -  | 125,243                             | -                                 | -   | 125,243   |
| Total deferred inflows of resources                                   | <u>-</u>  | <u>-</u>  | <u>-</u>   | <u>125,746</u>                      | <u>-</u>                          | <u>-</u>  | <u>125,746</u>  |
| Fund Balances:  |   |   |  |                                     |                                   |   |   |
| Restricted for:   |   |   |  |                                     |                                   |   |   |
| Public Safety   | 68,288  | 69,150  | 407,069  | -                                   | -                                 | -   | 544,507   |
| Total fund balances   | <u>68,288</u>                                     | <u>69,150</u>   | <u>407,069</u>                                     | <u>-</u>                            | <u>-</u>                          | <u>-</u>  | <u>544,507</u>  |
| Total liabilities, deferred inflows of resources, and fund balances   | <u>\$ 68,288</u>                                  | <u>\$ 69,976</u>                                      | <u>\$ 435,039</u>                                  | <u>\$ 148,924</u>                   | <u>\$ 97,966</u>                  | <u>\$ 6,473</u>   | <u>\$ 826,666</u>                                       |

**Watauga County, North Carolina**  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2015

**Statement 3**

|                                   | <b>Special Revenue Funds</b>                      |   |  |                                    |                                   |   |   |
|-----------------------------------|---|---|--|------------------------------------|-----------------------------------|---|---|
|                                   | <b>Federal<br/>Equitable<br/>Sharing<br/>Fund</b> | <b>State<br/>Substance<br/>Abuse Tax<br/>Fund</b> | <b>Emergency<br/>Telephone<br/>System<br/>Fund</b> | <b>Fire<br/>Districts<br/>Fund</b> | <b>Occupancy<br/>Tax<br/>Fund</b> | <b>CDBG<br/>Scattered<br/>Site<br/>Housing<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Special Revenue<br/>Funds</b> |
| <b>REVENUES</b>                   |   |   |  |                                    |                                   |   |   |
| Ad valorem taxes                  | \$ -  | \$ -  | \$ -   | \$ 2,948,609                       | \$ -                              | \$ -  | \$ 2,948,609  |
| Other taxes and licenses          | -   | 33,486  | -  | -                                  | 1,129,177                         | -   | 1,162,663   |
| Restricted intergovernmental      | 60,483  | -   | 333,953  | -                                  | -                                 | 33,047  | 427,483   |
| Other miscellaneous revenues      | -   | -   | -  | -                                  | -                                 | -   | -   |
| Investment earnings               | 145   | 160   | 900  | -                                  | -                                 | -   | 1,205   |
| <b>Total revenues</b>             | <b>60,628</b>                                     | <b>33,646</b>                                     | <b>334,853</b>                                     | <b>2,948,609</b>                   | <b>1,129,177</b>                  | <b>33,047</b>   | <b>4,539,960</b>  |
| <b>EXPENDITURES</b>               |   |   |  |                                    |                                   |   |   |
| Current:                          |   |   |  |                                    |                                   |   |   |
| General government                | -   | -   | -  | -                                  | 1,129,177                         | -   | 1,129,177   |
| Public safety                     | 5,968   | 23,291  | 279,898  | 2,948,609                          | -                                 | -   | 3,257,766   |
| Economic and physical development | -   | -   | -  | -                                  | -                                 | 33,047  | 33,047  |
| Capital outlay                    | 17,335  | 598   | -  | -                                  | -                                 | -   | 17,933  |
| <b>Total expenditures</b>         | <b>23,303</b>                                     | <b>23,889</b>                                     | <b>279,898</b>                                     | <b>2,948,609</b>                   | <b>1,129,177</b>                  | <b>33,047</b>   | <b>4,437,923</b>  |
| Net change in fund balances       | 37,325  | 9,757   | 54,955   | -                                  | -                                 | -   | 102,037   |
| Fund balances, beginning of year  | 30,963  | 59,393  | 352,114  | -                                  | -                                 | -   | 442,470   |
| Fund balances, end of year        | \$ <u>68,288</u>                                  | \$ <u>69,150</u>                                  | \$ <u>407,069</u>                                  | \$ <u>-</u>                        | \$ <u>-</u>                       | \$ <u>-</u>   | \$ <u>544,507</u>                                       |

**Watauga County, North Carolina**  
 Federal Equitable Sharing Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2015

|  | <u>Budget</u>   | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-----------------|------------------|---|
| <b>Revenues:</b>                                     |                 |                  |   |
| Restricted intergovernmental - Federal               | \$              | \$ 60,483        | \$  |
| Investment Earnings                                  |                 | 145              |   |
| <b>Total revenues</b>                                | <u>10,975</u>   | <u>60,628</u>    | <u>49,653</u>                                   |
| <b>Expenditures:</b>                                 |                 |                  |   |
| Public Safety  |                 | 5,968            |   |
| Capital Outlay                                       |                 | 17,335           |   |
| <b>Total expenditures</b>                            | <u>24,555</u>   | <u>23,303</u>    | <u>1,252</u>                                    |
| Excess (deficiency) of revenues over<br>expenditures | <u>(13,580)</u> | <u>37,325</u>    | <u>50,905</u>                                   |
| <b>Other financing sources (uses):</b>               |                 |                  |   |
| Appropriated fund balance                            | <u>13,580</u>   | <u>-</u>         | <u>(13,580)</u>                                 |
| <b>Total Other Financing sources (uses):</b>         | <u>13,580</u>   | <u>-</u>         | <u>(13,580)</u>                                 |
| Net change in fund balance                           | <u>\$ -</u>     | 37,325           | <u>\$ 37,325</u>                                |
| <b>Fund balance, beginning of year</b>               |                 | <u>30,963</u>    |   |
| <b>Fund balance, end of year</b>                     |                 | <u>\$ 68,288</u> |   |

**Watauga County, North Carolina**  
 State Substance Abuse Tax Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2015

|  | <u>Budget</u>  | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------|------------------|---|
| <b>Revenues:</b>                                     |                |                  |   |
| Restricted intergovernmental - State                 | \$             | \$ 33,486        | \$  |
| Investment Earnings                                  |                | 160              |   |
| <b>Total revenues</b>                                | <u>20,000</u>  | <u>33,646</u>    | <u>13,646</u>                                   |
| <b>Expenditures:</b>                                 |                |                  |   |
| Public Safety  |                | 23,291           |   |
| Capital Outlay                                       |                | 598              |   |
| <b>Total expenditures</b>                            | <u>24,850</u>  | <u>23,889</u>    | <u>961</u>                                      |
| Excess (deficiency) of revenues over<br>expenditures | <u>(4,850)</u> | <u>9,757</u>     | <u>14,607</u>                                   |
| <b>Other financing sources (uses):</b>               |                |                  |   |
| Appropriated fund balance                            | <u>4,850</u>   | <u>-</u>         | <u>(4,850)</u>                                  |
| <b>Total Other Financing sources (uses):</b>         | <u>4,850</u>   | <u>-</u>         | <u>(4,850)</u>                                  |
| Net change in fund balance                           | <u>\$ -</u>    | <u>9,757</u>     | <u>\$ 9,757</u>                                 |
| <b>Fund balance, beginning of year</b>               |                | <u>59,393</u>    |   |
| <b>Fund balance, end of year</b>                     |                | <u>\$ 69,150</u> |   |

**Watauga County, North Carolina**  
 Emergency Telephone System Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2015

|  | <u>Budget</u>      | <u>Actual</u>            | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|--------------------|--------------------------|---|
| <b>Revenues:</b>                       |                    |                          |   |
| Restricted intergovernmental:          |                    |                          |   |
| Emergency Telephone Surcharge funds    | \$                 | \$ 333,953               | \$  |
| Investment earnings                    |                    | 900                      |   |
| <b>Total revenues</b>                  | <u>333,953</u>     | <u>334,853</u>           | <u>900</u>                                      |
| <b>Expenditures:</b>                   |                    |                          |   |
| Public safety:                         |                    |                          |   |
| Implementation services                |                    | 68,904                   |   |
| Training                               |                    | 4,304                    |   |
| Hardware                               |                    | 50,105                   |   |
| Software                               |                    | 90,209                   |   |
| Telephones                             |                    | 66,376                   |   |
| Furniture                              |                    | -                        |   |
| <b>Total expenditures</b>              | <u>333,953</u>     | <u>279,898</u>           | <u>54,055</u>                                   |
| Net change in fund balance             | \$ <u><u>-</u></u> | 54,955                   | \$ <u><u>54,955</u></u>                         |
| <b>Fund balance, beginning of year</b> |                    | <u>352,114</u>           |   |
| <b>Fund balance, end of year</b>       |                    | <u><u>\$ 407,069</u></u> |   |

**Watauga County, North Carolina**  
 Fire Districts Funds  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2015

|  | <u>Budget</u>         | <u>Actual</u>         | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-----------------------|-----------------------|---|
| <b>Revenues:</b>                       |                       |                       |   |
| Ad valorem taxes                       | \$ _____              | \$ 2,948,609          | \$ _____  |
| <b>Total revenues</b>                  | <u>2,979,889</u>      | <u>2,948,609</u>      | <u>(31,280)</u>                                 |
| <b>Expenditures:</b>                   |                       |                       |   |
| Public safety:                         |                       |                       |   |
| Beaver Dam Fire Department             |                       | 107,935               |   |
| Beech Mountain Fire Department         |                       | 1,981                 |   |
| Blowing Rock Fire Department           |                       | 472,548               |   |
| Boone Fire Department                  |                       | 764,542               |   |
| Cove Creek Fire Department             |                       | 248,621               |   |
| Creston Fire Department                |                       | 6,345                 |   |
| Deep Gap Fire Department               |                       | 195,288               |   |
| Fall Creek Fire Department             |                       | 9,243                 |   |
| Foscoe Fire Department                 |                       | 534,280               |   |
| Meat Camp Fire Department              |                       | 213,579               |   |
| Shawneehaw Fire Department             |                       | 101,795               |   |
| Stewart Simmons Fire Department        |                       | 112,568               |   |
| Todd Fire Department                   |                       | 63,281                |   |
| Zionville Fire Department              |                       | 116,603               |   |
| <b>Total expenditures</b>              | <u>2,979,889</u>      | <u>2,948,609</u>      | <u>31,280</u>                                   |
| Net change in fund balance             | \$ <u>          -</u> | \$ -                  | \$ <u>          -</u>                           |
| <b>Fund balance, beginning of year</b> |                       | -                     |   |
| <b>Fund balance, end of year</b>       |                       | \$ <u>          -</u> |   |



**Watauga County, North Carolina**  
 Occupancy Tax Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2015

|  | <u>Budget</u>         | <u>Actual</u>         | Variance<br>Favorable<br>(Unfavorable) |
|--|-----------------------|-----------------------|--|
| <b>Revenues:</b>                       |                       |                       |  |
| Other taxes and licenses               | \$ _____              | \$ 1,129,177          | \$ _____                               |
| <b>Total revenues</b>                  | <u>1,129,177</u>      | <u>1,129,177</u>      | <u>-</u>                               |
| <b>Expenditures:</b>                   |                       |                       |  |
| Tourism Development                    |                       | 1,107,885             |  |
| Administrative fee                     | _____                 | <u>21,292</u>         | _____                                  |
| <b>Total expenditures</b>              | <u>1,129,177</u>      | <u>1,129,177</u>      | <u>-</u>                               |
| Net change in fund balance             | \$ <u>          -</u> | -                     | \$ <u>          -</u>                  |
| <b>Fund balance, beginning of year</b> |                       | _____                 |  |
| <b>Fund balance, end of year</b>       |                       | \$ <u>          -</u> |  |

**Watauga County, North Carolina**  
 CDBG Scattered Site Housing Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2015

|  | <u>Project<br/>Authorization</u> | <u>Prior<br/>Year</u> | <u>Actual</u>   | <u>Total<br/>to<br/>Date</u> | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------------|-----------------------|-----------------|------------------------------|---|
| <b>Revenues:</b>                       |                                  |                       |                 |                              |   |
| Restricted intergovernmental           | \$ 225,000                       | \$ 51,302             | \$ 33,047       | \$ 84,349                    | \$ (140,651)                                    |
| <b>Total revenues</b>                  | <u>225,000</u>                   | <u>51,302</u>         | <u>33,047</u>   | <u>84,349</u>                | <u>(140,651)</u>                                |
| <b>Expenditures:</b>                   |                                  |                       |                 |                              |   |
| Residence rehabilitation               | 180,000                          | 33,926                | 33,047          | 66,973                       | 113,027   |
| Local option/emergency                 | 22,500                           | -                     | -               | -                            | 22,500  |
| Grant administration                   | <u>22,500</u>                    | <u>17,376</u>         | <u>-</u>        | <u>17,376</u>                | <u>5,124</u>                                    |
| <b>Total expenditures</b>              | <u>225,000</u>                   | <u>51,302</u>         | <u>33,047</u>   | <u>84,349</u>                | <u>140,651</u>                                  |
| Net change in fund balance             | <u>\$ -</u>                      | <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**  
 Capital Projects Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2015

|  | <u>Budget</u>                 | <u>Actual</u>               | Variance<br>Favorable<br>(Unfavorable) |
|--|-------------------------------|-----------------------------|--|
| <b>Revenues:</b>                                     |                               |                             |  |
| Investment earnings                                  | \$ <u>          -</u>         | \$ <u>      16,001</u>      | \$ <u>      16,001</u>                 |
| <b>Expenditures:</b>                                 |                               |                             |  |
| General government                                   | <u>      2,394,595</u>        | <u>                  -</u>  | <u>      2,394,595</u>                 |
| Excess (deficiency) of revenues over<br>expenditures | <u>      (2,394,595)</u>      | <u>              16,001</u> | <u>      2,410,596</u>                 |
| <b>Other Financing Sources (Uses):</b>               |                               |                             |  |
| Transfer from other funds                            | 2,394,595                     | 2,394,595                   | -                                      |
| Transfer to other funds                              | (1,367,730)                   | (1,367,730)                 | -                                      |
| Appropriated fund balance                            | <u>      1,367,730</u>        | <u>                  -</u>  | <u>      (1,367,730)</u>               |
| Total other financing sources                        | <u>      2,394,595</u>        | <u>      1,026,865</u>      | <u>      (1,367,730)</u>               |
| Net change in fund balance                           | \$ <u>                  -</u> | 1,042,866                   | \$ <u>      1,042,866</u>              |
| <b>Fund balance, beginning of year</b>               |                               | <u>      5,842,981</u>      |  |
| <b>Fund balance, end of year</b>                     |                               | \$ <u>      6,885,847</u>   |  |

**Watauga County, North Carolina**  
Solid Waste Fund  
Statement of Revenues and Expenditures Budget and Actual (NON-GAAP)  
For the Year Ended June 30, 2015

|   | Final<br>Budget  | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|---|------------------|-------------------|--|
| <b>Revenues:</b>  |                  |                   |  |
| Operating revenues:   |                  |                   |  |
| Landfill charges  | \$               | \$ 4,346,485      | \$                                     |
| Total   | <u>3,670,543</u> | <u>4,346,485</u>  | <u>675,942</u>                         |
| Non-operating revenues:   |                  |                   |  |
| Miscellaneous revenue   |                  | 11,380            |  |
| Investment earnings   |                  | 10,784            |  |
| Restricted intergovernmental revenues                                   |                  | 113,697           |  |
| Total   | <u>107,500</u>   | <u>135,861</u>    | <u>28,361</u>                          |
| Total revenues  | <u>3,778,043</u> | <u>4,482,346</u>  | <u>704,303</u>                         |
| <b>Expenditures:</b>  |                  |                   |  |
| Landfill operations:  |                  |                   |  |
| Salaries and employee benefits  |                  | 1,269,947         |  |
| Other operating expenditures  |                  | 2,486,204         |  |
| Total landfill operations   | <u>4,034,354</u> | <u>3,756,151</u>  | <u>278,203</u>                         |
| Recycling operations:   |                  |                   |  |
| Salaries and employee benefits  |                  | 43,882            |  |
| Other operating expenses  |                  | 20,423            |  |
| Total recycling operations  | <u>89,361</u>    | <u>64,305</u>     | <u>25,056</u>                          |
| Budgetary appropriations:   |                  |                   |  |
| Capital outlays   |                  | 1,750             |  |
| Total budgetary appropriations  | <u>70,880</u>    | <u>1,750</u>      | <u>69,130</u>                          |
| Total expenditures  | <u>4,194,595</u> | <u>3,822,206</u>  | <u>372,389</u>                         |
| Revenues under/(over) expenditures                                      | <u>(416,552)</u> | <u>660,140</u>    | <u>1,076,692</u>                       |
| <b>Other financing sources (uses):</b>                                  |                  |                   |  |
| Transfers to general fund for debt payment                              | (40,392)         | (40,392)          |  |
| Appropriated fund balance   | 456,944          | -                 |  |
| Total other financing sources (uses)                                    | <u>416,552</u>   | <u>(40,392)</u>   | <u>(456,944)</u>                       |
| Revenues over expenditures and other sources (uses)                     | \$ <u>-</u>      | 619,748           | \$ <u>619,748</u>                      |
| Reconciliation from budgetary basis (modified accrual) to full accrual: |                  |                   |  |
| Reconciling items:  |                  |                   |  |
| Pension expense   |                  | (5,600)           |  |
| Contributions made to the pension plan in the current fiscal year       |                  | 64,660            |  |
| Increase in intangible asset for advance funding of OPEB NOO            |                  | 14,296            |  |
| Capital outlays   |                  | 1,750             |  |
| Depreciation  |                  | (340,934)         |  |
| Decrease in accrued compensated absences                                |                  | 6,701             |  |
| Total reconciling items   |                  | <u>(259,127)</u>  |  |
| Change in net position  |                  | \$ <u>360,621</u> |  |

**Statement 12**

**Watauga County, North Carolina**  
Combining Statement of Fiduciary Net Position  
Pension Trust Funds  
For the Year Ended June 30, 2015

|   | <u>LEO Special<br/>Separation<br/>Allowance</u> | <u>Other Post<br/>Employment<br/>Benefits</u> | <u>Totals</u>       |
|---|---|---|---------------------|
| <b>Assets</b>                             |   |   |                     |
| Cash and cash equivalents                 | \$ 247,833                                      | \$ 762,037                                    | \$ 1,009,870        |
| Accounts receivable                       | -   | 1,159   | 1,159               |
|   | <u>\$ 247,833</u>                               | <u>\$ 763,196</u>                             | <u>\$ 1,011,029</u> |
| <b>Liabilities and Net Position</b>       |   |   |                     |
| Liabilities:                              |   |   |                     |
| Accounts payable and accrued liabilities  | \$ -  | \$ -  | \$ -                |
| Total liabilities                         | <u>-</u>  | <u>-</u>                                      | <u>-</u>            |
| Net position:                             |   |   |                     |
| Assets held in trust for pension benefits | <u>\$ 247,833</u>                               | <u>\$ 763,196</u>                             | <u>\$ 1,011,029</u> |

**Statement 13**

**Watauga County, North Carolina**  
Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
For the Year Ended June 30, 2015

|                         | <u>LEO Special<br/>Separation<br/>Allowance</u> | <u>Other Post<br/>Employment<br/>Benefits</u> | <u>Totals</u>       |
|-------------------------|---|---|---------------------|
| <b>Additions:</b>       |   |   |                     |
| Employer contributions  | \$ 57,675                                       | \$ 230,450                                    | \$ 288,125          |
| Interest                | <u>578</u>                                      | <u>5,609</u>                                  | <u>6,187</u>        |
| Total additions         | <u>58,253</u>                                   | <u>236,059</u>                                | <u>294,312</u>      |
| <b>Deductions:</b>      |   |   |                     |
| Benefits                | 34,438  | 141,600                                       | 176,038             |
| Administrative expense  | <u>237</u>                                      | <u>-</u>                                      | <u>237</u>          |
| Total deductions        | <u>34,675</u>                                   | <u>141,600</u>                                | <u>176,275</u>      |
| Change in net position  | 23,578  | 94,459  | 118,037             |
| Net position, beginning | 224,255   | 668,737                                       | 892,992             |
| Net position, ending    | <u>\$ 247,833</u>                               | <u>\$ 763,196</u>                             | <u>\$ 1,011,029</u> |

**Watauga County, North Carolina**  
 Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2015

|  | <u>Balance</u><br><u>July 1, 2014</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Balance</u><br><u>June 30, 2015</u> |
|--|---------------------------------------|---------------------|---------------------|--|
| <b>Social Services:</b>                |                                       |                     |                     |  |
| Assets:                                | \$ <u>18,477</u>                      | \$ <u>233,492</u>   | \$ <u>208,879</u>   | \$ <u>43,090</u>                       |
| Liabilities:                           | \$ <u>18,477</u>                      | \$ <u>233,492</u>   | \$ <u>208,879</u>   | \$ <u>43,090</u>                       |
| <b>Vehicle Tax-Towns:</b>              |                                       |                     |                     |  |
| Assets:                                | \$ <u>976</u>                         | \$ <u>127,065</u>   | \$ <u>127,991</u>   | \$ <u>50</u>                           |
| Liabilities:                           | \$ <u>976</u>                         | \$ <u>127,065</u>   | \$ <u>127,991</u>   | \$ <u>50</u>                           |
| <b>Town of Boone Ad valorem Taxes:</b> |                                       |                     |                     |  |
| Assets:                                | \$ <u>176,071</u>                     | \$ <u>6,088,571</u> | \$ <u>6,262,546</u> | \$ <u>2,096</u>                        |
| Liabilities:                           | \$ <u>176,071</u>                     | \$ <u>6,088,571</u> | \$ <u>6,262,546</u> | \$ <u>2,096</u>                        |
| <b>Inmate Commissary:</b>              |                                       |                     |                     |  |
| Assets:                                | \$ <u>34,577</u>                      | \$ <u>168,471</u>   | \$ <u>183,589</u>   | \$ <u>19,459</u>                       |
| Liabilities:                           | \$ <u>34,577</u>                      | \$ <u>168,471</u>   | \$ <u>183,589</u>   | \$ <u>19,459</u>                       |
| <b>Fines and Forfeitures:</b>          |                                       |                     |                     |  |
| Assets:                                | \$ <u>24,765</u>                      | \$ <u>251,399</u>   | \$ <u>256,332</u>   | \$ <u>19,832</u>                       |
| Liabilities:                           | \$ <u>24,765</u>                      | \$ <u>251,399</u>   | \$ <u>256,332</u>   | \$ <u>19,832</u>                       |
| <b>Deed of Trust Fee Fund:</b>         |                                       |                     |                     |  |
| Assets:                                | \$ <u>3,869</u>                       | \$ <u>45,626</u>    | \$ <u>45,043</u>    | \$ <u>4,452</u>                        |
| Liabilities:                           | \$ <u>3,869</u>                       | \$ <u>45,626</u>    | \$ <u>45,043</u>    | \$ <u>4,452</u>                        |
| <b>Total - All Agency Funds</b>        |                                       |                     |                     |  |
| Assets:                                | \$ <u>258,735</u>                     | \$ <u>6,914,624</u> | \$ <u>7,084,380</u> | \$ <u>88,979</u>                       |
| Liabilities:                           | \$ <u>258,735</u>                     | \$ <u>6,914,624</u> | \$ <u>7,084,380</u> | \$ <u>88,979</u>                       |

