

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

**TUESDAY, DECEMBER 20, 2011  
5:00 P.M.**

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

<b>TIME</b>	<b>#</b>	<b>TOPIC</b>	<b>PRESENTER</b>	<b>PAGE</b>
5:00	1	CALL REGULAR MEETING TO ORDER		
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5:15	6	PLANNING AND INSPECTIONS MATTERS	MR. JOE FURMAN	
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**AGENDA ITEM 2:**

**APPROVAL OF THE MINUTES**

December 6, 2011, Regular Meeting  
December 6, 2011, Closed Session Meeting

## MINUTES

### WATAUGA COUNTY BOARD OF COMMISSIONERS TUESDAY, DECEMBER 6, 2011

The Watauga County Board of Commissioners held a regular meeting on Tuesday, December 6, 2011, at 8:00 A.M. in the Commissioners' Board Room of the Watauga County Administration Building, Boone, North Carolina.

PRESENT: Nathan A. Miller, Chairman  
David Blust, Vice-Chairman  
Jim Deal, Commissioner  
Tim Futrelle, Commissioner  
Vince Gable, Commissioner  
Stacy C. Eggers, IV, County Attorney  
Deron Geouque, County Manager  
Anita J. Fogle, Clerk to the Board

Chairman Miller called the meeting to order at 8:06 A.M.

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

#### **APPROVAL OF MINUTES**

Chairman Miller called for additions and/or corrections to the November 15, 2011, regular meeting minutes.

Commissioner Deal requested a correction under Boards and Commissions stating that the recommended appointment of Caroline Carney to the Recreation Commission was to represent Valle Crucis School, not Blowing Rock School.

Commissioner Deal, seconded by Commissioner Gable, moved to approve the November 15, 2011, regular meeting minutes as amended.

VOTE: Aye-5  
Nay-0

#### **BOARD ORGANIZATIONAL MATTERS**

The meeting was turned over to County Manager Geouque for the election of the Chairman of the Watauga County Board of Commissioners.

##### ***A. Election of Officers***

County Manager Geouque called for nominations for Chairman of the Watauga County Board of Commissioners.

Commissioner Gable, seconded by Commissioner Blust, moved to appoint Commissioner Miller as Chairman.

VOTE: Aye-5  
Nay-0

The meeting was then turned over to Chairman Miller.

Chairman Miller called for nominations for Vice-Chairman of the Watauga County Board of Commissioners.

Commissioner Blust, seconded by Chairman Miller, moved to appoint Commissioner Gable as Vice-Chairman.

VOTE: Aye-5  
Nay-0

### ***B. Staff Appointments***

Commissioner Deal, seconded by Commissioner Blust, moved to re-appoint Deron Geouque as the County Manager.

VOTE: Aye-5  
Nay-0

Vice-Chairman Gable, seconded by Commissioner Blust, moved to re-appoint Anita J. Fogle as Clerk to the Board and to re-appoint Angie Ritter and Monica Harrison as Substitute Clerks to the Board.

VOTE: Aye-5  
Nay-0

Commissioner Blust, seconded by Vice-Chairman Gable, moved to appoint Eggers, Eggers, Eggers, and Eggers as the Law Firm representing Watauga County as legal counsel for Watauga County including the Watauga County Department of Social Services and their Child Support Enforcement Offices.

VOTE: Aye-5  
Nay-0

### ***C. Fidelity Bonds***

The following individual fidelity bonds were presented for approval:

Position	Bond Amount	Statutory Requirement
Finance Director	\$50,000	No less than \$50,000, per G. S. 159-29
Deputy Finance Director (County Manager)	\$50,000	Same as above
Tax Collector	\$50,000	Amount considered reasonable by BCC, G. S. 105-349-c
Register of Deeds	\$50,000	At least \$10,000 but no more than \$50,000, G. S. 161-4
Sheriff	\$25,000	\$25,000 max, G. S. 162-8

Commissioner Deal, seconded by Vice-Chairman Gable, moved to approve the individual fidelity bonds as presented.

VOTE: Aye-5  
Nay-0

***D. Commissioner Boards & Commissions Appointments***

Commissioner appointments to various Boards and Commissions were reviewed.

Chairman Miller, seconded by Vice-Chairman Gable, moved to appoint Commissioner Blust to the AppalCART Authority Board and to appoint himself to the Smoky Mountain Center Board.

VOTE: Aye-5  
Nay-0

Vice-Chairman Gable, seconded by Commissioner Futrelle, moved to approve the full slate of appointments as follows:

<b><u>Boards and Commissions</u></b>	<b><u>Commissioner Appointed</u></b>
Appalachian District Health Department	Deal
AppalCART Authority	Blust
Blue Ridge Resource Conservation & Development Area	Blust
Caldwell Community College & Technical Institute (Watauga Advisory Board)	Futrelle
Children's Council/Child Protection Team	Futrelle
Committee of 100	Blust
Criminal Justice Partnership Program	Gable
Economic Development Commission	Blust
Educational Planning Committee (2 appointees)	Blust & Futrelle
EMS Advisory Committee	Gable
Future Forward	Blust
High Country COG (Executive Board & Rural Transportation Advisory Comm.)	Miller
Juvenile Crime Prevention Council	Futrelle
Library Board	Futrelle
Motor Vehicle Valuation Review Committee	Gable
New River Service Authority Board (Mental Health Service Provider)	Miller
POA Advisory Committee (Home & Community Care Block Grant)	Futrelle
Smoky Mountain LME (Mental Health)	Miller
Watauga County Cooperative Extension's Advisory Leadership Board	Gable
Watauga County Fire Commission	Gable
Watauga County Medical Center Board of Trustees	Deal
Watauga County Personnel Advisory Committee	Miller
Watauga County Recreation Commission	Deal
Watauga County Department of Social Services	Miller
Watauga Opportunities, Inc.	Blust
Workforce Development Consortium	Chairman

VOTE: Aye-5  
Nay-0

***E. Meeting Schedule***

Commissioner Blust, seconded by Vice-Chairman Gable, moved to set the regular meeting schedule for the Watauga County Board of Commissioners in 2012 as follows: the first Tuesday of each month at 8:30 A.M. and the third Tuesday of each month at 5:30 P.M.; however, after discussion, Commissioner Blust, seconded by Vice-Chairman Gable, moved to amend the motion as follows: moved to set the regular meeting schedule for the Watauga County Board of Commissioners as follows: the first Tuesday of each month at 8:00 A.M. and the third Tuesday of each month at 5:30 P.M. for the year 2012.

VOTE: Aye-5  
Nay-0

**APPROVAL OF AGENDA**

Chairman Miller called for additions and/or corrections to the December 6, 2011, agenda.

County Manager Geouque requested the following changes:

- Removal of the Criminal Justice Partnership Program Agreement request, per Mr. Mike Vannoy
- Removal of the Road Maintenance Request from Top O Boone, per Mr. David Turlington
- Addition of a closed session for Attorney/Client matters per, G. S. 143-318.11(a)(3).

Commissioner Deal, seconded by Commissioner Futrelle, moved to approve the December 6, 2011, agenda as amended.

VOTE: Aye-5  
Nay-0

**TOWN OF BOONE RAW WATER LINE & INTAKE PROJECT EASEMENT REQUEST**

Mr. Josh Eller, Town of Boone Utilities Service Technician, stated that the Town was in the design phase of constructing raw water line. Mr. Eller stated that there was additional survey work that was required; however, the Town planned to request a temporary construction and a permanent easement on County property near Watauga High School for the water line as associated with the intake project. County Attorney Eggers recommended, if the Board chose to approve the easements, that the area be delineated by metes and bounds prior to consideration. Mr. Eller stated that the additional survey work mentioned was for the preparation of those metes and bounds.

Discussion was held regarding a prior request from the County for additional fire hydrants in the area of the intake project. Mr. Rick Miller, Town of Boone Public Utilities Director, stated that he had talked with an engineer from the State who had concerns regarding the line being for raw water. Mr. Miller also stated that, until the Town had someone available around the clock that could pressurize the line as needed for operation of the hydrant upon notice of a fire call in that area, the liability was too great. Mr. Miller agreed to share the State engineer's name and contact information with the County Manager.