**Watauga County, North Carolina**  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2015

| <u>Fiscal year:</u> | <u>Uncollected<br/>Balance<br/>June 30, 2014</u> | <u>Additions</u>     | <u>Collections<br/>and<br/>Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2015</u> |
|---------------------|--|----------------------|--|--|
| 2014 - 2015         | \$ -   | \$ 27,610,405        | \$ 27,159,975                          | \$ 450,430                                       |
| 2013 - 2014         | 563,863  | -                    | 322,818                                | 241,045  |
| 2012 - 2013         | 268,562  | -                    | 108,326                                | 160,236  |
| 2011 - 2012         | 178,012  | -                    | 63,410                                 | 114,602  |
| 2010 - 2011         | 127,754  | -                    | 40,470                                 | 87,284   |
| 2009 - 2010         | 88,779   | -                    | 28,047                                 | 60,732   |
| 2008 - 2009         | 67,550   | -                    | 12,301                                 | 55,249   |
| 2007 - 2008         | 56,113   | -                    | 10,002                                 | 46,111   |
| 2006 - 2007         | 50,723   | -                    | 8,431                                  | 42,292   |
| 2005 - 2006         | 43,951   | -                    | 5,623                                  | 38,328   |
| 2004 - 2005         | 31,462   | -                    | 31,462                                 | -  |
|                     | <u>\$ 1,476,769</u>                              | <u>\$ 27,610,405</u> | <u>\$ 27,790,865</u>                   | <u>1,296,309</u>                                 |

Less: Allowance for uncollectible accounts General Fund (394,440)

Ad valorem taxes receivable - net General Fund \$ 901,869

**Reconciliation with revenues:**

|                                    |           |                      |
|------------------------------------|-----------|----------------------|
| Ad valorem taxes - General Fund    |           | \$ 27,939,146        |
| Reconciling items:                 |           |                      |
| Advertising and interest collected | (192,061) |                      |
| Taxes written off                  | 29,968    |                      |
| Prior year releases                | 13,812    |                      |
| Total reconciling items            |           | <u>(148,281)</u>     |
| Total collections and credits      |           | <u>\$ 27,790,865</u> |



**Watauga County, North Carolina**  
Analysis of Current Tax Levy  
County-wide Levy  
For the Year Ended June 30, 2015

|   | Property<br>Valuation   | Rate     | Amount<br>of Levy    | Total Levy   |                                 |
|---|-------------------------|----------|----------------------|--|---------------------------------|
|   |                         |          |                      | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| <b>Original levy:</b>                     |                         |          |                      |  |                                 |
| Property taxed at current year's rate     | \$ 8,359,807,205        | \$ 0.313 | \$ 26,166,221        | \$ 26,166,221  | \$ -                            |
| Motor vehicles                            | 382,648,937             | 0.313    | 1,197,691            | -  | 1,197,691                       |
| Penalties                                 | -                       |          | 2,545                | 2,545  | -                               |
| Total                                     | <u>8,742,456,142</u>    |          | <u>27,366,457</u>    | <u>26,168,766</u>  | <u>1,197,691</u>                |
| <b>Discoveries:</b>                       |                         |          |                      |  |                                 |
| Property taxed at current year's rate     | 169,930,760             | 0.313    | 531,884              | 531,884  | -                               |
| Penalties                                 | -                       |          | 2,313                | 2,313  | -                               |
| Total                                     | <u>169,930,760</u>      |          | <u>534,197</u>       | <u>534,197</u>   | <u>-</u>                        |
| <b>Abatements:</b>                        | <u>(92,731,176)</u>     |          | <u>(290,249)</u>     | <u>(289,796)</u>   | <u>(453)</u>                    |
| Total property valuation                  | \$ <u>8,819,655,726</u> |          |                      |  |                                 |
| <b>Net levy</b>                           |                         |          | 27,610,405           | 26,413,167   | 1,197,238                       |
| <b>Uncollected taxes at June 30, 2015</b> |                         |          | <u>450,430</u>       | <u>445,203</u>   | <u>5,227</u>                    |
| <b>Current year's taxes collected</b>     |                         |          | \$ <u>27,159,975</u> | \$ <u>25,967,964</u>                                     | \$ <u>1,192,011</u>             |
| <b>Current levy collection percentage</b> |                         |          | <u>98.37%</u>        | <u>98.31%</u>  | <u>99.56%</u>                   |

**Statement 17-A**

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Year Ended June 30, 2015

**Secondary Market Disclosures:**

## Assessed Valuation:

|   |                                 |
|---|---------------------------------|
| Assessment Ratio  | 100%                            |
| Real Property   | \$ 8,569,132,383                |
| Personal Property   | 170,584,443                     |
| Public Service Companies  | <u>79,938,900</u>               |
| Total Assessed Valuation  | \$ <u>8,819,655,726</u>         |
| <br>Tax Rate per \$100  | <br>0.313                       |
| <br>Net Levy (Includes penalties, discoveries, releases and abatements) | <br>\$ <u><u>27,610,405</u></u> |

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the fiscal year ended June 30, 2015:

| <b>Fire Protection District</b>                      | <b>Tax Rate per \$100</b> | <b>Net Levy</b>                |
|--|---------------------------|--------------------------------|
| Beech Mountain Rural                                 | 0.05                      | \$ 1,866                       |
| Blowing Rock   | 0.05                      | 462,786                        |
| Boone Rural  | 0.05                      | 756,736                        |
| Cove Creek   | 0.05                      | 241,738                        |
| Cove Creek Rural                                     | 0.05                      | 324                            |
| Deep Gap   | 0.05                      | 192,109                        |
| Foscoe   | 0.05                      | 460,421                        |
| Foscoe Rural   | 0.05                      | 70,351                         |
| Meat Camp  | 0.05                      | 217,803                        |
| Northwest Watauga                                    | 0.05                      | 115,563                        |
| Shawneehaw   | 0.05                      | 95,915                         |
| Shawneehaw Rural                                     | 0.05                      | 6,019                          |
| Stewart Simmons                                      | 0.05                      | 111,954                        |
| Todd   | 0.07                      | 63,155                         |
| Zionville  | 0.05                      | <u>116,324</u>                 |
| <br><b>Total Net Fire Protection District Levies</b> |                           | <br>\$ <u><u>2,913,064</u></u> |

**Watauga County, North Carolina**  
Ten Largest Taxpayers  
For the Year Ended June 30, 2015

| <b>Taxpayer</b>                     | <b>Type of Business</b>      | <b>2014<br/>Assessed<br/>Valuation</b> | <b>Percentage of<br/>Total Assessed<br/>Valuation</b> |          |
|-------------------------------------|------------------------------|--|---|----------|
| Blue Ridge Electric Membership Coop | Electric Utility             | \$ 62,248,100                          | 0.71  | %        |
| CCC Boone LLC                       | Rental Properties            | 46,046,380                             | 0.52  |          |
| Mountaineer Village LLC             | Rental Properties            | 23,537,200                             | 0.27  |          |
| Dugger Valley Inv Group LLC         | Real Estate Development      | 23,457,000                             | 0.27  |          |
| BR Development Group LLC            | Real Estate Development      | 21,440,300                             | 0.24  |          |
| Horizon Acquisition #2 LLC          | Rental Properties            | 17,906,700                             | 0.20  |          |
| Blue Ridge Preservation Inc         | Real Estate Development      | 17,355,900                             | 0.20  |          |
| Templeton Properties LP             | Commercial Rental Properties | 15,001,360                             | 0.17  |          |
| CNL Blowing Rock I LLC              | Real Estate Development      | 14,667,700                             | 0.17  |          |
| Wm Land Boone LTD Ptnrp             | Real Estate Development      | 13,689,900                             | 0.16  |          |
|                                     |                              | <u>\$ 255,350,540</u>                  | <u>2.91</u>   | <u>%</u> |

## Statement 18

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy  
 Fire Districts  
 For the Year Ended June 30, 2015

|   | <b>Northwest<br/>Watauga<br/>Fire District</b>        | <b>Beech Mtn.<br/>Rural<br/>Fire Service<br/>District</b> | <b>Blowing Rock<br/>Rural<br/>Fire District</b> | <b>Boone<br/>Rural<br/>Fire District</b>                   | <b>Cove Creek<br/>Fire District</b>          | <b>Cove Creek<br/>Rural<br/>Fire Service<br/>District</b> | <b>Deep Gap<br/>Fire District</b>  | <b>Foscoe<br/>Fire District</b> |
|---|---|---|---|--|--|---|------------------------------------|---------------------------------|
| <b>Tax rate</b>                           | <u>0.05</u>   | <u>0.05</u>   | <u>0.05</u>                                     | <u>0.05</u>  | <u>0.05</u>                                  | <u>0.05</u>   | <u>0.05</u>                        | <u>0.05</u>                     |
| <b>Net levy</b>                           | \$ 115,563  | \$ 1,866  | \$ 462,786                                      | \$ 756,736   | \$ 241,738                                   | \$ 324  | \$ 192,109                         | \$ 460,421                      |
| <b>Uncollected taxes at June 30, 2015</b> | <u>3,135</u>  | <u>2</u>  | <u>7,631</u>                                    | <u>13,870</u>  | <u>5,506</u>                                 | <u>-</u>  | <u>5,409</u>                       | <u>6,032</u>                    |
| <b>Current year's taxes collected</b>     | <u>\$ 112,428</u>                                     | <u>\$ 1,864</u>   | <u>\$ 455,155</u>                               | <u>\$ 742,866</u>  | <u>\$ 236,232</u>                            | <u>\$ 324</u>   | <u>\$ 186,700</u>                  | <u>\$ 454,389</u>               |
| <b>Current levy collection percentage</b> | <u>97.29%</u>   | <u>99.89%</u>   | <u>98.35%</u>                                   | <u>98.17%</u>  | <u>97.72%</u>                                | <u>100.00%</u>  | <u>97.18%</u>                      | <u>98.69%</u>                   |
|   |   |   |   |  |  |   |                                    |                                 |
|   | <b>Foscoe<br/>Rural<br/>Fire Service<br/>District</b> | <b>Meat Camp<br/>Fire District</b>                        | <b>Shawnheehaw<br/>Fire District</b>            | <b>Shawnheehaw<br/>Rural<br/>Fire Service<br/>District</b> | <b>Stewart<br/>Simmons<br/>Fire District</b> | <b>Todd<br/>Fire District</b>                             | <b>Zionville<br/>Fire District</b> |                                 |
| <b>Tax rate</b>                           | <u>0.05</u>   | <u>0.05</u>   | <u>0.05</u>                                     | <u>0.05</u>  | <u>0.05</u>                                  | <u>0.07</u>   | <u>0.05</u>                        |                                 |
| <b>Net levy</b>                           | \$ 70,351   | \$ 217,803  | \$ 95,915                                       | \$ 6,019   | \$ 111,954                                   | \$ 63,155   | \$ 116,324                         |                                 |
| <b>Uncollected taxes at June 30, 2015</b> | <u>780</u>  | <u>7,682</u>  | <u>2,044</u>                                    | <u>355</u>   | <u>2,057</u>                                 | <u>1,209</u>  | <u>3,855</u>                       |                                 |
| <b>Current year's taxes collected</b>     | <u>\$ 69,571</u>                                      | <u>\$ 210,121</u>   | <u>\$ 93,871</u>                                | <u>\$ 5,664</u>  | <u>\$ 109,897</u>                            | <u>\$ 61,946</u>  | <u>\$ 112,469</u>                  |                                 |
| <b>Current levy collection percentage</b> | <u>98.89%</u>   | <u>96.47%</u>   | <u>97.87%</u>                                   | <u>94.10%</u>  | <u>98.16%</u>                                | <u>98.09%</u>   | <u>96.69%</u>                      |                                 |

## COMPLIANCE SECTION

**MISTY D WATSON, CPA, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**PO BOX 2122**  
**BOONE, NORTH CAROLINA 28607**  
**TELEPHONE (828) 263-1100**

**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 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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises Watauga County's basic financial statements, and have issued our report thereon dated September 30, 2015. Our report includes a reference to other auditors who audited the financial statements of AppalCART, as described in our report on the County's financial statements. This report does not include the results of other auditors testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Watauga County District U Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watauga County's internal control over financial reporting (internal control) to determine the 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 the County's internal control.

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

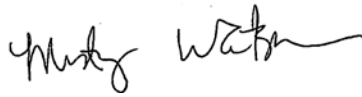
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Misty Watson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Misty D Watson, CPA, P.A.

Boone, NC

September 30, 2015

**MISTY D WATSON, CPA, P.A.  
 CERTIFIED PUBLIC ACCOUNTANT  
 PO BOX 2122  
 BOONE, NORTH CAROLINA 28607  
 TELEPHONE (828) 263-1100**

**Report On Compliance For Each Major Federal Program; Report on Internal Control Over  
 Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation  
 Act**

**Independent Auditor's Report**

To the Board of Commissioners  
 Watauga County, North Carolina

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

We have audited Watauga County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2015. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Watauga County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Watauga County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

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, 2015.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2. Our opinion on each major federal program is not modified with respect to these matters.



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

### **Report on Internal Control Over Compliance**

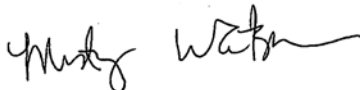
Management of Watauga County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Watauga County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2-that we consider to be significant deficiencies.

Watauga County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Watauga County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Misty D Watson, CPA, P.A.

Boone, NC  
September 30, 2015

**MISTY D WATSON, CPA, P.A.  
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**Report On Compliance For Each Major State Program; Report on Internal Control Over  
 Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation  
 Act**

**Independent Auditor's Report**

To the Board of Commissioners  
 Watauga County, North Carolina

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

We have audited the Watauga County, North Carolina compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Watauga County's major state programs for the year ended June 30, 2015. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Watauga County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Watauga County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major State Program**

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, 2015.

**Report on Internal Control Over Compliance**

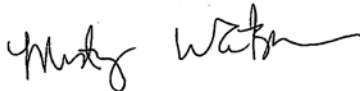
Management of Watauga County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Watauga County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion

on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Misty D Watson, CPA, P.A.

Boone, NC  
September 30, 2015

**WATAUGA COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 For the Year Ended June 30, 2015

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

**Financial Statements**

Internal control over financial reporting:

Material weakness identified?  Yes  No

Significant deficiency identified that is not considered to be material weaknesses  Yes  None reported

Noncompliance material to financial statements noted  Yes  No

Type of auditor's report issued: Unmodified

**Federal Awards**

Internal control over major Federal programs:

Material weakness identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses  Yes  No

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 Section 510(a) of Circular A-133  Yes  No

Identification of major Federal programs:

**Program Name**

**CFDA#**

|                              |                                      |
|------------------------------|--------------------------------------|
| Title XIX Medicaid           | 93.778                               |
| Subsidized Childcare Cluster | 93.596<br>93.575<br>93.558<br>93.658 |

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 799,669

Auditee qualified as low-risk auditee  Yes  No

**State Awards**

Internal control over major State programs:

Material weakness identified?  Yes  No

Significant deficiency identified that is not considered to be material weaknesses  Yes  None reported

**WATAUGA COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2015

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

Identification of major State programs:

         Title XIX Medicaid

**II. Financial Statement Findings**

None reported.

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

**FINDING 2015-1**

US DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Passed Through the NC Department of Health and Human Services  
Program Name:    Subsidized Child Care Cluster

CFDA #'s:            93.596, 93.575, 93.558, 93.658

Significant Deficiency

Allowable Cost

Criteria:

Parent fees and the portion paid by the County should be determined and recorded accurately at initial application and at annual determinations. Income used to arrive at parent fees shall be confirmed and client files should include documentation of this requirement.

Condition:            Two participants paid an incorrect amount for parent fees.

Questioned Costs:    \$31 per month

Context:              There were 25 participant files tested; we noted two instances where parent fees were calculated incorrectly.

Effect:                Parents' fees were calculated higher than should have been.

Recommendation:    Personnel responsible for fee determination and file documentation should accurately record fees at initial determination and annual determination. Supervisory personnel should implement specific periodic review procedures to ensure accurate recording of correct fees and income.

Views of Responsible  
Officials and Planned

Corrective Actions:    The County agrees with the finding and will implement adequate checks and balances to ensure this problem does not recur.

**WATAUGA COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2015

**FINDING 2015-2**US DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed Through the NC Department of Health and Human Services

Program Name: Subsidized Child Care Cluster

CFDA #'s: 93.596, 93.575, 93.558, 93.658

Significant Deficiency

Allowable Cost

Criteria:

Parent fees and the portion paid by the County should be determined and recorded accurately at initial application and at annual determinations. Income used to arrive at parent fees shall be confirmed and client files should include documentation of this requirement.

Condition: One participant's annual determination had not been updated on the Child Care Turnaround Worksheet.

Questioned Costs: \$860

Context: There were 25 participant files tested; we noted one instance where parent fees were not updated and the incorrect amount was being paid to the daycare provider.

Effect: The daycare provider was overpaid from February 2015 to June 2015 from the County through subsidy reimbursement.

Recommendation: Personnel responsible for fee determination and file documentation should accurately update the annual determination. Supervisory personnel should implement specific periodic review procedures to ensure accurate recording of correct fees.

Views of Responsible

Officials and Planned

Corrective Actions: The County agrees with the finding and will implement adequate checks and balances to ensure this problem does not recur.

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


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None reported.

**WATAUGA COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2015  
Corrective Action Plan

**Finding 2015-1**

Name of Contact Persons: Tom Hughes, Watauga County Department of Social Services Director  
Elaine Norris, Human Services Coordinator

Corrective Action: The DSS Director will review the case files with errors with the Human Services Coordinator to ensure clear understanding of findings. The Coordinator will conduct periodic reviews on a selection of case files to ensure compliance and accuracy. Staff will meet on a periodic basis to review procedures. All calculations will be performed twice to reduce calculation errors.

Proposed Completion Date: November 1, 2015

**Finding 2015-2**

Name of Contact Persons: Tom Hughes, Watauga County Department of Social Services Director  
Elaine Norris, Human Services Coordinator

Corrective Action: The DSS Director will review the case files with errors with the Human Services Coordinator to ensure clear understanding of findings. The Coordinator will conduct periodic reviews on a selection of case files to ensure all updates to child care providers are processed in a timely basis.

Proposed Completion Date: November 1, 2015

**WATAUGA COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2015

**Finding 2011**

Status: No findings that would have been reported under the criteria provided in the revised circular.

**Finding 2012**

Status: No findings that would have been reported under the criteria provided in the revised circular.

**Finding 2013**

Status: No findings that would have been reported under the criteria provided in the revised circular.

**Finding 2014**

Status: No findings that would have been reported under the criteria provided in the revised circular.