By consensus, the Board agreed to table consideration of the easement requests until the metes and bounds were delineated and documentation for the project was completed.

## **TOURISM DEVELOPMENT AUTHORITY MATTERS**

### ***A. Proposed Consultant Contract for Completing the South Fork Greenway Plan***

Mr. Eric Woolridge with the Watauga County Tourism Development Authority (TDA) presented a proposed contract, in an amount up to \$12,000, with Ms. Teresa Buckwalter for her assistance in completing the South Fork New River Greenway Plan as funded through a \$35,000 Clean Water Management Trust Fund grant. Ms. Buckwalter previously worked on the project with Brushy Fork Environmental and had extensive knowledge of project. Mr. Woolridge presented a proposed resolution to exempt the project from the qualification-based process, and enter into a contract with Ms. Buckwalter. Due to her knowledge of the project, it would be most cost-effective for her to complete the work.

Commissioner Deal, seconded by Commissioner Futrelle, moved to adopt the resolution exempting the project from the qualification-based process due to Ms. Buckwalter's extensive knowledge of the project and to approve the contract with Ms. Teresa Buckwalter, in an amount not to exceed \$12,000, contingent upon County Attorney review.

VOTE: Aye-5  
Nay-0

### ***B. Request for Withdrawal of Clean Water Management Trust Fund Grant Agreement***

Mr. Woolridge stated that the Tourism Development Authority currently had an active grant application with the Clean Water Management Trust Fund (CWMTF) in relationship to an agreement with the Greer family for acquisition of a 100' conservation easement along the Greer farm north of Brookshire Park. Notification was received recently from the CWMTF that the County needed to either resubmit or withdraw the grant application. The grant required a local match of which the funds were to be allocated by the TDA; however, the TDA Board recently voted to not reauthorize the funds and, therefore, was no longer committed to providing the local match for the grant application. Therefore, TDA staff requested the Board allow the conservation easement agreement with the Greer family to expire and requested the County withdraw the grant application from the Clean Water Management Trust Fund.

Commissioner Blust, seconded by Commissioner Deal, moved to authorize the withdrawal of the grant application to the Clean Water Management Trust Fund and to allow the conservation agreement with the Greer family to expire, as presented by Mr. Woolridge.

VOTE: Aye-5  
Nay-0

## **PROPOSED GRANTS FOR ROCKY KNOB PARK THROUGH BOONE AREA CYCLISTS**

Mr. Paul Stahlschmidt, President of Boone Area Cyclists (BAC), stated that the BAC had served as a community partner on the Rocky Knob Park project by providing more than 2,500 volunteer hours toward the Park's expanding trail network. As the BAC was a 501(c)3 organization, it was in a position to provide financial assistance as well.



The NC Adopt-a-Trail Program released a second call for new trail projects and the BAC submitted an application for Rocky Knob Park. The BAC was awarded a \$5,000 Adopt-a-Trail grant. Mr. Stahlschmidt requested an endorsement from the County prior to accepting those grant funds which would be used to expand the trail network at Rocky Knob Park.

Commissioner Deal, seconded by Commissioner Futrelle, moved to endorse the Boone Area Cyclists acceptance of the \$5,000 Adopt-a-Trail grant to be used to expand the Rocky Knob Park trail network.

VOTE: Aye-5  
Nay-0

Mr. Stahlschmidt also requested an endorsement to apply for a Lowes Foundation grant, in the amount of \$25,000, to further support trail development efforts at Rocky Knob Park.

Mr. Eric Woolridge with the Watauga County Tourism Development Authority (TDA) stated that, if received, the funds would be used to supplement TDA funds dedicated for the bike skills area. Project implementation would be closely monitored by TDA staff for oversight and compliance of grant requirements.

Commissioner Blust, seconded by Commissioner Deal, moved to endorse the Boone Area Cyclist's Lowes Foundation grant application, in the amount of \$25,000, with funds to be dedicated to further support trail development for the bike skills area at Rocky Knob Park.