**Watauga County, North Carolina**  
 Schedule of Expenditures of Federal and State Awards  
 For the Year Ended June 30, 2015

| Grantor/Pass-Through<br>Grantor/Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>(Direct & Pass-<br>Through)<br>Expenditures | State<br>Expenditures | Local<br>Expenditures |
|---|---------------------------|-------------------------------------|--|-----------------------|-----------------------|
| <b>Federal Awards:</b>  |                           |                                     |  |                       |                       |
| <b>U.S. Dept. of Agriculture</b>  |                           |                                     |  |                       |                       |
| Passed-through the N.C. Dept. of Health and Human Services:                               |                           |                                     |  |                       |                       |
| Division of Social Services:  |                           |                                     |  |                       |                       |
| State Administrative Matching Grants for the<br>Supplemental Nutrition Assistance Program | 10.561                    |                                     | \$ 216,817   | \$ -                  | \$ 216,817            |
| <b>Total U.S. Dept. of Agriculture</b>  |                           |                                     | <u>216,817</u>   | <u>-</u>              | <u>216,817</u>        |
| <b>U.S. Dept. of Housing and Urban Development</b>  |                           |                                     |  |                       |                       |
| Passed-through the N.C. Dept. of Commerce:  |                           |                                     |  |                       |                       |
| Community Development Block Grant   | 14.228                    | 12-C-2431                           | 33,047   | -                     | -                     |
| <b>Total U.S. Dept. of Housing and Urban Development</b>                                  |                           |                                     | <u>33,047</u>  | <u>-</u>              | <u>-</u>              |
| <b>U.S. Dept. of Homeland Security</b>  |                           |                                     |  |                       |                       |
| Passed-through the N.C. Dept. of Public Safety:   |                           |                                     |  |                       |                       |
| Homeland Security Training Grant  | 20.703                    |                                     | 10,000   | -                     | -                     |
| Emergency Management Performance Grant  | 98.042                    |                                     | 38,220   | -                     | 38,220                |
| <b>Total U.S. Dept. of Homeland Security</b>  |                           |                                     | <u>48,220</u>  | <u>-</u>              | <u>38,220</u>         |
| <b>U.S. Dept. of Justice</b>  |                           |                                     |  |                       |                       |
| State Criminal Alien Assistance Program   | 16.606                    |                                     | 4,812  | -                     | -                     |
| Operation No Foolin'  |                           |                                     | 1,770  | -                     | -                     |
| Bulletproof Vest Partnership Program  | 16.607                    |                                     | 4,618  | -                     | 4,618                 |
| Drug Court Discretionary Grant  | 16.585                    |                                     | 13,044   | -                     | 4,347                 |
| <b>Total U.S. Dept. of Justice</b>  |                           |                                     | <u>24,244</u>  | <u>-</u>              | <u>8,965</u>          |
| <b>U.S. Dept. of Transportation</b>   |                           |                                     |  |                       |                       |
| Passed-through the N.C. Dept. of Transportation:  |                           |                                     |  |                       |                       |
| Federal Aid Highway Grants  | 20.205                    |                                     | 334,770  | 108,693               | 5,271                 |
| <b>U.S. Dept. of Health &amp; Human Services</b>  |                           |                                     |  |                       |                       |
| Administration on Aging   |                           |                                     |  |                       |                       |
| Aging Cluster:  |                           |                                     |  |                       |                       |
| Passed-through High Country Council of Governments:                                       |                           |                                     |  |                       |                       |
| Home and Community Care Block Grant (HCCBG) -   |                           |                                     |  |                       |                       |
| Special Programs for the Aging - Title III B - Access Services                            | 93.044                    |                                     | 28,268   | 1,668                 | 3,326                 |
| 90% State Funds   |                           |                                     | -  | 122,233               | 13,582                |
| Special Programs for the Aging - Title III C - Congregate Meals                           | 93.045                    |                                     | 41,029   | 2,413                 | 4,827                 |
| Special Programs for the Aging - Title III C - Home Delivered Meals                       | 93.045                    |                                     | 42,901   | 2,524                 | 5,047                 |
| Senior Center   |                           |                                     | -  | 15,573                | 5,191                 |
| Nutrition Program for the Elderly (NSIP)  | 93.053                    |                                     | 26,186   | -                     | -                     |
| Total Aging Cluster   |                           |                                     | <u>138,384</u>   | <u>144,411</u>        | <u>31,973</u>         |
| Passed-through High Country Council of Governments:                                       |                           |                                     |  |                       |                       |
| Social Services Block Grant (SSBG)  | 93.667                    |                                     | 10,237   | 293                   | 1,170                 |
| Passed-through N.C. Dept. of Insurance:   |                           |                                     |  |                       |                       |
| Seniors Health Insurance Information Program  | 93.779                    |                                     | 3,051  | -                     | -                     |
| Medicare Improvements for Patients and Providers Act                                      | 93.779                    |                                     | 1,773  | -                     | -                     |
| Administration for Children and Families  |                           |                                     |  |                       |                       |
| Passed-through the N.C. Dept. of Health and Human Services:                               |                           |                                     |  |                       |                       |
| Division of Social Services:  |                           |                                     |  |                       |                       |
| Family Preservation   | 93.556                    |                                     | 11,615   | -                     | -                     |
| Temporary Assistance for Needy Families   |                           |                                     |  |                       |                       |
| Administration  | 93.558                    |                                     | 39,950   | -                     | 42,923                |
| Direct Benefit Payments   | 93.558                    |                                     | 231,383  | -                     | 176,012               |
| Child Support Enforcement   | 93.563                    |                                     | 194,420  | -                     | 100,156               |

**Watauga County, North Carolina**  
 Schedule of Expenditures of Federal and State Awards  
 For the Year Ended June 30, 2015

| Grantor/Pass-Through<br>Grantor/Program Title               | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>(Direct & Pass-<br>Through)<br>Expenditures | State<br>Expenditures | Local<br>Expenditures |
|---|---------------------------|-------------------------------------|--|-----------------------|-----------------------|
| Low-Income Home Energy Assistance Block Grant               |                           |                                     |  |                       |                       |
| Administration  | 93.568                    |                                     | 32,531   | -                     | -                     |
| Direct Benefit Payments                                     | 93.568                    |                                     | 81,044   | -                     | -                     |
| Crisis Intervention Payments                                | 93.568                    |                                     | 162,960  | -                     | -                     |
| Permanency Planning   | 93.645                    |                                     | 13,605   | -                     | 4,535                 |
| Title IV-E Foster Care                                      | 93.658                    |                                     | 120,384  | 22,488                | 97,160                |
| Foster Care - Direct Benefit Payments                       | 93.658                    |                                     | 292,825  | 75,055                | 78,211                |
| Adoption Assistance - Direct Benefit Payments               | 93.659                    |                                     | 148,569  | 38,516                | 38,516                |
| Social Services Block Grant                                 | 93.667                    |                                     | 150,881  | 13,534                | 52,652                |
| Adoption/Foster Care Special Provision                      | 93.658                    |                                     | 10,883   | -                     | 21                    |
| Total Division of Social Services                           |                           |                                     | 1,491,050  | 149,593               | 590,186               |
| Subsidized Child Care                                       |                           |                                     |  |                       |                       |
| Child Care Development Fund Cluster                         |                           |                                     |  |                       |                       |
| Division of Social Services                                 |                           |                                     |  |                       |                       |
| Child Care Development Fund - Administration                | 93.596                    |                                     | 80,000   | -                     | -                     |
| Child Care and Development Fund - Discretionary             | 93.575                    |                                     | 207,043  | -                     | -                     |
| Child Care and Development Fund - Mandatory                 | 93.596                    |                                     | 92,852   | -                     | -                     |
| Child Care and Development Fund - Match                     | 93.596                    |                                     | 218,277  | 100,399               | -                     |
| Total Child Care Development Fund Cluster                   |                           |                                     | 598,172  | 100,399               | -                     |
| Temporary Assistance for Needy Families (TANF)              | 93.558                    |                                     | 72,421   | -                     | -                     |
| Foster Care Title IV-E                                      | 93.658                    |                                     | 5,478  | 2,837                 | -                     |
| Smart Start State Maintenance of Effort                     |                           |                                     | -  | 124,521               | -                     |
| TANF - Contingency  | 93.575                    |                                     | 58,157   | -                     | -                     |
| TANF - Maintenance of Effort                                |                           |                                     | -  | 3,630                 | -                     |
| Total Subsidized Child Care (Note 3)                        |                           |                                     | 734,228  | 231,387               | -                     |
| Health Care Financing Administration                        |                           |                                     |  |                       |                       |
| Passed-through the N.C. Dept. of Health and Human Services: |                           |                                     |  |                       |                       |
| Division of Medical Assistance:                             |                           |                                     |  |                       |                       |
| Direct Benefit Payments:                                    |                           |                                     |  |                       |                       |
| Medical Assistance Program                                  | 93.778                    |                                     | 22,242,658   | 12,080,893            | 119,355               |
| State Children's Insurance Program - NC Health Choice       | 93.767                    |                                     | 591,090  | 186,732               | -                     |
| Division of Social Services:                                |                           |                                     |  |                       |                       |
| Medical Assistance Program                                  |                           |                                     |  |                       |                       |
| Administration  | 93.778                    |                                     | 741,344  | 1,482                 | 289,119               |
| Health Choice   | 93.767                    |                                     | 14,508   | 1,251                 | 3,304                 |
| Links   | 93.674                    |                                     | 30,211   | 2,983                 | -                     |
| Total Division of Medical Assistance                        |                           |                                     | 23,619,811   | 12,273,341            | 411,778               |
| <b>Total U.S. Department of Health &amp; Human Services</b> |                           |                                     | <b>25,998,534</b>                                      | <b>12,799,025</b>     | <b>1,035,107</b>      |
| <b>Total Federal Awards</b>                                 |                           |                                     | <b>26,655,632</b>                                      | <b>12,907,718</b>     | <b>1,304,380</b>      |
| <b>State Awards:</b>  |                           |                                     |  |                       |                       |
| <b>N.C. Dept. of Health and Human Services</b>              |                           |                                     |  |                       |                       |
| Division of Social Services                                 |                           |                                     |  |                       |                       |
| Adoption Subsidy  |                           |                                     | -  | 80,401                | 26,800                |
| State/County Special Assistance for Adults                  |                           |                                     | -  | 241,036               | 241,036               |
| State Foster Care Benefits Program                          |                           |                                     | -  | 148,600               | 128,106               |
| <b>Total N.C. Dept. of Health and Human Services</b>        |                           |                                     | <b>-</b>   | <b>470,037</b>        | <b>395,942</b>        |
| <b>N.C. Dept. of Public Safety</b>                          |                           |                                     |  |                       |                       |
| Division of Emergency Management                            |                           |                                     |  |                       |                       |
| Tier II Planning  |                           |                                     |  | 1,104                 | -                     |
| Division of Administration, Community Programs              |                           |                                     |  |                       |                       |
| Juvenile Crime Prevention Council Programs                  |                           |                                     | -  | 111,027               | 33,070                |
| <b>Total N.C. Dept. of Public Safety</b>                    |                           |                                     | <b>-</b>   | <b>112,131</b>        | <b>33,070</b>         |

**Watauga County, North Carolina**  
 Schedule of Expenditures of Federal and State Awards  
 For the Year Ended June 30, 2015

| Grantor/Pass-Through<br>Grantor/Program Title                         | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>(Direct & Pass-<br>Through)<br>Expenditures | State<br>Expenditures | Local<br>Expenditures |
|---|---------------------------|-------------------------------------|--|-----------------------|-----------------------|
| <b>N.C. Dept. of Public Instruction</b>                               |                           |                                     |  |                       |                       |
| NC Public School Building Capital-Lottery Proceeds                    |                           |                                     | -  | 195,544               | -                     |
| NC Public School Building Capital-ADM                                 |                           |                                     | -  | 16,086                | 5,362                 |
| Public School National Forest Service                                 |                           |                                     | -  | 567                   | -                     |
| <b>Total N.C. Dept. of Public Instruction</b>                         |                           |                                     | -  | <u>212,197</u>        | <u>5,362</u>          |
| <b>N.C. Dept. of Transportation</b>                                   |                           |                                     |  |                       |                       |
| Workfirst/Employment Transportation Operating Assistance              |                           |                                     | -  | 10,197                | -                     |
| Elderly and Disabled Transportation Assistance                        |                           |                                     | -  | 54,078                | -                     |
| Rural General Public Program  |                           |                                     | -  | 54,745                | 6,083                 |
| <b>Total N.C. Dept. of Transportation</b>                             |                           |                                     | -  | <u>119,020</u>        | <u>6,083</u>          |
| <b>N.C. Dept. of Agriculture and Consumer Services</b>                |                           |                                     |  |                       |                       |
| Spay and Neuter Program   |                           |                                     | -  | 1,965                 | -                     |
| Farmland Preservation   |                           |                                     | -  | 10,982                | -                     |
| Soil Conservation Assistance  |                           |                                     | -  | 3,600                 | 71,948                |
| Soil Conservation Technician Cost Sharing                             |                           |                                     | -  | 24,078                | 24,078                |
| <b>Total N.C. Dept. of Agriculture</b>                                |                           |                                     | -  | <u>40,625</u>         | <u>96,026</u>         |
| <b>N.C. Dept. of Environment, Health, and Natural Resources</b>       |                           |                                     |  |                       |                       |
| Division of Environmental Assistance and Customer Service             |                           |                                     |  |                       |                       |
| Community Waste Reduction and Recycling                               |                           |                                     | -  | 4,000                 | 849                   |
| <b>Total N.C. Dept. of Environment, Health, and Natural Resources</b> |                           |                                     | -  | <u>4,000</u>          | <u>849</u>            |
| <b>Total State Awards</b>   |                           |                                     | -  | <u>958,010</u>        | <u>537,332</u>        |
| <b>Total Federal and State Awards</b>                                 |                           |                                     | \$ <u>26,655,632</u>                                   | <u>13,865,728</u>     | <u>1,841,712</u>      |

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

1. Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of Watauga County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations". 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 on this schedule.

2. Subrecipients

Of the Federal and State expenditures presented in the schedule, Watauga County provided Federal and State awards to subrecipients as follows:

| Program Title                                      | CFDA<br>Number | Federal<br>Expenditures | State<br>Expenditures |
|--|----------------|-------------------------|-----------------------|
| Juvenile Crime Prevention Council Programs         |                | \$ -                    | \$ 111,027            |
| NC Public School Building Capital-Lottery Proceeds |                | -                       | 195,544               |
| NC Public School Building Capital-ADM              |                | -                       | 16,086                |
| Spay and Neuter Program                            |                | -                       | 1,965                 |

3. 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

**AGENDA ITEM 6:****BLUE RIDGE CONSERVANCY REQUEST FOR WATAUGA RIVER ACCESS****MANAGER'S COMMENTS:**

Mr. Eric Hiegl, Blue Ridge Conservancy (BRC), will present an update and request on the Guy Ford River Access. Blue Ridge Conservancy is in the process of acquiring a 2.3 acre parcel on the Watauga River. As indicated by the map, this acquisition would complement the Upper Watauga Gorge Park and the American Whitewater Tester Road Access. Funding has been secured from the Tennessee Valley Authority and the Watauga County TDA in the amount of \$25,000 each for a total of \$50,000.

BRC is continuing to raise funds for the purchase and maintenance of the property. BRC is not requesting any direct funds from the County. The next step is for BRC to acquire the 2.3 acre parcel and then request the transfer of the property to the County.

Board action is requested to accept the future donation from Blue Ridge Conservancy for the Guy Ford River Access once the purchase is complete.

## **Watauga River Access – Guy Ford Road**

Blue Ridge Conservancy plans to purchase a 2.3-acre river access area on the Watauga River at Guy Ford Road. The local community and dedicated organizations will then develop and manage the access point for the benefit of the community and tourists. This access point is part of a cohesive system of river access areas with parking, signage, information kiosks, and support facilities as outlined in the Watauga County Recreation Plan. The site offers outstanding shore based recreation, as well as access for paddlers traveling between existing public access sites up and downstream.

### **Location**

Guy Ford river access is located in the northwestern section of Watauga County just off of US Highway 321 on Guy Ford Road. Guy Ford Road is a paved, state-maintained road. This area along the Watauga River experiences high recreational use due to its easy access from US Highway 321. The property is strategically located at the between two existing river access sites; one known as Watauga Gorge Park, owned by Watauga County, and the other at Tester Road, owned by American Whitewater, a non-profit organization.

### **Project Support**

The following organizations support this river access project and have been instrumental in the planning and development of this project. Appalachian State University intends to continue to use Guy Ford as a river access point for Outdoor Programs and Physical Education paddling courses. Blue Ridge Conservancy, Mountain True, High Country Pathways, and Watauga River Partners support protecting the water quality of the Watauga River Basin.

NC Wildlife Resources Commission has pledged to assist with the development, maintenance, and monitoring of this river access area. This project is also supported by Steve and Gretchen Lotz and Larry Ingle, who own river property downstream of the property.

|  |  |
|--|--|
| <b>American Whitewater</b>                 | Kevin Colburn National Stewardship Director                  |
| <b>Appalachian State University</b>        | Edgar Peck, Physical Education Activity Director             |
| <b>Appalachian State University</b>        | Andrew Hawley, Outdoor Programs                              |
| <b>Blue Ridge Conservancy</b>              | Eric Hiegl, Director of Land Protection and Stewardship      |
| <b>High Country Pathways</b>               | John Lenman, Board Chair; Eric Woolridge,                    |
| <b>Mountain True</b>                       | Julie Mayfield, Co-Director                                  |
| <b>NC Wildlife Resources Commission</b>    | Kevin Hining, District 7 Fisheries Biologist I               |
| <b>Tennessee Valley Authority</b>          | Jerry Fouse, Recreation Strategy and Tourism Dev. Specialist |
| <b>WC Tourism Development Authority</b>    | Wright Tilley, Executive Director                            |
| <b>Watauga River Conservation Partners</b> | Wendy Patoprsty, Board of Director                           |

### **River Access Need**

The Guy Ford River Access is a part of the 21 mile Watauga River Paddle Trail, which traverses through Valle Crucis, a National Rural Historic District, and continues into Tennessee. Local businesses, tourists and local citizens currently use Guy Ford Road as a river access point. Watauga River access areas are used for fishing, swimming, tubing, picnicking, canoeing, kayaking, rafting, baptisms, and research.

Access has been secured upstream (Watauga Gorge Access) and downstream (American Whitewater-AW Tester Road Access). Loss of access at Guy Ford will severely limit the use of the Watauga Gorge and American Whitewater access areas. Parking for the river access is currently very limited at Guy Ford and is on private property without any formal, long term access agreement. NCDOT has established a policy against parking along the road in this area. Establishing this access point would help solve the above issues.

The benefits of community parks are far-reaching and widespread. The direct benefits of parks and recreation are: social capital, physical health, mental health, personal development, water quality, flood prevention & stormwater management, crime prevention, and economic value and development. (*Watauga County Recreation Plan*)

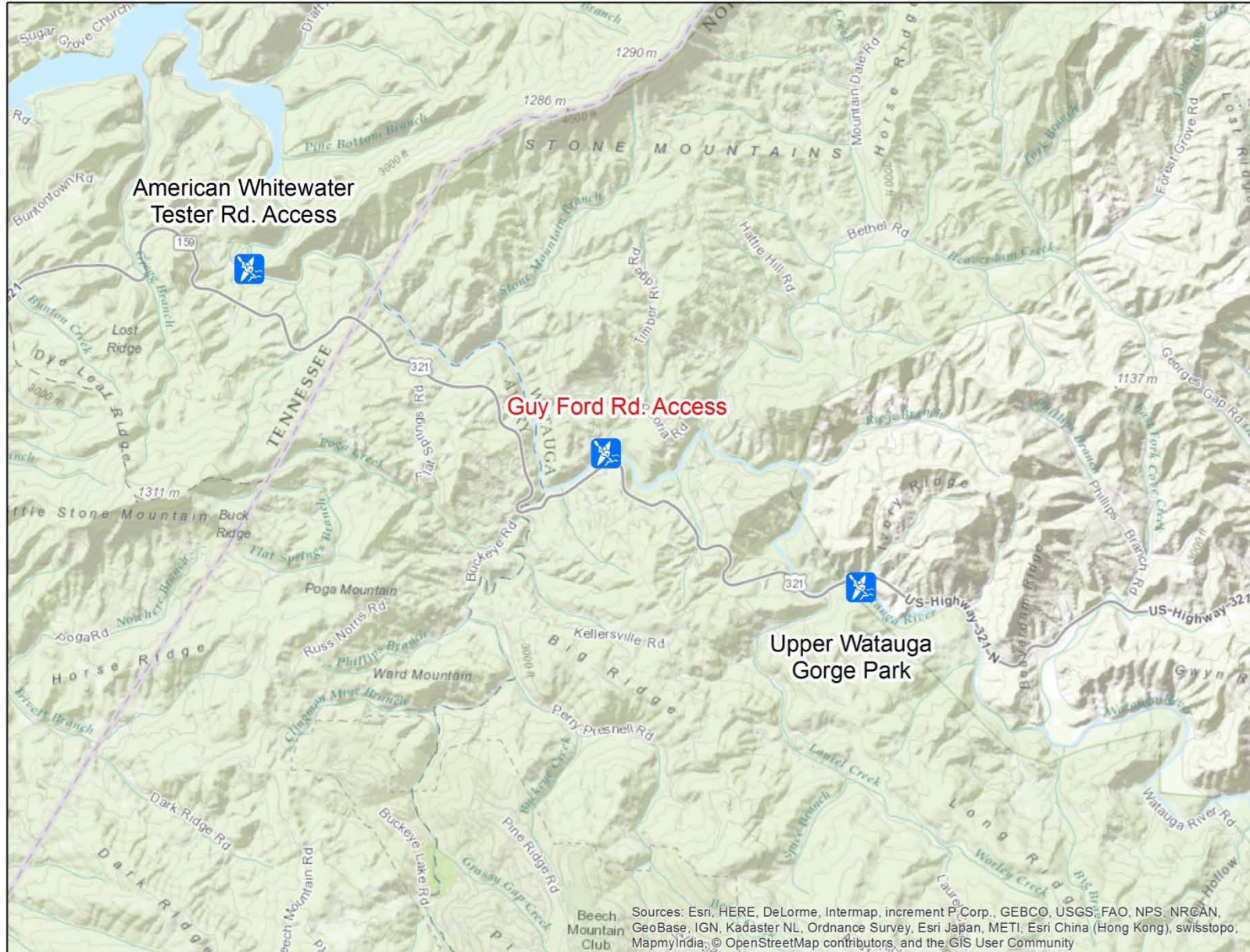
In addition to the direct benefits, a national survey of perceptions of local recreation and park services revealed that 71% of *non-users* said they received some benefit from their communities' parks and recreational services. (*Journal of Park & Recreation Administration*)

### **Site Development**

Initial development of the property (kiosk and gravel) will likely be paid for by the NC WRC. Funds for long term development (pavement and picnic tables) will likely be secured through other grants written in partnership with Watauga County, Appalachian State University, and Blue Ridge Conservancy.

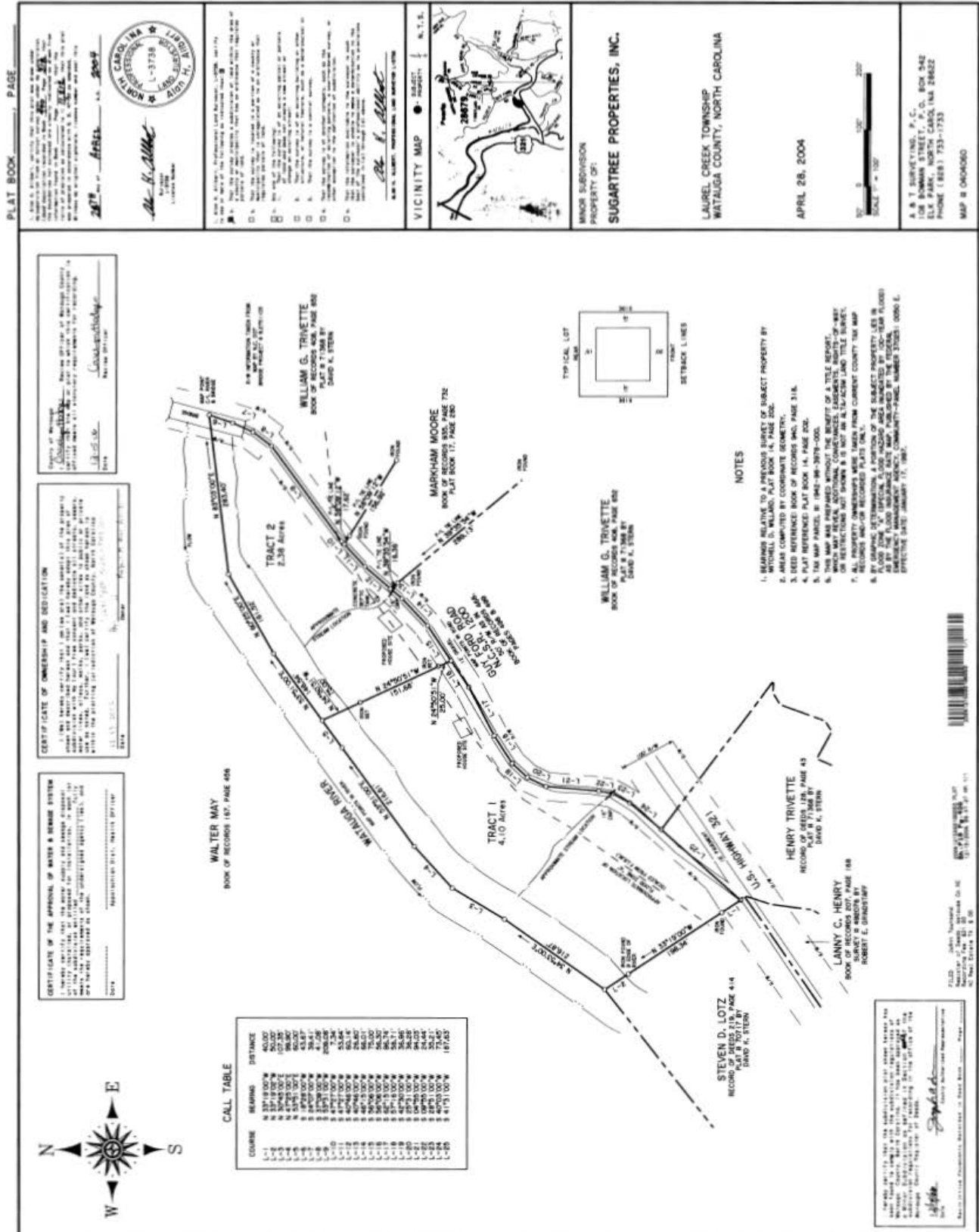
### **Funding**

Blue Ridge Conservancy has secured \$25,000 from the Watauga County Tourism Development Authority and \$25,000 from the Tennessee Valley Authority towards the purchase of the property. The remaining funds are being raised through private contributions.