VOTE: Aye-5  
Nay-0

## **LANDFILL GAS TO ENERGY PROJECT MATTERS**

### ***A. Proposed Interconnection Agreement with BREMCO***

Ms. Lisa Doty provided an update on the interconnection agreement with BREMCO in reference to the County's Gas to Energy project. The agreement will be presented for consideration at a future meeting after further review by the County Attorney.

### ***B. Proposed Power Purchase Agreement with Duke Energy***

Ms. Doty presented a proposed power purchase agreement with Duke Energy for the excess power generated from the landfill gas project. Duke Energy planned to purchase the excess power at 5.5263 c/kWh. The annual gain generated by this project for the County was projected at \$72,220 which included approximately \$30,000 in costs savings and \$42,220 in sales. Funds gained would be allocated to the Sanitation Department budget. The power purchase agreement required baler operation during off-peak hours, adoption of procedures in the event of a system shut-down, and the establishment of reserve accounts to cover system maintenance costs. Mr. Jason Hoyle with the Appalachian State University Energy Center stated that the gas output capacity expected in the power purchase agreement was within projected parameters for the project.

Ms. Doty stated that the Gas to Energy project was the first in the state and would hopefully be a pilot program for other closed landfill sites.

County Attorney Eggers stated that the agreement had been reviewed and was ready for consideration.

Commissioner Deal, seconded by Commissioner Futrelle, moved to approve the power purchase agreement with Duke Energy as presented.

VOTE: Aye-5  
Nay-0

***C. Proposed Amendments to Filing with the NC Utilities Commission***

Ms. Doty stated that the County had initially planned to sell the excess power generated to BREMCO; however Duke, BREMCO's wholesale provider, was now purchasing the excess power at a higher rate. Due to the change, the County's filing with the North Carolina Utilities Commission needed updating to reflect the correct purchaser of the excess power generated by the project.

Commissioner Blust, seconded by Vice-Chairman Gable, moved to amend the County's filing with the North Carolina Utilities Commission by changing the purchaser, on record, of excess power from BREMCO to Duke Energy, contingent upon the County Attorney's review.

VOTE: Aye-5  
Nay-0

In addition, Ms. Doty requested authorization for the County Manager to send a letter informing the US Department of Energy of the County's intent to apply for the Renewable Energy Production Incentive Program.

The Board agreed by consensus to authorize the County Manager to send a letter expressing the County's intent to apply for the Renewable Energy Production Incentive Program.

***D. Proposed Dates for Ribbon Cutting Ceremony for the Gas to Energy Project***

Ms. Doty requested the Board provide a date for a ribbon cutting ceremony celebrating the new Gas to Energy project coming online. The proposed dates were Friday, December 16, 2011, anytime; or Monday, December 19, 2011, 1:00 P.M. or later.

The Board agreed by consensus to schedule the ribbon cutting ceremony for the Gas to Energy Project on December 16, 2011 at 1:00 P.M. at the Landfill.

**REQUEST TO ACCEPT ADDITIONAL ALLOCATION OF HOME AND COMMUNITY CARE BLOCK GRANT FUNDING**

Ms. Angie Boitnotte, Director of the Project on Aging, reported that an additional \$9,932 was allocated to Watauga County from the Home and Community Care Block Grant (H&CCBG)

Funds for fiscal year 2012. The additional amount required \$1,103 in local match which was present in the Project on Aging's current budget. The additional funds were divided equally between the In-Home Aide I, In-Home Aide II, Congregate Meals, and Home Delivered Meals programs with \$2,483 allocated to each.

Ms. Boitnotte stated that state allocations were also adjusted, reducing the Part D Health Promotion budget line by \$99 and the Medication Management budget line by \$10. The reduction resulted in a \$13 decrease in local match for these funds.

Commissioner Deal, seconded by Commissioner Futrelle, moved to approve the additional Home and Community Care Block Grant Funds as well as the budget amendments as presented.

VOTE: Aye-5  
Nay-0

### **DOT SECONDARY ROAD ADDITION REQUEST**

Mr. Joe Furman presented a proposed resolution requesting an addition to the State Maintained Secondary Road System by extending Silverleaf Road 488 feet. Mr. Furman stated that Board action was required to adopt the enclosed resolution and forward it to the Department of Transportation for consideration of adding this road to the state maintained secondary roads system.

Commissioner Deal, seconded by Commissioner Futrelle, moved to adopt the resolution as presented.

VOTE: Aye-5  
Nay-0

### **TAX MATTERS**

#### ***A. Monthly Collections Report***

Tax Administrator Kelvin Byrd presented the Tax Collections Report for the month of November 2011. This report was presented for information only and, therefore, no action was required.

#### ***B. Refunds and Releases***

Mr. Byrd presented the following Refunds and Releases for November 2011 for Board approval:

TO BE TYPED IN MINUTE BOOK

Commissioner Blust, seconded by Vice-Chairman Gable, moved to approve the Refunds and Releases Report for November 2011, as presented.

VOTE: Aye-5  
Nay-0

## **FINANCE MATTERS**

### ***A. Presentation of Smoky Mountain Center's Quarterly Financial Report***

Ms. Margaret Pierce, Finance Director, presented the Smoky Mountain Center Quarterly Report as required by State Statute.

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

### ***B. Proposed Contract for Inmate Catastrophic Insurance***

Ms. Pierce presented a proposed contract renewal with Insurance Management Consultants, Inc. for catastrophic insurance for medical claims related to inmate care. The renewal included an increase in the amount of \$752 for a total annual premium of \$32,729. Adequate funds were available in the jail budget to cover the renewal increase.

Commissioner Deal, seconded by Commissioner Blust, moved to approve the contract renewal with Insurance Management Consultants, Inc., contingent upon the County Attorney's review.

VOTE: Aye-5  
Nay-0

### ***C. Proposed Resolution to Adopt 125 Cafeteria Plan***

Ms. Pierce presented a proposed resolution to adopt a Section 125 Cafeteria Plan which was prepared by the County Attorney. Due to upcoming changes in the County's employee health insurance plan, it was necessary, per IRS regulations, to adopt the plan which provided the County flexibility and allowed pre-tax payroll deductions to employee's Health Savings Accounts (HSA).

Commissioner Deal, seconded by Commissioner Futrelle, moved to adopt the resolution and Section 125 Cafeteria Plan as presented.

VOTE: Aye-5  
Nay-0

## **MISCELLANEOUS ADMINISTRATIVE MATTERS**

### ***A. Proposed Engineering Services for Roof Damage at Watauga High School***

County Manager Geouque stated that the engineer for the County's insurance company conducted an initial review of the roof damage and recommended areas where the County may wish to have further analysis done to ensure the integrity of the roof. A proposed contract with Stafford Consulting Engineers was presented for consideration in an amount not to exceed \$10,000 unless it was determined that further analysis was warranted on the Watauga High School roof. The County Manager presented a proposed resolution which would exempt the Watauga High School Roof Project from the qualification-based process based on G. S. 143-64.32 under the provisions of Article 143. Also, as part of the analysis, it was necessary to hire LaFave Construction to assist the engineer by providing an 80-foot boom and personnel to access

the roof in order for the engineers to evaluate existing roof conditions which may involve removing and reinstalling roof panels. Funds were available in the professional services line for the High School project, which has not officially been closed-out, to cover the expenses of these proposals.

The County Attorney stated that the Stafford Consulting Engineers contract needed to be re-written; however, he could do so quickly.

Commissioner Deal, seconded by Commissioner Futrelle, moved to adopt the resolution exempting the Watauga High School Roof Project from the qualifications-based process; approve the contract with Stafford Consulting Engineers in an amount not to exceed \$10,000 and contingent upon the County Attorney's review; and approve the contract with Lafave Construction, in the amount of \$4,892, to assist Stafford Engineering, also contingent upon the County Attorney's review.

VOTE: Aye-5  
Nay-0

### ***B. Boards & Commissions***

County Manager Geouque stated that the term of Jamey Hodges, at-large member of the Watauga County Planning Board, was to expire in December. He was willing to continue to serve if so reappointed. The Watauga County Planning Board consisted of seven (7) members. Each Commissioner appointed a member residing in and representing their voting district with the two (2) additional members being appointed at-large and serving four-year terms.