Location Map

Survey – Tract 2 (Subject Property)



PLAT BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

1. THIS SURVEY WAS MADE BY ME OR UNDER MY CLOSE PERSONAL SUPERVISION AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT COMES IN ACCORDANCE WITH THE REQUIREMENTS OF THE SURVEYING ACT OF 1903 AND THE SURVEYING ACT OF 1942. I AM A LICENSED SURVEYOR IN THE STATE OF NORTH CAROLINA AND MY LICENSE NO. IS 3735.

DATE: APR 28, 2004

BY: *M. H. Miller*

M. H. MILLER  
SURVEYOR  
LICENSE NO. 3735

CAROLINA PROFESSIONAL SURVEYORS ASSOCIATION  
L-3735  
ALSO H. ALTON H.

2. THIS SURVEY WAS MADE BY ME OR UNDER MY CLOSE PERSONAL SUPERVISION AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT COMES IN ACCORDANCE WITH THE REQUIREMENTS OF THE SURVEYING ACT OF 1903 AND THE SURVEYING ACT OF 1942. I AM A LICENSED SURVEYOR IN THE STATE OF NORTH CAROLINA AND MY LICENSE NO. IS 3735.

DATE: APR 28, 2004

BY: *M. H. Miller*

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LICENSE NO. 3735

CAROLINA PROFESSIONAL SURVEYORS ASSOCIATION  
L-3735  
ALSO H. ALTON H.



MINOR SUBDIVISION  
PROPERTY OF:  
**SUGARTREE PROPERTIES, INC.**

LAUREL CREEK TOWNSHIP  
WATAUGA COUNTY, NORTH CAROLINA

APRIL 28, 2004

SCALE 1" = 100'

A. B. T. SURVEYING, P. C.  
108 BOWMAN STREET, P. O. BOX 542  
LAUREL CREEK, NORTH CAROLINA 28622  
PHONE (888) 733-1733

MAP # 000050

CERTIFICATE OF OWNERSHIP AND DEDICATION

WALTER MAY  
BOOK OF RECORDS 167, PAGE 466

TRACT 2  
2.39 Acres

WILLIAM G. TRIVETTE  
BOOK OF RECORDS 167, PAGE 504  
PLAT # 17388 BY  
DAVID N. STERN

MARKHAM MOORE  
BOOK OF RECORDS 167, PAGE 772  
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U.S. HIGHWAY 102

WATAUGA RIVER

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Photo of Subject Property



**Subject Property on right side of river**



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**AGENDA ITEM 7:**

**DISCUSSION REGARDING PANHANDLING ORDINANCE**

**MANAGER'S COMMENTS:**

Per Board direction, Sheriff Hagaman will present information regarding a potential panhandling ordinance. After the presentation, the Board may wish to request additional research and information, schedule a work session or a public hearing.

Staff seeks direction from the Board.

[print](#) | [close](#)

## Counties enact anti-panhandling ordinances

[American City and County](#)

[Larry Conley](#)

Thu, 2012-03-01 15:23

New rules are designed to protect free speech and public safety

It's a common scene across the country — panhandlers approaching passersby or people in cars stopped at intersections to ask for money. Some county governments, concerned about [public safety](#) and the effect on businesses, are experimenting with new ordinances to curb aggressive panhandling, according to the [National Association of Counties \(NACo\)](#).

The regulations, such as limiting panhandlers to certain times and locations, must be crafted carefully. Panhandling is protected as free speech, and regulations that totally prohibit panhandling have been struck down in court.

In Johnston County, N.C., officials approved an ordinance with specific restrictions on panhandling, including banning it within 100 feet of a bank or cash machine, or 20 feet of any open business. Panhandlers are prohibited from touching someone or blocking their path, and no one can make false claims, such as being a veteran or working for a charitable group. Also, no panhandling is allowed between 8 p.m. and 6 a.m. In Johnston County and neighboring Wake County, panhandlers must obtain a [free permit](#) from the sheriff's office.

In Clark County and Las Vegas, some panhandlers were using animals to curry sympathy, raising concerns from residents and tourists about the animals' welfare in the hot Nevada sun. In March, county commissioners will consider a new ordinance by Commissioner Chris Giunchigliani that allows animals on the sidewalk only from 5 a.m. to noon. "That way the animals are out of the heat when it gets really intense," Giunchigliani told NACo.

Other counties approving recent ordinances to restrict panhandling include Pasco and Hillsborough counties near Tampa, Fla. But county officials must tread carefully, both to protect free speech and to avoid [appearing callous](#). The American Civil Liberties Union says anti-panhandling rules "silence the poor." To be effective, county governments must craft ordinances that allow panhandling but also protect legitimate government interests, according to NACo.

**Source URL:** <http://americancityandcounty.com/law-enforcement/counties-enact-anti-panhandling-ordinances>

## *Town Code for Blowing Rock, North Carolina*

(D) Each separate occurrence that a violation continues after the offender has been issued a violation penalty within the same evening, shall be considered a separate offense. Each day that a violation continues after the offender has been notified of the violation shall also constitute a separate offense. In these instances, the civil penalty shall escalate to the next level, not to exceed \$500.00.

(E) After a period of 24 months lapses without a violation, any additional violations of this section will subject the offender to the schedule of penalties as described in (A) above.

(F) The town may seek to enforce this section by using any one or a combination of the foregoing remedies.

(G) Any appeal to this section shall be heard by the Board of Commissioners.  
[Amended November 11, 2003]

*Section 5-2 Reserved.*

### ***Section 5-3 Discharge of Firearms and Air Rifles.***

(A) Subject to subsection (B), no person may discharge any firearm within the town.

(B) Subsection (A) shall not apply to private citizens acting in justifiable self-defense or pursuant to the lawful directions of a police officer nor to police officers acting in lawful performance of their duties.

(C) No person may discharge or shoot within the town any air rifle, air pistol, B-B gun, pellet gun, pump gun or similar weapon within 100 yards of any building or house or gathering of people.

### ***Section 5-4 Operation of Public Enterprises Without Franchise.***

Except as otherwise provided by law, no person may operate within the town any public enterprise, as defined in G.S. 160A-311, without first obtaining a franchise from the town, nor may any person continue to operate such public enterprise after the expiration of such franchise.



### ***Section 5-5 Begging Prohibited.***

No person may within any public street or sidewalk or on other town property engage in begging or canvassing the public for contributions for the private benefit of the solicitor.

### ***Section 5-6 Consumption and Possession of Alcohol on Public Property.***

(A) ***Definitions.*** In addition to the common meanings of words, the following definitions, as defined in NC G.S. 18B-300, shall be applicable herein:

- (1) “***Malt beverage***” shall mean beer, lager, malt liquor, ale, porter, and any other brewed or fermented beverage containing at least one-half of one percent (0.5%), and not more than fifteen percent (15%) alcohol by volume. [G.S. 18B-101(9)]

[Print](#)

## Boone, NC Code of Ordinances

## CHAPTER 99: AGGRESSIVE PANHANDLING AND PUBLIC URINATION PROHIBITED

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## Section

- 99.01 Definitions
- 99.02 Public urination
- 99.03 Urination within buffers of protected waterways
- 99.04 Aggressive begging, panhandling or soliciting
  
- 99.99 Penalty

### § 99.01 DEFINITIONS.

For purposes of this chapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

**AGGRESSIVE BEGGING, PANHANDLING OR SOLICITATION.** A verbal or non-verbal request for money or other property of value, accompanied by:

- (1) An act or acts that a reasonable person would consider hostile or intimidating;
- (2) The act of blocking the free passage of the person to whom the panhandling, begging or solicitation is directed;
- (3) Repeating the request for money or other property of value within a five-minute period after having been refused by the person to whom the panhandling, begging or solicitation is directed; or
- (4) Any other behavior that a reasonable person would interpret as intended to intimidate or coerce a person into acceding to a request for money or other property of value.

**PERENNIAL WATERS.** Those waterways designated as such on the most recent versions of U.S. Geological Survey 1:24,000 scale topographic maps.

**PUBLIC PLACE.** Those establishments, parks, buildings or facilities open for the use of the public or open for service to the public, including, but not limited to, privately owned and operated retail stores and restaurants, as well as public buildings within the corporate limits of the town.

**PUBLIC SIDEWALK.** Any area open to public use as a pedestrian public way, whether paved or otherwise designated or recognized for use of pedestrian traffic and which is owned or maintained

by the town.

**PUBLIC URINATION.** Urination, other than in a bathroom or temporary facility such as a "port-a-john" which is intended for urination, within 50 feet of any public place or in plain view of members of the opposite sex, minor children, pedestrian traffic or vehicular traffic.

(Prior Code, § 101.01) (Ord. passed 3-18-2004)

### **§ 99.02 PUBLIC URINATION.**

It shall be unlawful for any person to engage in public urination within the corporate limits of the town.

(Prior Code, § 101.02) (Ord. passed 3-18-2004) Penalty, see § 99.99

### **§ 99.03 URINATION WITHIN BUFFERS OF PROTECTED WATERWAYS.**

It shall be unlawful for any person to urinate, other than in a bathroom or temporary facility such as a "port-a-john" which is intended for urination, within 50 feet of any perennial waters within the corporate limits of the town.

(Prior Code, § 101.03) (Ord. passed 3-18-2004) Penalty, see § 99.99

### **§ 99.04 AGGRESSIVE BEGGING, PANHANDLING OR SOLICITING.**

It shall be unlawful for any person to engage in aggressive begging, panhandling or soliciting within the corporate limits of the town or to engage in any begging, panhandling or soliciting:

(A) Within 50 feet of view of an outside automated teller machine (ATM) which is accessed from or immediately adjacent to a public sidewalk;

(B) While standing, walking or sitting on a street, highway or other roadway; the shoulder or curb of a street, highway or other roadway; the median of a street, highway or other roadway; or from any other place where the target of the begging, panhandling or soliciting is a person(s) in a motor vehicle; or

(C) Within 50 feet of view of a bank entrance, during the hours of ATM or bank operation, respectively.

(Prior Code, § 101.04) (Ord. passed 3-18-2004; Ord. passed 1-19-2006) Penalty, see § 99.99

### **§ 99.99 PENALTY.**

Any person who violates this chapter shall be guilty of an infraction, pursuant to G.S. § 14-4(b), punishable by a penalty of up to \$50.

(Prior Code, § 101.99) (Ord. passed 3-18-2004)



[Print](#)

## Johnston County, NC Code of Ordinances

**Chapter 16 - OFFENSES AND MISCELLANEOUS PROVISIONS**

Sec. 16-1. - County Courthouse.

Sec. 16-2. - Carrying concealed handgun in county-owned buildings.

Sec. 16-3. - Discharge of firearms.

Sec. 16-4. Public solicitation and begging regulated.

Sec. 16-5. Loitering.

Sec. 16-6. Permit requirement to beg, solicit, or panhandle on public property.

**Sec. 16-1. - County Courthouse.**

By authority of G.S. 153A-45, it shall be unlawful for anyone not on official business to be in the county courthouse after 5:00 p.m. on a working day and at all times during the nonworking days, including holidays. Any person violating this section shall be guilty of a misdemeanor and punished by a fine of not more than \$50.00 or imprisonment of not more than 30 days, or both, in the discretion of the court.

(Ord. of 5-2-1988)

**Sec. 16-2. - Carrying concealed handgun in county-owned buildings.**

No person shall carry a concealed handgun on or within any county-owned building. An appropriate notice of such prohibition shall be posted in a conspicuous place in each county-owned building notifying persons of the prohibition against carrying a concealed handgun in county-owned buildings. This section shall not apply to law enforcement or other government personnel acting within the scope of their employment.

(Ord. of 11-6-1995)

**State law reference**—Authority to post concealed weapons signs, G.S. 14-415.23.

**Sec. 16-3. - Discharge of firearms.**

(a) [*Application.*] The provisions of this section shall apply to all properties located outside of any municipal limits; extraterritorial jurisdictions (ETJs) are not considered to be part of any municipal limit.

(b) *[Definition.]* For purposes of this section, firearm is defined as a handgun, shotgun, rifle or any device which expels a projectile by action of an explosion.

(c) *[Violations.]* It shall be unlawful for any person to:

(1) Discharge a firearm in the county carelessly and heedlessly, so as to endanger any person or property,

(2) Discharge a firearm that results in a projectile crossing the property line of another person without the permission of the owner, or

(3) Discharge a firearm while under the influence of alcohol or a controlled substance (under the influence: determination by the investigating officer that the person is intoxicated by alcohol or a narcotic to the point where physical and mental faculties are appreciably diminished).

(d) *[Discharge on public streets, highways.]* It shall be unlawful for any person to discharge any firearm on, from, or across the traveled portion of any public street or highway.

(e) *[Prohibited times of discharge.]* The discharge of firearms from two hours after sunset to one hour before sunrise is prohibited by article II, subsection 12-32(6) of the Johnston County Code of Ordinances.

(f) *Miscellaneous exceptions.* The following exceptions are permissible under this section:

(1) Law enforcement officers or members of the armed forces acting in the line of duty;

(2) The shooting or killing of any dangerous or destructive animal or reptile when necessary to protect life or property;

(3) All legal hunting activities, pursuant to the North Carolina Department of Agriculture, the North Carolina Wildlife Commission and G.S. chapter 113, subchapter IV, as it is from time to time amended or pursuant to lawfully issued state or federal hunting or wildlife removal permits;

(4) The use of firearms for defense of persons or property, as allowed under state Law;

(5) Nonprofit special events such as turkey shoots with a valid local county permit;

(6) Indoor firing/shooting ranges; and

(7) A bonafide training facility acting in the course of providing firearms proficiency training and certification to law enforcement agencies, private security agencies, employers of armored-car personnel (e.g. Brinks, Loomis, and similar companies), and similar legitimate businesses that require such certification. A "bonafide training facility" is one that is properly authorized to provide such training and certification to North Carolina or federal law enforcement agencies.

(g) *Penalties.* A violation of this article [section] by any person is a misdemeanor and shall subject the offender to a fine of \$100.00 and/or imprisonment for up to 30 days. A second or subsequent violation by the same person within one year shall subject such person to a fine of up to \$300.00 but not less than \$100.00 and/or imprisonment for up to 30 days.

(Ord. of 3-7-2011)

#### **Sec. 16-4. Public solicitation and begging regulated.**

(a) *Definitions.*

*Accosting*: approaching or speaking to an individual or individuals in such a manner as would cause a reasonable person to fear imminent bodily harm or the commission of a criminal act upon his or her person, or upon property in his or her immediate possession.

*Beg, solicit or panhandle*: use of the spoken, written, or printed word, or other acts as are conducted in the furtherance of the purpose of immediately collecting contributions for the use of one's self or others. As used in sections 16-4 through 16-6, the word "*solicit*," and its forms, includes begging and panhandling.

*Financial institution*: any bank, industrial bank, credit union, savings and loan, or automated teller machine.

*Forcing oneself upon the company of another*.

(1) Continuing to solicit in close proximity to the individual addressed after the person to whom the solicitation is directed has made a negative response, either verbally, by physical sign, by attempting to leave the presence of the person soliciting, or by other negative indication;

(2) Blocking the passage of the individual solicited; or

(3) Otherwise engaging in conduct that could reasonably be construed as intending to compel or force a person to accede to a solicitation.

(b) *Prohibited acts*.

(1) It shall be unlawful for any person to beg, solicit, or panhandle, as defined in subsection (a), above:

a. By accosting another, or by forcing oneself upon the company of another;

b. Within 100 feet of any financial institution;

c. Within 20 feet of any bus stop, train station, or taxi stand;

d. Within 20 feet of any commercial establishment which is open for business;

e. While the person being solicited is standing in line waiting to be admitted to a commercial establishment;

f. By touching the person being solicited without that person's consent;

g. By blocking the path of a person being solicited or blocking the entrance or exit to any building or vehicle;

h. By following the person who has been solicited after that person has declined the request or walked away;

i. By or with the use of threatening, profane, or abusive language, during the solicitation or following an unsuccessful solicitation;

j. By or with the use of any gesture or act intended to cause a reasonable person to be fearful of the solicitor or feel compelled to accede to the solicitation;

k. Between the hours of 8:00 p.m. and 6:00 a.m.;

l. While under the influence of alcohol or after having illegally used any controlled substance, as defined in the North Carolina Controlled Substance Act;

m. By using false or misleading information such as stating that the donation is needed to meet a specific need which does not exist, is already met, or when the requestor already possesses the funds necessary to meet the stated need; or such as representing that the solicitor is a veteran when the requestor is in fact not a veteran of the military;

n. By indicating that the solicitor or any member of his family suffers from a physical or mental disability when such information is false;

o. Without having and displaying a valid permit as required by Section 16-6.

(c) *Penalty.* A violation of Sections 16-4 through 16-6 is a misdemeanor as set forth in North Carolina General Statute Section 14-4.

(Ord. of 1-3-2012)

**State law reference-** Authority to prohibit or regulate begging, G.S. 160A-179.

### **Sec. 16-5. Loitering.**

(a) In this section, the following words and phrases shall have the meanings respectively ascribed to them:

*Public place* shall mean any place to which the general public has access and a right of resort for business, entertainment or other lawful purpose, but does not necessarily mean a place devoted solely to the uses of the public. It shall also include the front or immediate area of any store, shop, restaurant, tavern or other place of business and also public grounds, areas or parks.

(b) It shall be unlawful for any person to loiter, loaf, wander, stand or remain idle either alone or in consort with others in a public place with the intent to, or in such a way as to:

(1) Obstruct any public street, public highway, public sidewalk or any other public place or building by hindering or impeding or tending to hinder or impede the free and uninterrupted passage of vehicles, traffic or pedestrians; or

(2) Obstruct the entrance to any business establishment, without so doing for some lawful purpose, if contrary to the expressed wish of the owner, lessee, managing agent or person in control or charge of the building or premises.

When any person causes or commits any of the conditions in this section, a police officer or any law enforcement officer shall order that person to stop causing or committing such conditions and to move on or disperse. Any person who fails or refuses to obey such orders shall be guilty of a violation of this section.

(c) A violation of Sections 16-4 through 16-6 is a misdemeanor as set forth in North Carolina General Statutes.

(Ord. of 1-3-2012)

### **Sec. 16-6. Permit requirement to beg, solicit, or panhandle on public property.**

(a) It shall be unlawful for any person to beg, solicit, or panhandle within the road rights-of-way or other public property without first obtaining a valid permit, which shall be issued without fee by

the Sheriff of Johnston County, or his designee. A permit shall be valid for one year from the date of issuance, or until some other date specified on the permit, or until the permit is revoked. If a person's permit is revoked for any reason, that person shall be ineligible for a permit for a period of two years from the date of revocation. Any revocation of a permit may be appealed to the Sheriff, or his designee, if the appeal is taken within ten days of notice of the revocation.

(b) A permittee shall keep the permit about his or her person and shall display it at all times.

(1) A person is not eligible for a permit or renewal of a permit if within the two-year period prior to application:

a. The applicant has one or more violations of this Chapter;

b. The applicant has been convicted of one or more offenses under the law of any jurisdiction which involves either misdemeanor or felony assault, communicating threats, illegal use of weapons, or other violent crime; or

c. The applicant has been convicted of one or more offenses under the law of any jurisdiction which involves either misdemeanor or felony crimes relating to or in the nature of larceny, embezzlement, theft, obtaining property by false pretenses, or racketeering.

(2) The sheriff shall provide the licensee with a copy of this Chapter at the time a permit is issued or renewed.

(3) Any person who makes any false or misleading statement while applying for a permit is guilty of a misdemeanor. Upon receipt of information of such a violation, the Sheriff shall decline to issue a permit to the applicant or shall revoke the permit if already issued. The applicant or permit holder shall thereafter be ineligible for a permit for a period of two years.

(c) Permit Procedure.

(1) The applicant shall submit an application to the Sheriff along with a valid state-issued photo identification. The Sheriff shall perform a criminal background check to determine eligibility of the applicant. The permit shall be valid for one year or until disqualified or revoked.

(2) Any permit issued under this article is non-transferable.

(3) Any party who disagrees with the Sheriff's decision to deny or revoke a permit shall have the right to an appeal to the Sheriff, if such appeal is requested in writing or in person at the office of the Sheriff within ten days of the denial or revocation. The Sheriff shall schedule an in-person conference with the appealing party to be held not later than the end of business on the second business day following the request for an appeal. The Sheriff shall issue a final decision within 24 hours of the conclusion of the conference. A party aggrieved by the Sheriff's final decision may appeal the decision to the Board of Adjustment by delivering a written request for an appeal to the Clerk of the Board of Commissioners within ten days of the Sheriff's final decision.

(d) As used herein, the term *Sheriff* shall include the Sheriff and such person as the Sheriff may from time to time designate to act in the Sheriff's stead for purposes of this Chapter.

(e) The permit requirements herein shall not apply to a person soliciting, begging, or panhandling on private property if the solicitor has the permission of the property owner.

(Ord. of 1-3-2012)

- **ARTICLE IV, PANHANDLING**

- **Sec. 7.5-51. - Authority.**

This article is adopted pursuant to the authority granted to the Iredell County Board of Commissioners in North Carolina General Statute 153A-126 and for the purpose of regulating begging or otherwise canvassing the public for contributions for the private benefit of the solicitor or any other person.

*(Ord. of 10-6-09, §§ II)*

- **Sec. 7.5-52. - Definitions.**

(a)

*To beg, panhandle, or solicit contributions* shall be defined to include, without limitation, the spoken, written, or printed word or such other acts as are conducted in furtherance of the purpose of obtaining monetary contributions for the private benefit of the solicitor or any other person;

(b)

*Accosting another person* shall be defined as approaching or speaking to someone in such a manner as would cause a reasonable person to fear imminent bodily harm or the commission of criminal act or damage to property in his immediate possession;

(c)

*Intimidate another person* shall be defined as acting in such a way as would cause a reasonable person to fear bodily harm and therefore to do something he or she would not otherwise have done;

(d)

*Forcing oneself upon the company of another person* shall be defined as:

(1)

Continuing to request or solicit contributions in close proximity to the person addressed after that person has responded negatively;

(2)

Blocking the passage of the person addressed; or

(3)

Otherwise engaging in conduct which reasonably could be understood as intended to force a person to accede to demands.

(e)

*Public place* shall be defined to include streets, highways, and roadways (including the shoulders and medians), sidewalks, alleys, and other public property, as well as town-owned and town-controlled property and private property open to the public unless permission to solicit has been obtained from the town or from the property owner or other person in authority.

(f)

*Vocal appeal* shall be defined as begging, panhandling, or solicitation of contributions by spoken word or other verbal request.

(g)

*Direct written appeal* shall be defined as begging, panhandling, or solicitation by handing to a person or attempting to hand to a person a written solicitation for immediate contributions.

(8)

Nighttime shall be defined as the time from dusk to dawn.

(Ord. of 10-6-09, §§ II)

• **Sec. 7.5-53. - Prohibited acts.**

(a)

No person shall beg, panhandle, or solicit contributions in a public place in a manner so as to intimidate another person or by accosting another person, or by forcing oneself upon the company of another person.

(b)

No person shall beg, panhandle or solicit contributions from another person within one hundred (100) feet of an entrance or exit of any bank or financial institution or within one hundred (100) feet of any automated teller machine.

(c)

No person shall stand, sit, or loiter, in or on any street or highway, including the shoulders or median strip, or right-of-way of any such street or highway, but excluding sidewalks, while soliciting or attempting to solicit any employment, business, or contributions from the driver or occupants of any vehicle.

(d)

No person shall beg, panhandle, or solicit contributions in a public place by vocal appeal or direct written appeal during nighttime.

(Ord. of 10-6-09, §§ II)

• **Sec. 7.5-54. - Penalties.**

Violation of this section shall constitute a misdemeanor and shall subject the violator to a fine of not more than fifty dollars (\$50.00) or imprisonment for not more than seven (7) days.

(Ord. of 10-6-09, §§ II)

**NORTH CAROLINA  
ROCKINGHAM COUNTY**

**AMENDED ORDINANCE TO REGULATE BEGGING, SOLICITATION, AND  
PANHANDLING**

**SECTION 1. DEFINITIONS**

The following definitions apply:

- (1) *Beg, Solicit or Panhandle* – use of the spoken, written, or printed word, or other acts as are conducted with the purpose of immediately collecting contributions for the use of one's self or others.
- (2) *Financial Institution* - any bank, credit union, savings and loan, or automated teller machine (ATM)
- (3) *Obstruct Pedestrian Traffic or Vehicular Traffic* – to walk, stand, sit, lie or place an object in such a manner as to block passage by another person or vehicle, or to require another person or a driver of a vehicle to take evasive action to avoid physical contact.

**SECTION 2. SCOPE OF PERMITTED ACTIVITY**

**(A) Permit Required.**

It shall be unlawful for any person to beg, panhandle, or solicit upon the streets or any other public property in the unincorporated areas of Rockingham County without obtaining the written permission of Rockingham County, as evidenced by obtaining a permit from the Rockingham County Code Enforcement Office. A permit shall be valid for six months from the date of issuance. In the event a holder violates any provision of this chapter, Rockingham County may revoke the holder's permit.

**(B) Standards of Conduct and Prohibited Acts.**

Begging, soliciting, or panhandling shall:

- (1) Only be permitted between the hours of 8:00 a.m. and 6:00 p.m.
- (2) Not be permitted within 100 feet of any financial institution which is open for business.
- (3) Not be permitted within 100 feet of any automatic teller machine or any other machine at which money is dispensed to the public.
- (4) Not be permitted within 100 feet of the property lines of any private residence.
- (5) Not be permitted within 20 feet of a bus stop or public transportation stand or stop.
- (6) Not be permitted within 20 feet of a commercial establishment which is open for business.



(7) Not be permitted in the traveled portion of any street, or highway and shall not be conducted in such way to obstruct vehicular or pedestrian traffic.

(8) Not be permitted if done in a manner that is aggressive, threatening, or intimidating or by use of threatening, profane, or abusive language during the solicitation or following an unsuccessful solicitation. Behavior is considered aggressive, threatening, or intimidating if done in a manner that a reasonable person should know would cause a person of ordinary sensibilities to be fearful of bodily harm, and shall be deemed to include touching the person who is being solicited without that person's consent, and blocking the path of a person being solicited, including their entrance to a building or vehicle.

(9) Not be permitted by following a person who has been solicited after that person has declined the request or walked away.

(10) Not be permitted if obstructing pedestrian traffic or vehicular traffic while engaging in any activity allowed under this ordinance.

**(C) Exempt Activity.**

This ordinance shall not apply to:

- (1) The lawful solicitation of contributions from the public for personal or charitable purposes if in areas and in a manner otherwise permitted by law;
- (2) The promotion or expression of views concerning political, social, religious, and other like matters if in areas and a manner otherwise permitted by law;
- (3) Licensees, employees, or contractors of the Department of Transportation or of any municipality engaged in construction, maintenance, or in making traffic or engineering surveys;
- (4) Distribution of newspapers on the non-traveled portion of any street or highway except when those distribution activities impede the normal traffic on the street or highway.

**SECTION 3. PERMIT ISSUANCE AND REVOCATION**

**A. Permit Application Procedure**

A criminal background check is required and will be reviewed by Code Enforcement to determine eligibility of the applicant.

Application shall be on a form issued by the Code Enforcement Department, signed by the applicant in the presence of the employee accepting the application, and shall set forth the following information:

- (1) The name, permanent address (or if no permanent address a temporary address in the vicinity of Rockingham County), a phone number (if available), and emergency contact of/for the applicant;

(2) Picture identification of the applicant through a valid state-issued photo identification, or if picture identification is impractical, the applicant shall provide other documentation that reasonably establishes identity;

(3) A brief description of the activity to be conducted, including if applicable, any items or services to be sold or offered for sale;

#### **B. Permit Application Fee**

The Board of Commissioners retains the authority under NCGS § 153A-125 to charge a fee for a permit issued pursuant to this ordinance. Such a fee, if imposed, shall be adopted as part of a revenue schedule for permits and fees to be adopted as part of the annual budget process.

#### **C. Permit Issuance, Denial, And Appeal.**

(1) *Procedure for application review.* Within 5 business days of receipt of an application, Rockingham County Code Enforcement or designee shall issue a permit unless the applicant:

(a) Has not submitted a complete application.

(b) Has submitted false information.

(c) Is under 18 years of age.

(d) Has been convicted of one or more offenses which involve either misdemeanor or felony assault, communicating threats, illegal use of weapons, or other violent crime: or

(e) Has been convicted of one or more offenses which involve either misdemeanor or felony crimes in the nature of larceny, embezzlement, breaking and entering or other crimes relating to theft, or crimes deemed by Code Enforcement in its discretion that would pose a threat to public safety if the permit were issued.

(2) *Possession of permit.* Any person authorized by permit to engage in begging or panhandling shall keep the issued permit in his or her possession and exhibit his or her permit when requested to do so by any solicited individual or law enforcement officer.

(3) *Denial of permit.* In the case of denial, the county's denial and the reasons for denial shall be noted on the application, and the applicant shall be notified that his or her application is denied and no permit shall be issued. Notice shall be mailed to the applicant at the last known address shown on the application form if given.

#### **D. Permit Revocation**

(1) A permit may be revoked or suspended by the county for the following reasons:

(a) Fraud, misrepresentation, or false statement contained in the permit application;

(b) Begging, soliciting, or panhandling in a manner inconsistent with the provisions in the issued permit;

(c) Conducting begging or panhandling in such a manner as to create a breach of the peace or endanger the health, safety, or general welfare of the public.

(2) Upon revocation, the permit issued must immediately be surrendered to the County.

**E. Appeal Of Denial Or Revocation**

Any applicant who has been denied issuance of a permit under Section C. or who has had a permit revoked under Section D. of this ordinance may appeal such action within 10 days of the date of denial or revocation by delivering a written notice of appeal, specifying with particularity the ground(s) for the appeal to the County Manager.

**F. Penalties**

A violation of this ordinance shall be punished by a fine of not more than \$500.00 or imprisonment for not more than thirty (30) days for each separate violation. Each day any violation of this ordinance shall continue shall constitute a separate offense. In addition to the penalties previously stated a violation of this ordinance may be enforced by any one or more of the remedies authorized by G.S. §153A-123.

**G. Severability.**

Should any section or provision of this ordinance be declared invalid, such decision shall not affect the validity of the remaining portions of this ordinance.

This amended ordinance shall become effective upon adoption.

This the 16<sup>th</sup> day of March, 2015.



**ROCKINGHAM COUNTY**

BY: Mark F. Richardson  
**Mark F. Richardson, Chair**  
**Board of Commissioners**

ATTEST:

Pamela M. McLain  
**Pamela M. McLain, MMC, NCCCC**  
**Clerk to the Board**

I, Pamela M. McLain, Clerk of the Rockingham County Board of Commissioners, do hereby certify that the foregoing ordinance was duly adopted by the governing body of Rockingham County after lawful public notice and at a regular meeting thereof, a quorum being present.

This the 16 day of March, 2015.



Pamela M. McLain  
**Pamela M. McLain, MMC, NCCCC**  
**Clerk to the Board**

This Amended Ordinance was introduced at the March 16, 2015 meeting of the Rockingham County Board of Commissioners.



Rockingham County Panhandling Permit Application

Date of Application \_\_\_\_\_

Legal Name \_\_\_\_\_ Date of Birth \_\_\_\_\_

(Print)

Address (if not permanent, temporary address) \_\_\_\_\_

Phone number \_\_\_\_\_

Emergency contact \_\_\_\_\_ Phone # \_\_\_\_\_

Relationship to applicant \_\_\_\_\_

Type of Identification submitted \_\_\_\_\_

Brief description of the activity to be conducted, including, if applicable, any items, or services to be sold or offered for sale \_\_\_\_\_

Location(s) of Activity \_\_\_\_\_

Have you been convicted of a criminal offense? \_\_\_\_\_ If so, list: \_\_\_\_\_

Procedure for Application Review. A criminal background check is required and will be reviewed by Code Enforcement to determine eligibility of the applicant. Within 5 business days of receipt of application, Rockingham County Code Enforcement or designee shall issue a permit unless the applicant:

- (a) Has not submitted a complete application.
- (b) Has submitted false information.
- (c) Is under 18 years of age.
- (d) Has been convicted of a disqualifying criminal offense.

I certify that all the information that has been provided is true and accurate to the best of my knowledge. I hereby authorize Rockingham County to conduct a criminal background check of me including any current or prior arrests, and convictions. I have read the Ordinance to Regulate Begging, Solicitation, and Panhandling and agree to comply with the provisions stated in the Ordinance. Failure to do so will result in the denial or revocation of this permit. I understand that if permit is denied or revoked, I may appeal such action within 10 days of the date of the denial or revocation by delivering a written notice of appeal, specifying the grounds for the appeal to the County Manager.

Applicant \_\_\_\_\_

Witness/Title/Date \_\_\_\_\_

Rockingham County certification of criminal background check - Qualifies: Yes \_\_\_\_\_ No \_\_\_\_\_

Date Submitted \_\_\_\_\_ Date Issued \_\_\_\_\_ Expiration Date \_\_\_\_\_



Date

Name  
Address

Re: Application for Panhandling Permit: Revocation/Denial

Dear Sir/Madam:

Your application for a Panhandling Permit Application that was submitted \_\_\_\_\_ has been denied for the following reason(s):

- \_\_\_\_\_ Has not submitted a complete application.
- \_\_\_\_\_ Has submitted false information.
- \_\_\_\_\_ Is under 18 years of age.
- \_\_\_\_\_ Has been convicted of a disqualifying criminal offense.

Your Panhandling Permit has been revoked for the following reason(s):

- \_\_\_\_\_ Fraud, misrepresentation, or false statement contained in the permit application;
- \_\_\_\_\_ Begging, soliciting, or panhandling in a manner inconsistent with the provisions in the issued permit;
- \_\_\_\_\_ Conducting begging or panhandling in such a manner as to create a breach of the peace or endanger the health, safety or general welfare of the public.

Upon revocation, the permit that you were issued must immediately be surrendered to the County.

Any applicant who has been denied issuance of a permit under Section C. or who has had a permit revoked under Section D. of the Ordinance to Regulate Begging, Solicitations and Panhandling, may appeal such action within 10 days of the date of denial or revocation by delivering a written notice of appeal, specifying with particularity the ground(s) for the appeal to the County Manager.

\_\_\_\_\_  
Rockingham County Code Enforcement

**AGENDA ITEM 8:**

**PRESENTATION OF PROJECT ON AGING'S ANNUAL REPORT**

**MANAGER'S COMMENTS:**

Ms. Angie Boitnotte, Project on Aging Director, will submit the annual comprehensive evaluation of the agency's operations and policies as required by the NC Division of Health Service Regulation.

Board action is requested to accept the annual report.



# Watauga County Project on Aging

132 Poplar Grove Connector, Suite A • Boone, North Carolina 28607

Website: [www.wataugacounty.org/aging](http://www.wataugacounty.org/aging) [angie.boitnotte@watgov.org](mailto:angie.boitnotte@watgov.org)

Telephone 828-265-8090 Fax 828-264-2060 TTY 1-800-735-2962 Voice 1-800-735-8262 or 711

## MEMORANDUM

**TO:** Deron Geouque, County Manager

**FROM:** Angie Boitnotte, Director

**DATE:** November 23, 2015

**SUBJ:** Request for Board of Commissioners' Consideration: Project on Aging Annual Report

The NC Division of Health Service Regulation requires the Project on Aging to conduct an annual comprehensive evaluation of agency operations and policies which must be presented to the Board of County Commissioners. The attached annual report addresses statistical information as to clients, services, and revenues as required by licensure standards.

I plan to be present for discussion and questions.

## **PROGRAM EVALUATION NCDHSR LICENSURE REQUIREMENTS**

As required by the NC Division of Health Service Regulation (formerly Division of Facility Services), the Project on Aging Director must conduct an annual comprehensive evaluation of agency operations and policies. The evaluation shall assure the appropriateness and quality of the agency's services with findings used to verify policy implementation, to identify problems, and to establish problem resolution and policy revision as necessary.

An overall policy and administration review was conducted on the following areas: scope of services offered, arrangements for services with other agencies or individuals, admission and discharge policies, supervision and plan of care, emergency care, service records, personnel qualifications, and program evaluation. The attached annual report addresses statistical information regarding: number of clients receiving each service; number of visits or hours for each service; client outcomes; adequacy of staff to meet client needs; numbers and reasons for non-acceptance of clients; and reasons for discharge.

The agency continues to make and receive referrals to/from allied health agencies as necessary. All agency relationships are satisfactory and ongoing. Ongoing staffings with appropriate home health agencies regarding CAP clients are conducted to discuss mutual clients. The Project on Aging also participates in the Watauga County Adult Abuse Prevention Team, the Adult Services Coalition, and the Watauga and High Country Falls Prevention Task Forces.



**WATAUGA COUNTY PROJECT ON AGING  
FY 15 ANNUAL REPORT  
JULY 1, 2014 – JUNE 30, 2015**

FY 15 Budget

|                 |                          |
|-----------------|--------------------------|
| Budgeted Amount | \$ 1,241,817             |
| Expenditures    | <u>1,181,439 (95.1%)</u> |
| Balance (under) | \$ 60,378 ( 4.9%)        |

FY 15 Revenue

|                                   |                    |              |
|-----------------------------------|--------------------|--------------|
| Medicaid                          | \$ 80,026          | } \$ 442,862 |
| DSS Contract                      | 11,499             |              |
| Donations/Fees                    | 23,969             |              |
| HCCBG, State funds, NSIP          | 278,346            |              |
| E & D Transportation              | 19,332             |              |
| State Senior Center Allocation    | 15,573             |              |
| SHIIP Grant                       | 4,825              |              |
| Self Supported Contracted Classes | 9,292              |              |
| Watauga County <sup>1</sup>       | \$ 738,577         |              |
| <b>Total Revenue</b>              | <b>\$1,181,439</b> |              |

1 \$33,143 minimum match was required for federal and state grants.

**CAP/DA MEDICAID:**

The Community Alternatives Program for Disabled Adults (CAP/DA and CAP/CHOICE) provided services to 32 Medicaid clients who were certified as medically eligible to enter a nursing home but who preferred to stay at home. Medicaid funds received are based on billable services to CAP/DA and CAP/CHOICE clients and are as follows:

|                      | <u>NUMBER SERVED</u> |  | <u>AMOUNT BILLED</u>             |
|----------------------|----------------------|--|----------------------------------|
| Home Delivered Meals | 1,129 meals          |  | \$ 3,375.71                      |
| Case Management      | 908 hours            |  | 69,978.86                        |
| Waiver Supplies      | 19 clients           |  | <u>8,589.19</u>                  |
| <b>Total</b>         |                      |  | <b>\$ 81,943.76</b>              |
|                      |                      |  | (\$80,025.88 or 97.7% collected) |

**D.S.S. CONTRACT**

The Project on Aging contracts with the Watauga County Department of Social Services to provide in-home aide services to the disabled adult client group between the ages of 18 and 60, who have physical and/or mental disabilities.

908 Hours \$11,498.50

**HOME AND COMMUNITY CARE BLOCK GRANT**

The Home and Community Care Block Grant consists of Federal Older Americans Act funds, required State match, and additional State legislative allocations. The United States Department of Agriculture reimburses .60 per meal through a program called Nutritional Services Incentive Program (NSIP) for each eligible meal served.

|                      |                  |
|----------------------|------------------|
| In-Home Aide         | \$117,003        |
| Home Delivered Meals | 78,318           |
| Congregate Meals     | 43,441           |
| NSIP                 | 26,186           |
| Transportation       | 12,798           |
| Health Promotions    | <u>600</u>       |
| <b>Total</b>         | <b>\$278,346</b> |

**SERVICES SUMMARY**

**SERVICES DELIVERED / CLIENTS SERVED**

(Funding sources – County, HCCBG, Medicaid, DSS Contract, E&D)

| <b>DESCRIPTION</b>       | <b>UNITS SERVED</b> | <b># of CLIENTS</b> |
|--------------------------|---------------------|---------------------|
| Congregate Meals         | 11,512              | 362                 |
| Home Delivered Meals     | 19,825              | 132                 |
| CAP Home Delivered Meals | 1,129               | 6                   |
| Transportation           | 5,907               | 111                 |
| In-Home Aide Level I     | 8,243               | 128                 |
| In-Home Aide Level II    | 3,281               | 40                  |
| Respite Level II         | 1,201               | 12                  |
| DSS In-Home Aide         | 908                 | 12                  |
| Medical Loan Closet      | --                  | 189                 |

### STAFF SUMMARY

The following staff worked in providing In-Home Services during FY 15:

- 8 In-Home Aides
- 1 In-Home Aide Supervisor
- 1 Home Delivered Meals Coordinator
- 1.5 CAP Case Managers

### CLIENT OUTCOMES

67 clients receiving in-home services were discontinued in FY 15 for the following reasons:

- 18 Services not needed (improved, no longer qualified, client request)
- 21 Placed in a LTC Facility
- 21 Death
  - 3 Moved out of County
  - 2 Placed on CAP/DA or CAP/CHOICE Services
  - 2 Hired Caregiver / Private Home Care / Hospice Care

### NON-ACCEPTANCE of CLIENTS

54 clients were referred for services in FY 15 who were not placed on service roles.

#### **CAP – 14**

- 4 Medicaid issues (eligibility, deductible, estate recovery)
- 4 Declined services
- 2 Other services in place; CAP not needed
- 2 Moved out of County
- 1 Placed in nursing facility / chose to stay in nursing facility
- 1 Death

#### **In-Home Aide – 40**

- 26 Declined services
  - 6 Not eligible
  - 6 Needs met through other services/support
  - 1 No response from client
  - 1 Deceased

## CLIENT DEMOGRAPHICS

During FY 15, more females than males were served through the In-Home Services programs; 68% of the clients were female, and 32% of the clients were male. Forty two percent (42%) of the In-Home Services clients served were classified as economically needy, while 100% of in-home clients were classified as at-risk or high-risk for being placed in a facility or not being able to remain in their own homes. The majority of the clients served were over the age of 75 (65%) while 94% were over the age of 60.

## SENIOR CENTER REPORTS

### **LOIS E. HARRILL SENIOR CENTER**

|   |       |
|---|-------|
| Congregate Participants                             | 214   |
| AARP Tax Assistance                                 | 166   |
| ASU Interns / Research Projects / Volunteers / etc. | 47    |
| Center Classes, Activities and Services             | 1,285 |
| Newsletter " <i>Young at Heart</i> "                | 450   |

### **WESTERN WATAUGA COMMUNITY CENTER**

|   |       |
|---|-------|
| Congregate Participants                             | 166   |
| AARP Tax Assistance                                 | 64    |
| ASU Interns / Research Projects / Volunteers / etc. | 101   |
| Center Classes, Activities and Services             | 403   |
| Community Center                                    | 4,305 |
| Parking/Ground Use                                  | 2,545 |

Currently, by census projection, there are 8,000+ residents in Watauga County over the age of 60. The Lois E. Harrill Senior Center continues to grow with many activities being requested especially in the areas of wellness/fitness and computers. The Lois E. Harrill Senior Center continued to partner with Appalachian State University to offer CHAMP (Community Health and Mobility Partnership), a program designed to improve balance, strength and mobility for seniors. This program is offered for free and has grown this year. SHIIP volunteers continue to go out into the community to assist with enrolling new Medicare clients into prescription drug plans and have also helped many apply for extra help, thus lowering the cost of their monthly premiums. During FY15, the SHIIP volunteers and staff assisted 411 Medicare recipients with Medicare questions, prescription drug plans and supplements.