The County Manager presented an application received from Michael Potter who expressed interest in serving on the Economic Development Commission, Juvenile Crime Prevention Council (JCPC) and the Watauga County Planning Board, listed in order of preference.

Commissioner Deal, seconded by Commissioner Blust, moved to reappoint Jamey Hodges as an at-large member of the Watauga County Planning Board.

VOTE: Aye-5  
Nay-0

As all seats were currently filled on the Economic Development Commission, Commissioner Deal, seconded by Commissioner Blust, moved to waive the second reading and appoint Michael Potter as a Commissioner-appointed member of the Juvenile Crime Prevention Council.

VOTE: Aye-5  
Nay-0

County Manager Geouque stated that the terms of the Recreation Commission members representing the Hardin Park, Parkway, Green Valley, and Valle Crucis elementary school districts were set to expire in December. Principal Mary Smalling nominated Brittany Bolick for appointment as the representative for the Hardin Park School district; Principal Tamara Stamey

nominated Gene Swift for reappointment as the representative for the Parkway School district; and Principal Martha Clark nominated Caroline Carney for appointment as the representative for the Valle Crucis district.

Commissioner Blust, seconded by Vice-Chairman Gable, moved to reappoint Gene Swift and appoint Brittany Bolick and Caroline Carney to the Watauga County Recreation Commission.

VOTE: Aye-5  
Nay-0

County Manager Geouque stated that the Watauga County Library Board recommended the reappointment of George Bard as the Watauga County representative on the Appalachian Regional Library Board with the term to expire in 2015.

Commissioner Futrelle, seconded by Commissioner Deal, moved to waive the second reading and reappoint George Bard as the Watauga County representative on the Appalachian Regional Library Board with his term set to expire in August 2015.

VOTE: Aye-5  
Nay-0

### ***C. Announcements***

County Manager Geouque announced that the Clerk of Court, Register of Deeds, and Tax Offices' Annual Christmas Celebration was scheduled for Friday, December 9, 2011, from 11:00 A.M. until 2:00 P.M.

The County Manager announced that the Annual County Christmas Luncheon was scheduled on Tuesday, December 13, 2011, from 12:00 to 2:00 P.M.

The County Manager announced that the Board of Commissioners next regular meeting would be held as scheduled on December 20, 2011, at 5:00 P.M. with the new regular meeting schedule to take effect in January.

The County Manager announced that the first regular meeting of the Board scheduled in January had been cancelled due to the holiday schedule. Therefore, the only regularly scheduled meeting of the Board of Commissioners in January would be on the 17<sup>th</sup> at 5:30 P.M.

The County Manager announced that the National Association of Counties' (NACo) 2012 Annual Legislative Conference had been scheduled for March 3-7, 2012, in Washington DC.

### **PUBLIC COMMENT**

There was no public comment.

**CLOSED SESSION**

At 9:24 A.M., Commissioner Deal, seconded by Commissioner Futrelle, moved to enter Closed Session to discuss Attorney/Client Matters, per G. S. 143-318.11(a)(3).

VOTE: Aye-5  
Nay-0

Commissioner Deal, seconded by Commissioner Blust, moved to resume the open meeting at 9:52 A.M.

VOTE: Aye-5  
Nay-0

**ADJOURN**

Chairman Miller adjourned the meeting at 9:52 A.M.

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Nathan A. Miller, Chairman

ATTEST:

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Anita J. Fogle, Clerk to the Board

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**AGENDA ITEM 3:**

**APPROVAL OF THE DECEMBER 20, 2011, AGENDA**

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**AGENDA ITEM 4:**

**PRESENTATION OF FISCAL YEAR 2011 AUDIT**

**MANAGER'S COMMENTS:**

Mr. Bryce Holder and Ms. Kathy Brown will present the fiscal year 2011 County audit and review highlights as included in the packet. A preliminary review indicates that the County has had a good year, especially in light of the current economic conditions. The audit is presented for your information only and, therefore, no action is required.

# **BRYCE HOLDER, CPA, P.A.** 122011 BCC Meeting

**CERTIFIED PUBLIC ACCOUNTANT  
820 STATE FARM ROAD, SUITE F  
BOONE, NORTH CAROLINA 28607  
TELEPHONE (828) 264-3595**

BRYCE HOLDER, CPA  
ELISABETH C. REES, CPA  
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MAILING ADDRESS:  
POST OFFICE BOX 1908  
BOONE, NORTH CAROLINA 28607  
TOLL FREE (800) 456-3595  
FAX (828) 264-3586

December 14, 2011

To the Board of County Commissioners  
Watauga County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Watauga County for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133) as well as certain information in our letter to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 1, 2011. Professional standards also require that we provide you with the following information related to our audit.

## **Significant Audit Findings**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Watauga County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of policies was not changed during 2011. We noted no transactions entered into by the Watauga County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting financial statements was:

Management's estimate of the depreciation expense is based on useful life's. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and to communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 14, 2011.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Finding or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditor for Watauga County. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and the management of the Watauga County and is not intended to be and should not be used by anyone other than these specified parties. 122011 BGC Meeting

Very truly yours,

Bryce Holder, CPA, PA

**WATAUGA COUNTY, NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

WATAUGA COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Nathan Miller, Chairman

David Blust, Vice Chairman

Tim Futrelle

James Deal

Vincent Gable

COUNTY OFFICIALS

Deron Geouque

County Manager

Margaret Pierce

Finance Director

Stacy C. Eggers, IV

County Attorney

JoAnn Townsend

Register of Deeds

Kelvin Byrd

Tax Administrator



**Watauga County, North Carolina  
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June 30, 2011**

122011 BCC Meeting

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## FINANCIAL SECTION

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## Independent Auditor's Report

To the Board of County Commissioners  
Watauga County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Watauga County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the AppalCART or the Watauga County District U Tourism Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the AppalCART and the Watauga County District U Tourism Development Authority is based solely on the reports 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and capital reserve fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011, on our consideration of Watauga County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance and Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and the statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and the accompanying schedule of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Bryce Holder, CPA, PA*

December 14, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Watauga County**

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Year Ended June 30, 2011

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, 2011. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the County's financial statements and notes which follow this narrative.

**Financial Highlights**

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- The assets of the County exceeded its liabilities at the close of the fiscal year by \$110,806,926.
- The County's total net assets increased by \$1,177,174 primarily due to an increase in revenues and expenditures less than budgeted amounts.
- The County's unassigned fund balance for the general fund was \$11,880,356 at the end of the year, representing 25.63% of total General Fund expenditures.
- Watauga County continued construction of a new Watauga High School. The school was opened to students August 2010. Project completion is expected in FY 2011/2012.