According to the numbers listed above, over 5,000 individuals utilized the Western Watauga Community Center during FY 15. The Western Watauga Community Center will need to be expanded in order to meet the needs of the older adults in that area. It is not possible to schedule multiple classes, meetings, etc., due to limited space. We were able to expand into the unused WAMY space, which provided a room for exercise equipment, and space to conduct exercise classes and small group meetings/classes. The parking lot at the WWCC is also heavily used with more than 2,500 additional vehicles using the parking lot for events such as Blood, Sweat, and Gears and the CCP&D Music Fest.

## NARRATIVE SUMMARY

The Project on Aging's revenues were more than projected during FY 15, while expenditures were less than projected. We also maintained a Medicaid revenue collection rate of 97.7%.

Services were delivered above the prior year's level in Home Delivered Meals; 20,954 (+1,832) Home Delivered Meals were delivered to 138 frail adults (+13). We served 213 less CAP meals and 2,045 more HCCBG meals. We did not deliver 13 days during FY 15 due to inclement weather. Emergency meals were provided to cover those days.

Services were delivered above the prior year's level for In-Home Aide Services; 13,633 hours (+153) of In-Home Aide Services were delivered to 192 frail adults (+14).

During FY 15, the Home Delivered Meals program averaged 93 clients at any given time with an average of 1 on the waiting list. The In-Home Aide program averaged 142 clients and 13 on the waiting list, with more than 10 current clients who are eligible for and need additional service. The CAP program maintained an average caseload of 28 clients with no waiting list during FY 15.

The Project on Aging's goal continues to be to provide services to the over 60 and disabled adult population, thereby allowing them to maintain their independence as opposed to premature institutionalization. Services to the frail elderly may decrease in FY 16 due to budget constraints. However, the Project on Aging will continue to focus on providing services to the frailest, oldest, and poorest residents. As the at-home population becomes older and frailer with more acute needs for services, the demand for services will need to be addressed. The Project on Aging continues to maximize its efforts in service delivery and utilized more than 300 volunteers in the delivery of services during FY15.

**AGENDA ITEM 9:****PROPOSED CONTRACT FOR LICENSE PLATE AGENCY****MANAGER'S COMMENTS:**

Mr. Larry Warren, Tax Administrator, will present a new contract and standard operating procedures (SOP) manual for the License Plate Agency operated by the County. The new contract and SOP is due to the revisions made by the NCDMV. The current LPA is classified as a Tier I and will more than likely advance to a Tier II designation due to transaction volume. Tier II have a total transaction volume of 50,001 to 100,000. There would be little to no change in Tier I to Tier II status as the County is currently meeting the standards and requirements for Tier II.

Board action is required to approve the LPA contract and Standard Operating Procedures Manual as presented.



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# WATAUGA COUNTY TAX ADMINISTRATION

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*Courthouse, Suite 21 – 842 West King Street – Boone, NC 28607  
(828) 265-8021 – FAX (828) 264-3230*

## MEMO

**TO: Deron Geoque, County Manager**

**CC: Anita Fogle, Clerk to the Board**

**FROM: Larry Warren, Tax Administrator**

**SUBJECT: License Plate Agency Contract**

**DATE: November 16, 2015**

Deron,

I would like to request that an item be added to the County Commissioners' Meeting agenda for December 1, 2015.

NCDMV is revising its Standard Operating Procedures Manual and is requiring counties throughout the State to sign new contracts. After having read the manual, we are currently in compliance as a Tier 1 County/Agency and we are on the cusp of becoming a Tier 2 County/Agency based on the number of transactions our office has had for the past 2-3 years. We also comply with the Tier 2 requirements however, I would like for the Board to note the hours of operation as a Tier 2 office.

The proposed contract and copy of the Standard Operating Procedures Manual is attached to this Memo for your convenience.

Thank you.

**STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION  
DIVISION OF MOTOR VEHICLES**

**LICENSE PLATE AGENCY CONTRACT**

This is a commission contract, as described in G.S. 20-63(h), between the North Carolina Division of Motor Vehicles ("DMV"), acting through the Commissioner of Motor Vehicles, and \_\_\_\_\_, a commission contractor and license plate agency ("LPA").

WHEREAS, G.S. 20-63(h) requires DMV to make a reasonable effort to enter into contracts with private persons or governmental subdivisions of the State to provide motor vehicle registration and titling services in localities throughout the State; and

WHEREAS, DMV desires to fulfill this requirement by entering into a contract with \_\_\_\_\_ to provide these services at a license plate agency; and

WHEREAS, \_\_\_\_\_ desires to be a commission contractor as described in G.S. 20-63(h) and to operate a license plate agency;

Now, THEREFORE, in consideration of the promises and covenants set out below, DMV and the LPA, the parties to the contract, agree to the following:

1. **Location.** -- The LPA agrees to operate a license plate agency in \_\_\_\_\_ at a location approved by DMV.
2. **Contract Period.** -- The duration of the contract is determined in accordance with the following:
  - a. **Initial Term.** -- The term of the initial contract is for eight (8) years, starting on \_\_\_\_\_ and ending on \_\_\_\_\_.
  - b. **Renewal Term.** -- An LPA that is in good standing as of the first day of the eighth year of its initial term, and remains in good standing until the deadline for submitting a notice of non-renewal, has the option of renewing the contract for a renewal term of two (2) years beginning on the date the initial term expires. The LPA is assumed to have exercised this option unless the LPA gives DMV written notice that it is not renewing the contract. A notice of non-renewal must be sent to DMV at least 180 days before the initial term expires.

An LPA is considered to be in good standing unless one or more of the following applies:

- i. The LPA is under investigation by DMV for a matter that could result in cancellation of the contract.
- ii. The LPA has received at least three written warnings in the most recent six-month period for the same performance deficiency.



- iii. The LPA is operating under a corrective performance improvement plan initiated by DMV.

DMV must send an LPA that is not in good standing at any time during the first six months of the eighth year of the LPA's initial contract term a notice informing the LPA of this status unless doing so would jeopardize an investigation. If, after notifying an LPA that it is not in good standing, DMV determines that the LPA is now in good standing, DMV must offer the LPA the opportunity to renew the contract if the change occurs within the first six months of the eighth year of the LPA's initial term and may offer the LPA that opportunity if the change in status occurs later in that year.

- c. **Temporary Extension.** – Upon the mutual agreement of the LPA and DMV, the term of a contract that has otherwise expired may be extended for a fixed period or on a month-to-month basis when there is a change from one LPA to a successor LPA. Unless the LPA and DMV agree otherwise, the responsibilities of each during the temporary contract extension are the same as under the contract before the extension.
  - d. **Performance Extension.** – If the LPA receives a contract extension as a performance bonus offered by DMV, the term of the LPA's initial or renewal contract, as appropriate, is extended for the period of the extension from the date the LPA's contract would otherwise expire.
  - e. **Contract Expiration.** – At least 90 days before the contract terms outlined above expire, DMV will advertise the availability of a commission contract in the area served by the LPA whose contract is expiring. The LPA whose contract is expiring may apply for the contract.
3. **SOP Incorporated.** -- The Standard Operating Procedures (SOP) adopted by the Commissioner effective \_\_\_\_\_, 20\_\_\_\_ are incorporated into this contract. Subsequent changes to the SOP are also incorporated into this contract if the changes are adopted in accordance with a procedure that allows for notice and comment by the LPAs and consideration by the Commissioner of any changes to which one or more LPAs submit written objections.
4. **Responsibilities.** – The LPA and DMV agree to do the following:
- a. **LPA.** – The LPA agrees to provide motor vehicle titling and registration services in accordance with this contract and the SOP. Except as provided in this contract or the SOP, the LPA is responsible for all expenses, such as rent and personnel costs, incurred by the LPA in the operation of the LPA office.
  - b. **DMV.** -- DMV agrees to compensate the LPA for providing motor vehicle titling and registration services, to provide the LPA at no charge with equipment needed to

perform these services, and to otherwise assist the LPA in performing these services in accordance with this contract and the SOP. The compensation rate for transactions listed in G.S. § 20-63 is the rate set by law.

- c. **By Agreement.** – To perform other functions as mutually agreed upon by the LPA and DMV.

5. **Termination.** – The contract may be terminated by the LPA or DMV as follows:

- a. **LPA.** -- The LPA may terminate the contract during the term of the contract upon 120 days' written notice to DMV. The notice must state the effective date of the termination.
- b. **DMV.** --DMV may terminate a contract during the term of the contract only for cause. To terminate a contract for cause, DMV must give the LPA written notice of the termination and the date of the termination. The notice must state the reason(s) for the termination. The termination may be effective immediately.

Cause for termination of the contract consists of the following:

- i. Gross incompetence in the performance of the contract.
- ii. Gross mismanagement of DMV equipment or other property.
- iii. Commission of fraud, embezzlement, or an offense involving moral turpitude by the contractor or the LPA's employees in connection with the performance of the contract.
- iv. Having substantiated complaints, in any consecutive six-month period, in excess of the number of the LPA's tier level plus one (1).
- v. Acts by the contractor or the LPA's employees that cause substantial loss of State funds.
- vi. Incorrect performance of vehicle transactions that result in a substantial adverse impact on DMV's processes and require substantial effort on DMV's part to correct.
- vii. Incorrect performance of vehicle transactions that result in a substantial adverse impact on the public.

- 6. **LPA Status.** – The LPA is an independent contractor and is not an employee of the State. The LPA is solely responsible for payroll taxes, unemployment taxes, and workers compensation insurance premiums payable with respect to its employees.

7. **LPA Limitations.** –

- a. **Subcontractors.** – The LPA may not assign its rights under this contract to another person and may not subcontract any of its responsibilities under this contract to another person.

- b. **Transfers.** -- If the LPA is organized as a corporation or another type of business entity, this contract terminates upon the sale or transfer of the corporation or other business entity.
- c. **Business Entity Transition.** – The following options are available upon entering this contract:
  - i. An individual who is an LPA contractor at the time of signing this contract may enter into this contract as a corporation or a limited liability company; however, the individual who was the prior LPA contractor must be the majority stockholder or have the majority interest in the business entity that is the contractor under this contract. In addition, that individual must remain the majority stockholder or the majority interest holder throughout the term of this contract, or the contract becomes void.
  - ii. Two individuals who are joint LPA contractors at the time of signing this contract may enter into this contract jointly or, with written permission from the other submitted to DMV, either of them may enter into the contract as the sole contractor. They may also, either jointly or alone, form a corporation or a limited liability company. The requirements for majority ownership set out in paragraph (i) apply if only one of the former joint LPA contractors continues in the form of a business entity. If both of the joint contractors continue as a business entity, the combined interest or stock of the two must be the majority of the interests or stock in the entity and must remain so throughout the term of this contract, or the contract becomes void. After forming the business entity, one former joint contractor can transfer his or her interest or stock to the other former joint contractor without voiding the contract.
  - iii. An individual who is an LPA contractor at the time of signing this contract and whose immediate family member is employed at the LPA may enter into the contract jointly with that family member and may form a corporation or a limited liability company. The requirements for majority ownership and the transfer provisions set in paragraph (ii) for joint contractors apply if the LPA contractor and immediate family member continue as a business entity.

8. **Notices.** All notices required or permitted under this contract must be in writing and sent to the following:

**LPA**

**DMV**

\_\_\_\_\_

\_\_\_\_\_

A notice is effective if mailed by certified mail, return receipt requested, or sent by overnight courier, receipt of which is confirmed, addressed as set out in this section. DMV or the LPA may

change its address for notification by giving the other party prior written notice of the new address and the effective date of the new address.

9. **Governing Law.** -- This contract is construed in accordance with the laws of North Carolina.

10. **Entire Agreement.** -- This contract and the SOP incorporated into the contract constitute the entire agreement between the parties with respect to the subject matter of the contract and supersede all prior agreements between the parties with respect to the subject matter.

**IN WITNESS WHEREOF**, the said parties have hereunto set their hands this the \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_\_.

\_\_\_\_\_  
**(Signature)**  
**(Printed Name of Commission Contractor)**  
**COMMISSION CONTRACTOR**

Date \_\_\_\_\_ County \_\_\_\_\_ State \_\_\_\_\_

I certify that the following person(s) personally appeared before me this day, each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated:

\_\_\_\_\_ (name(s) of principal(s)).

Notary Signature \_\_\_\_\_

Notary Printed or Typed Name \_\_\_\_\_

(SEAL)

My Commission Expires \_\_\_\_\_

Approved as to Form and Legal Sufficiency

\_\_\_\_\_  
Special Deputy Attorney General

Date: \_\_\_\_\_

**NORTH CAROLINA DIVISION OF MOTOR VEHICLES**

BY: \_\_\_\_\_

(Authorized signing Agent)

# **North Carolina Division of Motor Vehicles**

## **License Plate Agency**

### **Standard Operating Procedures**

**Revision Date: 6.18.2015**

6-18-2015 Draft

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6-18-2015 Draft

# General Provisions

## 1 Definitions

**Auditor** – An employee of DMV who ensures compliance with established internal control procedures by examining records, reports, operating practices, and documentation.

**Contractor** – The person awarded a contract under G.S. 20-63(h) to partner with DMV to provide title and registration services. The person may be an individual, a municipality, a chamber of commerce, a corporation, or another entity.

**DMV** – The North Carolina Division of Motor Vehicles of the North Carolina Department of Transportation.

**Field Manager** – An employee of DMV who has been appointed to supervise and inspect LPAs.

**IMS** - The computer program that LPAs utilize to certify their daily deposits to the Fiscal Section of the North Carolina Department of Transportation.

**Inventory** – A license plate, vehicle registration renewal sticker, placard, or any other item that is issued by DMV and has a unique number by which DMV tracks its issuance, regardless of whether a fee is charged when the item is issued.

**License Plate Agency (LPA)** – A license plate agency operated by a contractor under G.S. 20-63(h).

**RACF ID** – The number that is assigned by DMV exclusively to each employee of an LPA and is used as the employee's user ID to log onto STARS.

**SOP** – The LPA Standard Operating Procedures set out in this document.

**STARS** – The State Titling and Registration System, a computer program that processes North Carolina vehicle titles and registrations.

## 2 Application and Availability of SOP

### 2.1 Application

This document applies to each LPA and to DMV's interactions with the LPAs. The procedures it sets out apply regardless of whether an LPA is a private contractor, an agency of local government, or a chamber of commerce.

### 2.2 Availability

DMV must make this document accessible to LPAs on the website required by Section 4. Each contractor must ensure that a copy of the SOP is available, either electronically or by hard copy, to each employee of the LPA.

### 3 LPA Tiers

#### 3.1 Basis of Tiers

The LPAs are divided into tiers based on the average number of transactions they have performed for the most recent five fiscal years. For purposes of calculating placement within a tier, the number of transactions an LPA processes is considered to be the sum of the following:

1. Transactions for which the LPA received compensation at the general transaction rate, known as the standard rate, set in G.S. 20-63 (h).
2. Title transactions for which the LPA received additional compensation under G.S. 20-63(h1).

A different tier applies to each 50,000 transactions, as follows:

| Tier | Average Transaction Range For Five Most Recent Fiscal Years |         |
|------|---|---------|
|      | Minimum   | Maximum |
| I    | 1   | 50,000  |
| II   | 50,001  | 100,000 |
| III  | 100,001   | 150,000 |
| IV   | 150,001   | 200,000 |
| V    | 200,001   | 250,000 |
| VI   | 250,001   | None    |

#### 3.2 Calculation of Tier Status

By July 15 of each year, DMV must determine the tier of each LPA for the current fiscal year that started on July 1. As set out in the table in Section 3.1, the determination of tier is based on the average standard and title transactions for the most recent five fiscal years. For an LPA office that has not been in operation for the duration of the most recent five fiscal years, DMV must use the transaction data it has for that LPA to make the determination. A tier designation determined for a fiscal year remains in effect until the following fiscal year.

#### 3.3 Notification of Tier Status

When DMV determines an LPA's tier for a fiscal year, the field manager for that LPA must notify the LPA's contractor of the LPA's tier. DMV must also post a list of the LPAs and their tiers on the website required by Section 4.

## 4 DMV Communications with LPAs

### 4.1 Website

DMV must maintain a website on which documents needed by or helpful to LPAs in the performance of their work is made accessible to them. Documents that must be accessible on that site include:

1. The SOP effective July 1, 2015, and any revisions to it.
2. All forms used in providing titling and registration services.
3. Frequently asked questions and answers, compiled and developed in Section 4.3.
4. Any document of DMV referenced in the SOP.
5. Minutes of the LPA Advisory Committee.

### 4.2 Message Updates

DMV shall send messages to LPAs whenever a malfunction or outage occurs in any computer program or system that affects the ability of the LPA to process transactions or accept payments and whenever DMV takes an action or acquires information of an action that affects the LPAs. The message must be sent in a manner designed to reach all LPAs quickly. Items that must be conveyed by message to LPAs include:

1. A failure of the credit or debit card payment system.
2. An abend of the county vehicle tax program.
3. A temporary or permanent closing of an LPA.
4. A robbery or break-in at an LPA.

### 4.3 Frequently Asked Questions

At least once each calendar quarter, DMV shall determine the most frequently asked questions that LPAs pose to the Help Desk. DMV shall compile the questions and answers into a document and must organize the document in a manner that facilitates ease of use and understanding. This document must be published quarterly on the website required by Section 4.1.

### 4.4 Log of System Problems

DMV must keep a separate log of each of the following computer problems that impact the ability of LPAs to process transactions and must make these logs accessible on the website:

1. The period of "clocking" in STARS.
2. The period during which STARS is down.
3. The period during which STARS is operating but service is interrupted by an abend or other failure of STARS or a system, such as the county property tax program, that interacts with STARS.
4. The period during which payment by credit card is not available, as reflected in the iNovah message updates or otherwise.
5. The period during which payment by debit card is not available, as reflected in the iNovah message updates or otherwise.

## Personnel of LPA

### 5 Management of LPA

#### 5.1 Responsibility of Contractor

The contractor is responsible for the operation of the LPA and for compliance with the contract and the SOP. The contractor is also responsible for compliance with all technical policies and procedures developed by DMV concerning vehicle titling and registration, such as the Title Manual.

#### 5.2 Designation of Manager and Contacts

The contractor is considered the sole manager of the LPA unless the contractor provides the field manager a written notice that one or more of its employees has been designated a manager. A notice of designation of a manager must set out the name and contact information of the employee who is designated as manager. If a contractor designates more than one individual as a manager, the contractor must indicate an order of contact for the managers.

To the extent the contractor has sufficient employees, the contractor shall also designate individuals who are not managers as secondary and tertiary points of contact to act on behalf of the contractor and manager in cases of illness, vacation, or other circumstance in which the contractor and manager are unavailable.

### 6 Hours of Operation

#### 6.1 Hours for Tier 1 LPA

A Tier I LPA office must be open at least (7) hours each day during the period from 8:00 a.m. to 5:00 p.m. A Tier I office is allowed to close for no more than one (1) hour each day in order for the LPA employees to go lunch and to the bank.

#### 6.2 Hours for Tier II and Higher LPA

An LPA office that is a Tier II or higher must be open to the public for at least eight (8) consecutive hours starting at 9:00 a.m. on each business day of the Monday through Friday workweek. By agreement between the LPA and DMV, the LPA office may be open for more than eight (8) hours each day to meet business demand. The agreement to remain open for a longer period may apply to some, but not all, days of the week or the month and may apply to time increments of less than one hour. "Business demand" means a demonstrated need for additional hours based on length of lines when the LPA office opens or closes for business, average wait times at the LPA, requests from the public, the LPA's expenses in remaining open for the longer period compared to the expected transactions during that period, and other relevant factors.

#### 6.3 Duty to Serve Customers in Line

Regardless of the hours of operation of an LPA, the LPA must serve all customers who are in line at the LPA office as of the end of business hours. This duty of service does not apply to customers who arrive at the office after the end of business hours, even if those who were in

line as of the end of business hours are still being served. The LPA may, at its discretion, serve those who arrive at the office after the end of business hours.

#### **6.4 Holidays**

An LPA office must observe all State holidays for which the Raleigh DMV office is closed.

#### **6.5 Vacation**

An LPA office may close for vacation each year for five (5) consecutive days. Before closing, an LPA must obtain the written approval of DMV. To obtain approval, the LPA must submit a written request to DMV at least thirty (30) days in advance of the proposed closing and specify the dates of the closing. Closing on the 15<sup>th</sup> day of a month, the last day of a month, or the day after a holiday is not authorized. If a county has more than one LPA office, only one office in the county may be closed for vacation at the same time.

When an LPA office obtains approval for closing for vacation, it must notify the public of the pending closure as follows:

1. By posting a conspicuous sign at the LPA office at least thirty (30) days in advance informing customers of the dates the office will be closed, the location of the nearest LPA office, and the date the office will reopen after vacation.
2. By notifying the local media at least thirty (30) days in advance and providing the information required in subdivision 1 of this section.

### **7 Hiring and Qualifications of Employees**

#### **7.1 Background Check**

An LPA must conduct a background check and a check of references before hiring an employee.

#### **7.2 Notary**

The contractor of an LPA and each manager of the LPA must be a notary. In addition, each employee who processes transactions that require notary services must be a notary.

The contractor is responsible for ensuring that all notaries employed by the contractor comply with all requirements set forth in G.S. 10B and as established by the Secretary of State's Office.

### **8 Training of Employees**

#### **8.1 For New LPA**

Before a new LPA opens for business, all personnel of the LPA must receive training provided by DMV for the period and in the topics determined by DMV. The training for a new LPA must include the following workshops:

1. *Creating Stellar Customer Relations*, applicable to all personnel of the LPA.
2. *Coaching for Stellar Service*, applicable to the contractor for the LPA and each manager of the LPA.



### **8.2 For New Hire at Existing LPA**

The contractor for an existing LPA is responsible for ensuring that a newly hired employee of the LPA is adequately trained before the employee serves the public. The new hire's training must include any specific training provided by DMV. A new hire who is not a manager must attend the workshop specified in Section 8.1 that is applicable to all LPA personnel within six (6) months after the new hire's first day of employment.

### **8.3 For New Manager at Existing LPA**

When an employee at an existing LPA is promoted to be a manager of the LPA, that newly promoted manager must attend the workshop specified in Section 8.1 that is applicable to managers of an LPA within six (6) months after the promotion. If the contractor for an LPA hires a manager instead of promoting an existing employee to the position, the newly hired manager must receive the training for new employees required under Section 8.2 in addition to the training required for employees who are promoted to the position.

### **8.4 Continuing Training for Existing Personnel**

All employees of an LPA must take annual Stellar Customer Service training and any other training required by DMV.

### **8.5 On-site Training Preferred**

To the extent possible, DMV must provide training on-site at LPAs, whether on-line or by another means, and must divide the required training into segments that can be taken at successive times.

### **8.6 Training in Specific Topics**

DMV must develop training on specific topics whenever it determines a need for the training or when the LPA Advisory Committee determines a need for the training. Need for training may be evidenced by questions LPAs pose to the Help Desk, common errors in processed transactions, or otherwise. The first training provided under this section must be on the topic of registration of for-hire vehicles, whether under the International Registration Plan or otherwise.

Training provided under this section may be a written step-by-step guide to the appropriate process, on-line instruction provided through the Learning Management System (LMS), or another form of training. If the format allows, it must be published on the website required under Section 4.

### **8.7 Reimbursement for Training Costs**

DMV must reimburse an LPA for the cost of any training required by DMV, other than the initial training by DMV or refresher training necessitated by errors. Reimbursement is payable at an hourly rate per employee trained. The rate applies to the time spent in training. The hourly reimbursement rate is twelve dollars (\$12.00) an hour, unless the Commissioner sets a higher rate. A rate set by the Commissioner applies uniformly to all LPAs. Reimbursement for training must be paid to the LPA within 90 days after the last day of the month in which the training occurred.

## 9 Conduct and Dress of Employees

### 9.1 General Standard

Employees of an LPA represent DMV and the State of North Carolina. The employees are expected to treat the public with courtesy and respect and to dress, act, and present themselves in a dignified and professional manner when providing service to the public. Nothing in this section precludes an LPA from adopting conduct, dress, or grooming requirements that are stricter than the ones in this section.

### 9.2 Specific Conduct Requirements

An employee of an LPA may not do any of the following:

1. Commit any criminal offense in connection with the work of the LPA.
2. Commit any offense involving moral turpitude while employed by the LPA.
3. Shout, curse, or use offensive language when talking with a customer.
4. Use a personal electronic device when talking with a customer unless the device is required to complete the transaction with the customer.
5. Eat, smoke, or chew gum when in the public's view.

### 9.3 Specific Dress Requirements

Business casual dress is the standard of dress for employees of an LPA. Business casual dress does not include any of the following:

1. Torn or tattered jeans, sweatpants, overalls, leggings, spandex or other form fitting clothing.
2. Flip flops, shower shoes, beach sandals and bedroom slippers.
3. Tank tops, halter-tops, spaghetti straps, tube-tops.
4. Clothing that reveals cleavage or the midriff area.
5. Clothing that ends more than two (2) inches above the knees when standing.
6. Clothing with obscene material.
7. Sunglasses while inside.
8. Hats, caps, or other headwear of any kind, unless the employee has asked the contractor for and been granted permission to wear the headwear due to a religious conviction.
9. Clothing that creates a safety concern.
10. Clothing that potentially detracts from the daily business processes of the LPA.
11. An item that draws undue attention to the wearer.
12. Visible jewelry in piercings of the eyebrow, lips, tongue, or nose.
13. Visible obscene, provocative, or disruptive tatoos.

### 9.4 Specific Grooming Requirements

An employee of an LPA may not wear any of the following:

1. An excessive amount of perfume, cologne, or aftershave.
2. Fingernails that are so long they impede work duties.
3. A hairstyle that attracts undue attention because of its cut, such as a mohawk, or its color.

## 9.5 Exceptions to Requirements

A contractor may make exceptions to the requirements set out in other parts of Section 9 for an acceptable reason. Except for exceptions for religious and medical reasons, if the reason for an exception is expected to last more than five (5) business days, the contractor must obtain the approval of the LPA's field manager before granting permission for the exception. Any of the following are acceptable reasons for an exception:

1. Religious convictions
2. Medical requirements
3. Special projects or activities
4. Adverse or inclement weather, including extreme cold or heat

## 9.6 Name Tags

All LPA employees shall wear a name tag provided by DMV that displays only the employee's first name. DMV shall provide one name tag for each employee free of charge. Additional name tags are subject to a replacement fee set by DMV.

# 10 Additional Employees When Long Wait Times

## 10.1 Wait Time Defined

Wait-time is the period of time that starts when a customer enters the LPA office and ends when the customer is called by an LPA employee for assistance. Wait time does not include time associated with any of the following:

1. A significant slowdown in processing in STARS, such as the "clocking" indicated by the appearance of a clock on the screen.
2. An interruption in service attributable to an abend or other failure of STARS, a payment processing system, or another system that interacts with STARS.
3. Dealer work.
4. Registration of for-hire vehicles under the International Registration Plan or otherwise.
5. An unusual, temporary circumstance such as the closure of a nearby office.

## 10.2 Report of Long Wait Times

A wait time of no more than 20 minutes is an acceptable wait time. If the field manager finds that the average wait time of a customer at an LPA office exceeds the acceptable wait time on three or more occasions in at least two different weeks, the field manager shall document the finding, report the finding to the Commissioner, and give the contractor a copy of the finding. The field manager may use no fewer than eight (8) successive customers in determining an average wait time. In determining average wait time, the field manager must subtract from the observed time any time that is excluded from wait time by Section 10.1. The LPA may submit a statement that explains why additional staff is not needed as a result of the reported wait times.

## 10.3 Adding Employees

Upon receiving a report of unacceptable wait times under Section 10.2, the Commissioner must discuss the matter with the LPA. If the Commissioner decides that the observed wait times are not the result of a temporary aberration and indicate the need for additional staff,

the Commissioner may direct the LPA to add an employee for fifteen hours (15) hours each week whose hours include those reported to have unacceptable wait times. When the Commissioner notifies an LPA under this section that the LPA needs to hire an additional employee, the LPA is allowed 45 days from the date of receiving the notice to add the employee.

When the Commissioner notifies an LPA that it must hire an additional employee, DMV must provide the LPA with a workstation for the additional employee. The 45-day limit for hiring an employee is extended by any period of time in which the new workstation has not been installed.

## **11 Departure of Employees**

### **11.1 Notice to DMV**

The LPA must notify DMV when a vacancy occurs because an existing employee leaves, whether voluntarily or involuntarily. If an employee's departure is voluntary, such as when an employee resigns to take another job, the LPA must send both the LPA's field manager and the Help Desk an email within one (1) business day after learning of the employee's intended departure that informs them of the employee's expected last day at the LPA. If an employee's departure is involuntary, such as when the employee is fired for cause, the LPA must send them an email within one (1) hour after terminating the employee informing them of the employee's departure.

### **11.2 Action by DMV When Notified**

When notified of an employee's departure, the Help Desk must terminate the employee's RACF ID and user account. For an involuntary departure, the Help Desk must take this action immediately. When notified of an involuntary departure, the field manager must determine if any additional action is required by DMV. The field manager is responsible for alerting DMV of potential personnel shortages within an office or area that may negatively impact customer service by causing increased wait times.

## **12 Employee Assistance Program**

DMV agrees to provide an Employee Assistance Program (EAP) to employees of an LPA to serve as a resource in the event of a trauma caused by external sources, such as customers, robbery, or acts of God. DMV further agrees to reimburse LPAs and their employees for the cost of these services. These services will be reimbursed by DMV on the same schedule as if the LPA contractor or employee were a State employee. Personal or family issues or personnel issues are not subject to reimbursement.

## LPA Office Facility, Equipment, and Inventory

### 13 LPA Office Facility

#### 13.1 General Requirements

An LPA office must meet the following requirements:

1. Comply with all federal, state, and local laws and regulations, including the federal Americans with Disabilities Act.
2. Be cleaned regularly, presenting a professional environment.
3. Be maintained regularly, ensuring a safe environment for the LPA staff and public.
4. Be adequately heated and air conditioned.
5. Comply with the branding requirements concerning color or décor of office established by DMV's Branding Committee.
6. Be smoke-free.
7. Provide an on-site restroom facility in accordance with section 13.3.

#### 13.2 Location

An LPA office location must meet the following requirements:

1. Be convenient to the public.
2. Be accessible and safe and not a personal residence.
3. Be owned, leased, or rented by the contractor.
4. Provide access through either a front or back entrance for delivery of inventory by a semi-trailer or other large truck.
5. Have parking for customers within the immediate proximity of the office that includes a minimum of one (1) disability accessible parking space for every twenty-five parking spaces or portion of this number of spaces.
6. Be approved by DMV. When asked by an LPA or applicant for a commission contract if space under consideration for lease by the LPA or applicant is acceptable, DMV must review the space and inform the LPA or applicant of its answer in writing. DMV may not require an LPA or applicant to sign a lease without knowing whether the leased space is acceptable to DMV.
7. Have sidewalks and entryways that are cleared and maintained prior to the start of each business day or, in the case of snow or ice accumulation, as soon as possible.

#### 13.3 Restrooms

An LPA must provide customers access to an on-site restroom facility that complies with the ADA and meets all state and local plumbing codes. If the LPA office is located in a mall or other similar facility that provides restrooms for businesses located at the facility, the restrooms provided by the facility are considered to be on-site restroom facilities.

#### 13.4 Designated Service Line

An LPA that is a Tier II or higher must have at least one customer service line designated only for renewal of vehicle registrations and turning in license plates. The availability of the line must be indicated by appropriate signage.

## 14 Forms, Equipment, and Associated Supplies Provided by DMV

### 14.1 Specific Items Provided

DMV is responsible for providing, at no charge to the LPA, all required forms and the following equipment and supplies:

1. Computer terminals, printers, and other equipment needed to process title and registration transactions in STARS and to accept payment for these transactions. DMV must provide equipment for the number of work stations requested by an LPA, not to exceed the number of the LPA's employees, whether full-time or part-time, plus one.
2. Supplies, such as toner cartridges and computer paper, required to operate the equipment provided.
3. Two (2) canvas lock-drop deposit bags to be used by the LPA to make deposits, if the depository used by the LPA does not provide them.

### 14.2 Responsibilities of DMV for Equipment

When DMV provides equipment to an LPA, DMV is responsible for the following:

1. Maintaining the equipment.
2. Repairing or replacing the equipment as a result of normal wear and tear or as the result of damage or loss due to vandalism, theft, fire, flood, or a natural disaster.
3. Providing software or hardware upgrades to the equipment.

### 14.3 Responsibilities of LPA for Equipment

When DMV provides equipment to an LPA, the LPA is responsible for the following:

1. Operating the equipment properly and protecting it from damage.
2. The cost of repairing or replacing any equipment that is damaged as a result of intentional, negligent, or accidental acts of an employee of the LPA.

## 15 License Plates, Renewal Stickers, and Other Inventory

### 15.1 DMV Provides Inventory

DMV is responsible for providing an LPA with the inventory the LPA needs to process titles and register vehicles. DMV must provide these items and deliver them without charge to the LPA.

### 15.2 Storage of Inventory

An LPA must keep the inventory it receives from DMV in a secure place to which the public does not have easy access.

### 15.3 Delivery of Inventory

The following process applies to the delivery by DMV of inventory to an LPA:

1. Plate Distribution sends the field managers and affected LPAs an email advising them of a tentative delivery schedule at least 48 hours before delivery.
2. The LPAs check their current inventory to determine how much they have before the scheduled delivery.

3. When Plate Distribution delivers the inventory, the contractor or manager of the LPA counts and verifies the boxes of plates that were delivered. If all boxes shown on the bill of lading are delivered, the contractor or manager signs the bill of lading.
4. The LPA must report the new inventory in STARS by the end of the business day following the day it was delivered.

#### **15.4 Categories of Inventory**

Inventory is categorized into inventory that is ready to issue (RIS) and inventory that is in new inventory (INI).

#### **15.5 Liability for Inventory**

An LPA is responsible for any lost, missing, or stolen inventory, other than inventory stolen in a robbery reported to the police. If an audit of the LPA finds that the LPA cannot account for any inventory, DMV will deduct the cost of the unaccounted for inventory from the next monthly compensation paid to the LPA for transactions performed by the LPA.

#### **15.6 Damaged Inventory**

If an item of inventory is damaged and cannot be issued, the LPA must note that the item is damaged in STARS. The LPA must hold the damaged item with its other damaged inventory for audit purposes.

#### **15.7 Returning License Plates**

An LPA must return license plates to DMV by placing them in a box that is marked "RETURNS" in red ink and is secured shut with tape. The LPA must store boxes of plates to be returned away from current inventory.

### **16 Signs and Displays**

#### **16.1 Signs**

An LPA is required to display the signs provided or specified by DMV in a conspicuous place in the office at all times. An LPA must order or obtain a replacement sign from the field manager for the LPA whenever a required sign provided by DMV becomes unreadable or unrepresentable.

#### **16.2 Displaying Items of Local or State Interest**

An LPA office may display paintings, photographs, or other objects that promote the public's interest in local or state points of interest or activities. Examples include pictures of the North Carolina Zoo or a local botanical garden.

### **17 Security Cameras and Phones**

#### **17.1 Security Cameras**

An LPA whose tier is II or higher must have one or more security cameras in its office so that the LPA has or has access to a recording of those who enter the office and their interactions with the employees of the LPA.

### 17.2 Phone with DMV Message

Calls to an LPA office that are not answered by an employee of the LPA must be answered by a recorded message supplied or approved by DMV. If the LPA allows callers to the LPA to leave messages and a caller leaves a message asking a question for the LPA to answer in a return call, the LPA must return the call within one (1) business day.

## Financial Transactions with Customers and DMV

### 18 Accepting Payments from Customer

#### 18.1 Acceptable Forms

Only the following payment types are acceptable:

1. Cash
2. Check (No counter or starter checks)
3. Credit card
4. Debit card

#### 18.2 Cash Procedures

An LPA must safeguard the cash it receives from customers. An LPA must mark each bill with a face value of at least twenty dollars (\$20.00) with a counterfeit money detection pen. An LPA must deposit the cash it receives at least once each day as required by G.S. 147-77. Monies received for state services shall be deposited daily in the form and amounts actually received from the customers.

#### 18.3 Personal or Business Checks

An LPA may not accept a personal or business check unless the check meets the requirements set out below. These requirements apply to all personal and business checks:

1. It is made payable to DMV.
2. The check amount does not exceed the amount of the transaction.
3. For a personal check, the name and address of the check writer is pre-printed on the check. If the pre-printed address is no longer correct or is a post office box, the correct current address may be written on the check.
4. For a business check, the name and address of the business is pre-printed on the check. A post office box is an acceptable address for a business.
5. The check writer's phone number is pre-printed or written on the check.
6. The individual who presents the check to the LPA identifies himself or herself by providing one of the forms of identification set out in section 18.6. If the individual who presents the check and the check writer are not the same, the LPA must write on the check the type and identifying number of the presenter's identification, such as the presenter's North Carolina driver license number.
7. For a check written by an individual who is not the registered owner of the vehicle, the LPA enters the name and identifying information of the check writer into STARS.
8. For an estate check, Letters Testamentary are attached to the title documents.



9. For a dealer check, the dealer's license number is pre-printed or written on the check.
10. An LPA may not create a secondary account for a customer with a bad debt stop in order to accept a check written by that customer.

#### 18.4 Third Party Checks

A third party check is not acceptable unless all of the following apply:

1. The third-party drawer of the check is DMV.
2. The check amount does not exceed the amount of the transaction.
3. The person to whom the check is written endorses the check.

#### 18.5 Money Orders or Certified Checks

An LPA may not accept a money order or a certified check unless it meets the following requirements:

1. It is made payable to DMV.
2. The check amount does not exceed the amount of the transaction

#### 18.6 Identification of Check Presenters

When an individual presents a check to an LPA, the LPA must verify the identity of that individual by means of an acceptable form of identification.

1. **Acceptable ID.** – The following forms of identification are acceptable so long as they have not expired:
  - a. North Carolina driver license.
  - b. North Carolina identification card issued by DMV.
  - c. Military ID.
  - d. U.S. Passport.
  - e. Out-of-state driver license.
  - f. Out-of-state identification card issued by the agency that issues driver licenses in that state.
2. **Unacceptable ID.** – The following forms of identification are not acceptable:
  - a. Any form of identification that would be acceptable but has expired.
  - b. Any form of identification not listed as an acceptable form of identification. Forms of identification that are not listed as acceptable and are therefore not acceptable include a social security card, an international driver license, and an international identification card.

#### 18.7 Liability of LPA for Bad Checks

An LPA is not liable for a bad check accepted by the LPA unless the LPA failed to comply with the check acceptance and identification requirements in the SOP. If an LPA is liable for a bad check, DMV will reduce the amount of compensation payable to the LPA by the amount of the bad check. When DMV charges an LPA for the amount of a bad check, DMV must give the LPA either a copy of the bad check or the identifying information about the writer of the check or the presenter of the check that is set out on the check. By charging an LPA for the amount of a bad check, DMV is considered to have assigned to the LPA the right to collect from the writer of the check the amount of the bad check.

### 18.8 Acceptable Credit and Debit Cards

Only the following credit and debit cards are acceptable:

1. Visa
2. Mastercard
3. Discover

### 18.9 Credit and Debit Card Procedures

The following requirements apply when a customer pays by a credit or debit card:

1. The LPA should avoid handling the customer's card.
2. The LPA must direct the customer to wait to swipe the card until asked to do so by the LPA.
3. The LPA must direct the customer to swipe the card a second time only if the LPA received the message "Transaction Denied" after the customer swiped the card the first time.
4. If the LPA received a message other than "Transaction Denied" after the customer swiped the card the first time, the LPA must contact the Help Desk to determine if the transaction was completed. If directed to do so by the Help Desk, the LPA must ask the customer to swipe the card again.
5. If a payment is accepted but it is not reflected in STARS, the LPA is not to perform a "line item delete" function. Instead, the LPA must contact the Help Desk for assistance.
6. When notified by a message from DMV that payment by credit or debit card is not available, the LPA must stop accepting credit or debit cards, as appropriate, until the LPA receives another message informing the LPA that the LPA can resume accepting payment.

## 19 Processing Dealer Work

### 19.1 Payment Within Five Days

A dealer is liable for any payments due an LPA for work the LPA processes for the dealer. A dealer is required to pay an LPA within five (5) business days after the LPA completes work for the dealer and notifies the dealer that the work is complete. An LPA may not release work to a dealer until the dealer pays the LPA the amount due for the work.

### 19.2 Notice When Dealer Does Not Comply

If a dealer fails to comply with the five-day payment requirement, the LPA must notify the LPA's field manager of the failure. If the five-day period during which the dealer has not paid the LPA includes the last business day of the month, the LPA must also report the dealer to the License and Theft Bureau of DMV.

### 19.3 Payment When Dealer Submits Work

When a field manager is notified two (2) or more times within a 60-day period that the same dealer has failed to comply with the five-day payment requirement in Section 19.1, the field manager must inform each affected LPA that the LPA may not process work for that dealer unless the dealer pays the LPA for the work when the dealer submits the work to the LPA. The requirement of a dealer to pay when submitting work to an LPA applies until the field

manager gives the LPA written notice that the dealer is not required to pay when submitting work.

## 20 Depositing Cash and Checks

### 20.1 Designation of Depository

Before an LPA begins operations, the field manager must inform the contractor of the closest and most appropriate financial institution to serve as the depository for the state funds paid to the LPA. The LPA must use this financial institution as the depository unless the contractor for the LPA submits a written request to DMV to use a different depository and the State Treasurer approves the request. When DMV receives a written request from a contractor, it must submit the request to the State Treasurer within five (5) days of receipt. When DMV receives a decision on the request from the State Treasurer, the field manager must inform the contractor in writing of the State Treasurer's decision within five (5) days of DMV's receipt of that decision.

### 20.2 Daily Deposits

All payments made to an LPA by cash or check must be deposited at least once a day in the depository designated under Section 20.1. An LPA may determine the number of deposits it considers appropriate based on the level of cash it accumulates. At no time shall state funds pass through an intermediary account, such as a personal or business account, before being deposited in the designated depository account. The following requirements apply to deposits:

1. Deposits made for a day must be certified by the receiving depository by 2:00 p.m. on the following business day. The contractor is responsible for complying with the requirements of the depository so that a deposit is certified by the required time. The requirement for an LPA to certify a deposit by the specified time does not apply when a power outage, an equipment failure, or inclement weather prevents timely compliance. The LPA must keep a copy of each deposit slip.
2. The total amount deposited for a day must match the amount noted in STARS for that day and the amount of cash and checks deposited for a day must match the amounts for cash and checks noted in STARS for that day. If the amount deposited is less than the amount noted in STARS, the LPA is liable for the difference. When an LPA is liable for the difference, DMV will deduct the amount from the compensation payable by DMV to the LPA. If the amount deposited is greater than the amount noted in STARS, the LPA must complete a Deposit Overage Form and attach it to the daily deposit report submitted to DMV.
3. The amount deposited for a day must be certified to IMS by 2:00 p.m. on the following business day and must match the amount certified by IMS for that day. This requirement does not apply when a power outage, an equipment failure, or inclement weather prevents timely compliance. The LPA must keep a copy of each IMS print out it receives of certified funds.

### 20.3 Counterfeit Bills

An LPA is not liable for counterfeit bills detected by the LPA's depository when processing a deposit if the counterfeit bill is not detectable by the type of counterfeit money pen typically used by LPAs. When a depository informs an LPA of a counterfeit bill included in the LPA's deposit and the LPA is not liable for the bill, the LPA must deduct the amount of the counterfeit bill from the deposit and submit a counterfeit bill report.

### 20.4 Reports of Payments by Credit or Debit Card

Intentionally blank, awaiting determination of need for reports.

## 21 Monthly Compensation

DMV agrees to pay each LPA by the 10th of each month for amounts due the LPA for work done the previous month. If the 10th falls on a day that is not a business day, DMV agrees to make the payment by the last business day preceding the 10th of the month. DMV agrees to make payments to LPAs by direct deposit of the amount due into their accounts.

## Business Practices

### 22 Notary Work

Notary services provided by an LPA must be performed in accordance with Chapter 10B of the North Carolina General Statutes. Notary revenue received by an LPA is not State revenue and is therefore not reportable to DMV and is not the responsibility of DMV.

### 23 Watercraft Registration

An LPA must enter into an agreement with the Wildlife Resources Commission to register watercraft on behalf of that Commission if the Commission makes a written request to the LPA to do so. Compensation payable to the LPA for the registration of watercraft is governed by the agreement between the LPA and the Wildlife Resources Commission, is not reportable to DMV, and is not the responsibility of DMV.

## 24 Daily Report and STARS Documentation

### 24.1 Document Report

At the end of each business day, an LPA must compile the title and other documents it processed that day. The LPA must mail these documents to DMV by U.S. mail or N.C. Courier Service by the end of the next business day. The LPA must include with the mailed documents a report of the contents of the package mailed.

## 24.2 STARS Documentation

At the end of each business day, an LPA must print out a copy of the following documents concerning transactions the LPA processed in STARS that day and must keep a copy of these documents in its records for one year:

1. Screen print of "Print STARS Deposit Slip" (VF24) after all cash drawers are closed
2. Check list
3. Reversal list
4. Credit card list
5. Transaction list

## 25 No Violations of Law

An LPA must comply with all laws. DMV may not impose processing requirements that conflict with this mandate.

## 26 Advertising at LPA Office

An LPA is authorized to advertise products and services at its LPA office and to enter into contracts to allow others to advertise at its LPA office. The specific products and services to be advertised and the specific ads to be placed at an LPA office must be submitted to DMV before they are advertised or displayed at the LPA office. DMV must approve the products, services, and ads submitted to it unless DMV determines that they are not in keeping with commonly understood standards of public decency, or they contain nudity, overtly sexual content, vulgar or discriminatory language, or material that is unsuitable for any age group, including children. Revenue received by an LPA office from advertising at the office is not state revenue.

## 27 Other Business in Conjunction with LPA Office

An LPA may operate another business at the same location with the written approval from the field manager as long as the business does not interfere with the operation of the LPA office. Before operating another business at an LPA office, the LPA must notify the LPA's field manager of its plan to do so and obtain the field manager's written approval.

## 28 Group Policies Obtained by DMV

### 28.1 Group Insurance for Theft or Damage of DMV Property or State Monies

DMV agrees to exercise its authority under G.S. 20-63.01 to negotiate for and obtain a group rate for the guaranty bond that statute requires LPAs to provide. DMV must allocate the cost of the bond among all the LPAs based on their tier and must deduct each LPA's allocable premium cost from the compensation otherwise payable to the LPA for transactions performed by the LPA.

## 28.2 Errors and Omissions Insurance

DMV agrees to negotiate for and attempt to obtain a group rate and group policy for errors and omissions insurance for all LPAs. This insurance must include coverage for the omission of liens from titles. DMV must allocate the cost of the insurance among all the LPAs based on their tier and must deduct each LPA's allocable premium cost from the compensation otherwise payable to the LPA from transactions performed by the LPA. To avoid deducting the cost of both the group insurance obtained under Section 28.1 and the insurance obtained under this section from LPAs' compensation in the same month, DMV must set different months for their renewals.

## 28.3 Robbery

DMV agrees to either indemnify LPAs against a loss of state funds due to theft or to obtain an insurance policy that provides coverage to LPAs for a loss of state funds due to robbery. An LPA may not be required to pay a deductible when a robbery occurs if it has followed all security policies and has taken reasonable precautions.

## 28.4 Posting Policies

DMV must post on the website required under Section 4 the group policies it obtains for which it charges the LPAs and any policy DMV obtains to provide coverage in the event of robbery.

## 29 Preventing Unauthorized Access to Confidential Information

### 29.1 Use of RACF ID

An LPA may not allow a RACF ID assigned to an employee of the LPA to be used by anyone other than the employee to whom it is assigned. This prohibition does not apply to a manager of an LPA who uses the RACF ID of an employee of the LPA in order to close the employee's open cash drawer when that employee is not available to do so. If DMV discovers that a RACF ID has been used in violation of this section, DMV may cancel the RACF ID immediately.

### 29.2 Placement of Equipment

An LPA must place equipment used to access STARS or print information stored in STARS so that it is not viewed by persons who are not employees of the LPA.

### 29.3 Reporting Unauthorized Disclosure

An LPA must notify DMV immediately if the LPA knows or suspects that an unauthorized disclosure of information that is protected by the federal Drivers Privacy Protection Act or another privacy law has occurred. DMV must include on the website required under Section 4 an explanation of the information that is protected under that Act and the name and explanation of other applicable privacy laws and the information they protect.

## 30 Storing and Destroying Confidential Documents

### 30.1 Confidential Documents

A confidential document is a document that includes the name and address of an individual or an entity or includes an account number of an individual or an entity. Examples of confidential documents include:

1. Social security card.
2. Driver license or identification card issued by DMV.
3. Utility bill or insurance card that includes the name and address of an individual or an entity.
4. Bank statement or credit card statement that includes the number of the account at the bank or the credit card account number.

### 30.2 Approval of DMV

At the end of each business day, an LPA must put all confidential documents in a secure place approved by DMV. An LPA may dispose of a confidential document only by a method, such as shredding, approved by DMV for that LPA.

### 30.3 Frequency of Disposal

An LPA must destroy all confidential documents that need to be disposed of within thirty (30) days after they are received.

## Errors and Complaints

### 31 Errors

#### 31.1 What Constitutes an Error

An error is a mistake that affects the validity of a title.

1. The following are examples of mistakes that affect the validity of a title and are errors:
  - a. Entering the incorrect year, make, or vehicle identification number (VIN) for a vehicle.
  - b. Omitting an owner or entering an incorrect owner.
  - c. Failing to verify the identity of a party to the transaction.
  - d. Omitting a lien from a title.
  - e. Omitting a brand from a title.
  - f. Titling a vehicle that is 10 years old or newer without the required odometer reading.
2. The following are examples of mistakes that do not affect the validity of a title and are not errors to be used in determining an LPA's error rate:
  - a. Submitting documents or pages of documents in the wrong order.
  - b. Omitting the LPA's bar code on an envelope.
  - c. Omitting the name of the principal in a notarial certificate when the name is not required under G.S. 10B-43(d).

- d. Omitting the date a notary's commission expires if the notary's stamp on the document states when the commission expires and that date is legible.
- e. Failure of an applicant for a title application, form MVR-1, to initial on the form that the blocks checked are correct when the applicant has signed the sworn statement on the form certifying that all the information on the form is correct.
- f. Omitting a checkmark in the appropriate box on the application for a duplicate title, form MVR-14, indicating the action requested by the application.

### **31.2 Mistakes Caught By LPA**

A mistake caught by an LPA and corrected by the LPA, by backing out a transaction or otherwise, before it is found by DMV is not considered an error and is not to be used in determining an LPA's error rate.

### **31.3 Determining the Acceptable Error Rate**

By July 1 of each fiscal year, DMV must set an error rate for each LPA tier that applies to the evaluation of the LPAs in that tier during the fiscal year. The error rate for a tier for a fiscal year must be based on error rate data for that tier for the most recent three fiscal years for which data is available. Based on the data, DMV must determine the mean error rate and standard deviation of the error rate for each tier. The acceptable upper threshold of an error rate is the mean error rate plus the standard deviation.

### **31.4 Review By DMV**

DMV must periodically review a sample of work submitted by each LPA, each dealer that processes its own work, and each of DMV's offices to determine their error rates. DMV must post on the website required under Section 4 the error rates of all LPAs, dealers, and DMV offices.

If an LPA disagrees with a purported error identified by DMV, DMV must review its initial determination, discuss the matter with the LPA, and then decide whether its initial determination that the LPA made an error is correct. An error under review may not be included in an LPA's error rate.

### **31.5 90-Day Grace Period**

An LPA is not subject to the error rate until after the first three full months of operation.

## **32 Complaints about LPA**

### **32.1 On-the-Spot**

If a customer at an LPA complains about an LPA while at the LPA, the LPA must address the complaint within one business day of the complaint.

### **32.2 Complaints To DMV**

If a customer submits a complaint about an LPA to DMV, the LPA's field manager must give the LPA a copy of the complaint and must discuss the complaint with the individual who submitted the complaint and then with the LPA to determine the cause of the complaint, whether the complaint can be resolved, and whether the supervisor considers the complaint



to be substantiated. The field manager must inform the LPA of the decision in whether the complaint is substantiated, must set out the rationale for the decision in writing, and must give the LPA a copy of the decision. A complaint against an LPA is substantiated if a reasonable person with knowledge of the facts and circumstances would agree that the LPA's actions warrant a complaint.

### **32.3 Complaints By DMV**

DMV may initiate a complaint about an LPA for a suspected violation of the SOP, the contract, or a law by submitting a complaint in writing to the LPA's field manager. Unless the complaint involves suspected criminal activity and disclosure of the complaint would jeopardize an investigation, DMV must give the LPA a copy of the complaint and must follow the procedure that applies under Section 32.2 to a written complaint about an LPA submitted by a customer.

### **32.4 Log of Complaints**

A field manager must maintain a log of complaints made against an LPA and the resolution of the complaints.

### **32.5 Consequences of Substantiated Complaint**

A substantiated complaint results in a deduction from an LPA's performance points, as described in Section 35.

## **33 Complaints About DMV By LPA**

An LPA may submit a written complaint to DMV about any aspect of DMV's interaction with the LPA. When DMV receives a complaint from an LPA, it must initiate an investigation of the complaint within one (1) business day after receiving the complaint. Complaints against the LPA's field manager will be assigned and investigated by the field manager's administrative officer.

## **Evaluating an LPA's Performance**

### **34 Monthly Reviews of LPA**

#### **34.1 Person Conducting Review**

A review of an LPA must be conducted by a field manager and an auditor.

#### **34.2 Scope of Review**

The purpose of a monthly review of an LPA is to determine if the LPA is complying with the SOP and to determine the LPA's performance points or deductions for that month. As part of one monthly review each year, the person conducting the review must review the equipment assigned by DMV to the LPA and match the fixed asset numbers and serial numbers of the equipment to those in DMV's records.

**34.3 Report of Review**

The person conducting a review of an LPA must make a written report of his or her findings and must discuss these findings with the contractor of the LPA. After the reviewer discusses the findings with the contractor, both of them must acknowledge their discussion by signing the report. An LPA who disagrees with a finding in the report may attach an explanation of why the LPA disagrees.

**34.4 Resolving Non-Compliance**

When a monthly review of an LPA determines that the LPA's performance does not comply with the SOP, the person conducting the review and the contractor of the LPA must discuss and agree upon a timeline for compliance. An LPA is allowed a minimum of two full business days to correct any non-compliance in performance. At the discretion of the field manager or other DMV representative, as appropriate, the LPA is allowed additional time if more time is needed given the measures needed to correct the non-compliance. A field manager or auditor who exercises his or her discretion and allows more time must report the extension and the reason for the extension to DMV.

**35 Performance Points**

An LPA is awarded points for complying with various requirements in the SOP. An LPA's performance points for a month are to be determined in the monthly review of the LPA. Points applicable to a daily activity apply per business day. Points applicable to a monthly activity apply per month. The points awarded for compliance with specific requirements are as follows:

| Activity  | SOP Provision | Points |
|---|---------------|--------|
| <b>Daily</b>  |               |        |
| Certifies deposit by 2:00                                     | 20.2 (1)      | 1      |
| Has deposit slip  | 20.2(1)       | 1      |
| Deposit slip matches amount in STARS                          | 20.2 (1)      | 1      |
| Deposit of cash and checks match amount in STARS              | 20.2 (2)      | 1      |
| Deposit slip matches amount certified by IMS                  | 20.2 (3)      | 1      |
| Has IMS print out   | 20.2 (3)      | 1      |
| Has STARS documentation                                       | 24.2          | 1      |
| Mails documents to DMV  | 24.1          | 1      |
| <b>Monthly</b>  |               |        |
| No missing RIS inventory                                      | 15.4 -15.5    | 10     |
| No more than 2 missing RIS inventory                          | 15.4 -15.5    | 2      |
| No missing INI inventory                                      | 15.4 -15.5    | 10     |
| No more than 2 missing INI inventory                          | 15.4 -15.5    | 2      |
| Has all inventory items reported as damaged                   | 15.6          | 10     |
| Is missing no more than 2 inventory items reported as damaged | 15.6          | 2      |
| Error rate is within acceptable range                         | 31            | 10     |
| Stores confidential documents in secure place                 | 30.2          | 2      |
| Disposes of confidential documents within 30 days             | 30.3          | 2      |
| Stores inventory in secure location                           | 15.2          | 2      |

|  |      |    |
|--|------|----|
| Required signs are posted and are readable         | 16.1 | 2  |
| Employee clothing meets business casual standard   | 9    | 2  |
| Has maintained acceptable wait times               | 10.2 | 10 |
| Has required security cameras                      | 17.1 | 2  |
| Has required designated renewal/plate turn-in line | 13.4 | 2  |
| Customers have access to restrooms                 | 13.3 | 2  |
| Has recorded phone message if required             | 17.2 | 2  |

### 36 Performance Deductions

Ten (10) points are deducted from an LPA's performance points awarded under Section 35 for each of the following that occurs during the year:

1. The LPA omits a lien from a title.
2. DMV determines that a customer complaint against the LPA is a substantiated complaint.
3. DMV determines that a Division complaint against the LPA is a substantiated complaint.

### 37 Incentive for Top Performance

For purposes of awarding incentives for top performance, the LPAs are divided into five equal percentile groups based on the number of transactions processed by the LPAs in the preceding fiscal year, with the 1st percentile consisting of the LPAs with the lowest number of transactions. The two LPAs in each percentile group that have the most performance points of the LPAs in that group for a fiscal year are granted either of the following at the discretion of the contractor of the LPA:

1. The option of extending the LPA's contract. For the LPA with the most points, the extension is for two years. For the LPA with the second most points, the extension is for one year.
2. A cash bonus based on the tier of the LPA as set out in the following table:

| Percentile Group | Top LPA | 2 <sup>nd</sup> LPA |
|------------------|---------|---------------------|
| 1st              | TBD     | TBD                 |
| 2nd              | TBD     | TBD                 |

|     |     |     |
|-----|-----|-----|
| 3rd | TBD | TBD |
| 4th | TBD | TBD |
| 5th | TBD | TBD |

## Responding to Crimes and Emergencies

### 38 Robberies and Break-ins at LPA Office

#### 38.1 Response of LPA

When a robbery occurs at an LPA office or an LPA office that is closed at the time is forcibly entered, the LPA must take the following actions:

1. Notify local law enforcement immediately.
2. Notify the LPA's field manager within thirty (30) minutes of notifying local law enforcement.
3. Close the LPA office until the LPA's field manager or another representative of DMV conducts an audit of the office to determine what, if anything, has been stolen and whether anyone has gained unauthorized access into any DMV system.
4. Include in its report to the police any missing money, inventory, or equipment and any damage to the LPA facility or equipment.

#### 38.2 Response of Field Manager

When notified by an LPA of a robbery or break-in at the LPA office, the field manager must notify all of the following immediately:

1. The appropriate District License and Theft Bureau immediately.
2. The DMV Administrative Office.
3. DOT Information Technology, which must determine the type of computer forensics, if any, to apply to ensure the integrity of DMV systems and any computer equipment assigned to the LPA.

#### 38.3 Response of DMV

When notified by a field manager or otherwise learning of a robbery or break-in, DMV must notify all LPAs as follows:

1. By a message sent immediately if DMV receives notice from the field manager during business hours.
2. By contacting, by email or phone, as soon as possible any LPAs within a one hundred (100) mile radius of the crime and by sending a message to all LPAs by 9:00 a.m. on the next business day if DMV receives notice from the field manager outside the business day.

## 39 Emergency Closings of LPA Office

### 39.1 Authority

A contractor or manager of an LPA has the authority to determine to close the LPA office due to an emergency that endangers LPA staff or customers.

### 39.2 Notice

A contractor or manager of an LPA who closes the LPA office in an emergency must notify the LPA's field manager within one (1) hour after the office is closed.

## 40 Closing an LPA Office due to Inclement Weather

### 40.1 Authority

A contractor or manager of an LPA has the authority to determine to close the LPA office due to inclement weather that may jeopardize the safety of the LPA staff or customers.

### 40.2 Prior Discussion

Unless the inclement weather creates an emergency, as determined by the contractor or manager, the contractor or manager must discuss the potential closing with the LPA's field manager before making a decision about closing. The LPA must consider the field manager's comments and position but is not bound by it.

### 40.3 Notice

If the contractor or manager decides to close the LPA office after discussing the matter with the Field Manager, the contractor or manager must notify the LPA's field manager immediately.

### 40.4 Fire or Water Damage at LPA Office

If a fire or flooding occurs in an LPA office, the LPA must evacuate all customers from the office and call 911 immediately.

### 40.5 Closing of Raleigh DMV Office

When DMV closes its Raleigh Office or the Call Center due to an emergency or otherwise, DMV must send a message to LPAs notifying them of the closure.

## Changes to SOP

### 41 Proposing a Change

#### 41.1 Type of Change

A change to the SOP is either a technical change or a substantive change. A technical change is a change that corrects a technical error, such as a misspelled word, an incorrect reference, an obvious mistake in choice of words, or a similar error. All other changes are substantive changes.

#### 41.2 Recommending a Change

Any of the following may propose a change to the SOP by submitting it to the Chair of the LPA Advisory Committee:

1. A contractor or manager of an LPA.
2. A field manager or other representative of DMV.

#### 41.3 Information for Substantive Change

A proposal for a substantive change must meet the following requirements in order to be considered:

1. Be in writing.
2. Set out the proposed change using strikethroughs to indicate text that is deleted and underlining to indicate text that is added.
3. Be accompanied by an explanation of the effect of the proposed change and why the change is needed.

### 42 Notice and Review of Proposed Change

#### 42.1 Notice and Comment

When the Chair of the LPA Advisory Committee receives a proposed change to the SOP, the chair must give LPAs notice of the proposed change by posting the proposed change and any accompanying explanation on the website required under Section 4. If the proposed change is a substantive change, the notice must state that LPAs may submit written comments concerning the proposed change to the LPA Advisory Committee and must provide an email address for that purpose. The chair must set a deadline for receipt of comments on a proposed substantive change that is at least 30 days after the date the notice is posted.

#### 42.2 Review Process

A proposed change to the SOP must be reviewed and approved by the LPA Advisory Committee before it can become effective. If the proposed change is a substantive change and one or more LPA members of the committee do not support the change, the proposed change must also be reviewed and approved by the Commissioner.

#### 42.3 Review by LPA Advisory Committee

The chair of the LPA Advisory Committee may place on a committee agenda at any time either a proposed technical change or a proposed substantive change that is required by recently enacted state or federal legislation. The chair of the committee may place any other proposed substantive change to the SOP only on an agenda for a meeting that is held at least five (5) days after the deadline for submitting comments. The chair must notify the person who submitted the proposed change of any meeting at which it will be discussed and give that person an opportunity to present the proposed change.

After the LPA Advisory Committee reviews a proposed change, it must make a recommendation about whether to adopt the proposed change, adopt it with additional changes, or reject it and must accompany the recommendation with an explanation of the reasons for the recommendation. The recommendation must state whether all the LPA members of the committee support the proposed change. If all the LPA members do not support the recommendation, the chair must submit the proposed change to the Commissioner along with all information submitted about the change.

**42.4 Review by Commissioner**

The Commissioner must approve any proposed substantive change to the SOP that is not supported by all the LPA members of the LPA Advisory Committee. In reviewing a proposed substantive change that lacks LPA support, the Commissioner must discuss the proposed change with the head of the North Carolina Motor Vehicle Registration Contractors' Association and with an LPA who is not a member of that association before making a decision on the proposed change. The Commissioner must consider the financial impact on the LPAs of the proposed change. If requested by one of the LPAs with whom the Commissioner is required to discuss the proposal, the Commissioner must allow the LPA time to survey other LPAs to gather data to establish the financial impact before the Commissioner makes a decision.

**42.5 Notice of Proposed Change**

When the LPA Advisory Committee adopts a proposed technical change or the Commissioner adopts a substantive change, DMV must post the proposed change on the LPA website required under Section 4.

**42.6 Effective Date of Change**

A proposed substantive change adopted by the Commissioner may become effective only on January 1 or July 1 and may not become effective sooner than 30 days after notice of the change was posted under Section 42.5. If the change affects the size, layout, or plumbing of the LPA office facility, the change may not become effective until at least 18 months after the first January 1 or July 1 on which it could have become effective but for this limitation.

**43. Transitional Provisions****43.1 Time to Comply**

LPAs are allowed 18 months after the effective date of the restroom requirement in Section 13.3 to comply with that section; during this period the LPAs may not lose performance points or receive performance deductions as a result of this allowance.



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**AGENDA ITEM 10:**

**MISCELLANEOUS ADMINISTRATIVE MATTERS**

*A. January's Meeting Schedule*

**MANAGER'S COMMENTS:**

The Board has traditionally cancelled one of the meetings in December or January depending on how the holidays have fallen. Due to where Christmas and New Year fall during the week, staff would recommend the Board cancel the first meeting in January as there would be insufficient time to prepare the Board packets. Historically, December and the first weeks in January have few issues requiring Board action.

Staff seeks direction from the Board in cancelling the January 5, 2016, meeting.

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**AGENDA ITEM 10:**

**MISCELLANEOUS ADMINISTRATIVE MATTERS**

*B. Announcements*

**MANAGER'S COMMENTS:**

The Annual County Christmas Luncheon, scheduled on Tuesday, December 8, 2015, will be held at Dan'l Boone Inn from 11:45 A.M. to 2:00 P.M.

The Register of Deeds Staff invites you to join them for holiday goodies on Monday, December 14, 2015, from 2:00 – 4:00 P.M. in the Land Records Office.

*The Register of Deeds Staff would like to invite you to join us for some holiday goodies on Monday, December 14<sup>th</sup>, 2015, 2-4PM in the Land Records Office.*

*We will be collecting non-perishable food items for donation to Watauga County Hunger Coalition.*

*Wishing each of you a very Merry Christmas and many Blessings in 2016! Thank you for your friendship and support over the past year!*

*Amy, Kathy, Anne, Lorie, Carolyn, Kim & Christy*

**AGENDA ITEM 11:**

**PUBLIC COMMENT**

**AGENDA ITEM 12:**

**BREAK**

**AGENDA ITEM 13:**

**CLOSED SESSION**

Attorney/Client Matters – G. S. 143-318.11(a)(3)