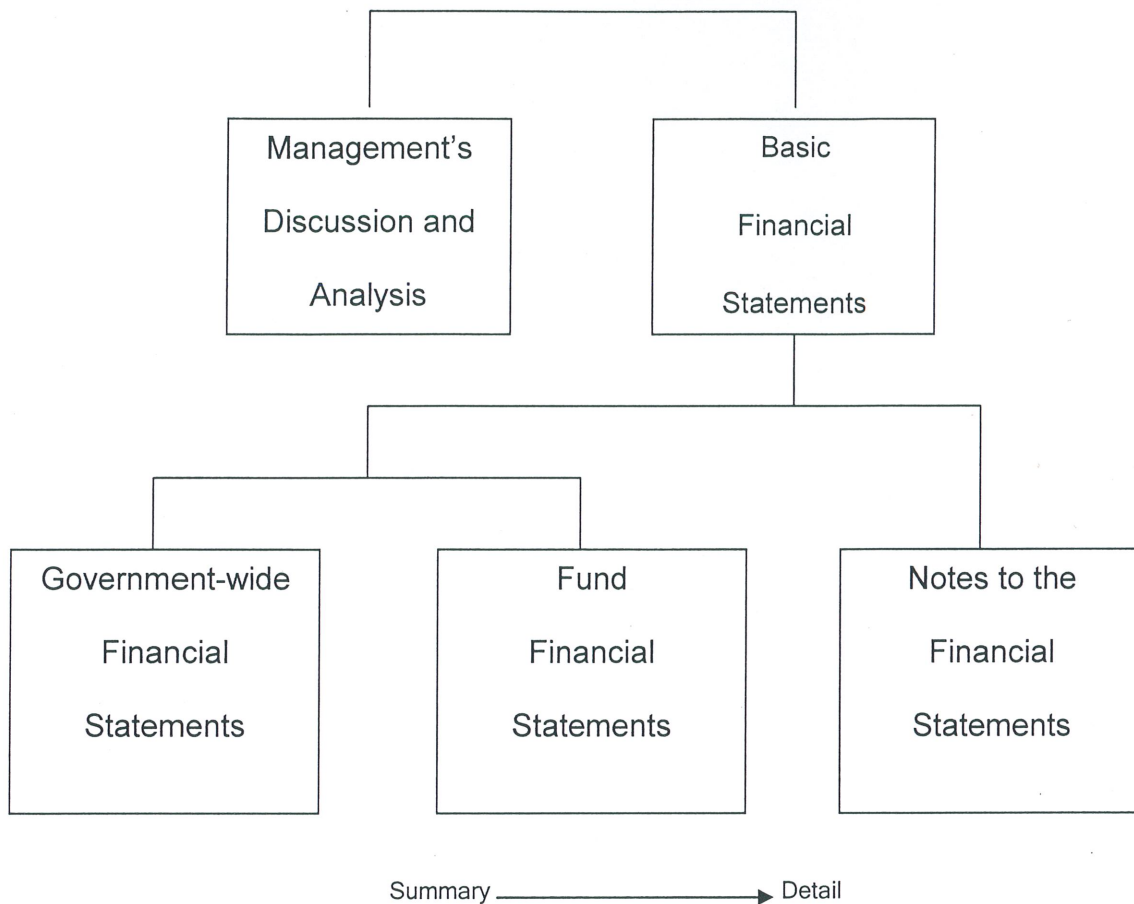
**Overview of the Financial Statements**

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

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

## Required Components of Annual Financial Report Figure 1



### Basic Financial Statements

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

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

The next sections of the basic financial statements are the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Directly following the notes is the required supplemental information. This section contains funding information about the County's pension plan and the other postemployment benefits plan.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets 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 seven-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 seven member Authority Board is 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 government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

**Proprietary Funds** - Watauga County has one proprietary fund. 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 Assets 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 nine fiduciary funds, two of which are pension trust funds and the other seven are agency funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**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 14 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 49 of this report.

### Government-Wide Financial Analysis

#### Watauga County's Net Assets Figure 2

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 30,558,927	36,860,004	3,440,674	2,996,586	33,999,601	39,856,590
Capital assets	<u>148,671,293</u>	<u>147,715,142</u>	<u>5,320,180</u>	<u>5,162,998</u>	<u>153,991,473</u>	<u>152,878,140</u>
Total asset	<u>179,230,220</u>	<u>184,575,146</u>	<u>8,760,854</u>	<u>8,159,584</u>	<u>187,991,074</u>	<u>192,734,730</u>
Long-term liabilities, outstanding	69,011,109	50,277,129	166,948	89,215	69,178,057	50,366,344
Other liabilities	<u>7,635,494</u>	<u>32,326,064</u>	<u>370,597</u>	<u>412,570</u>	<u>8,006,091</u>	<u>32,738,634</u>
Total liabilities	<u>76,646,603</u>	<u>82,603,193</u>	<u>537,545</u>	<u>501,785</u>	<u>77,184,148</u>	<u>83,104,978</u>
Net assets:						
Invested in capital assets, net of related debt	80,730,959	76,419,417	5,184,890	5,117,430	85,915,849	81,536,847
Restricted	4,894,785	1,111,551	--	--	4,894,785	1,111,551
Unrestricted	<u>16,957,873</u>	<u>24,440,985</u>	<u>3,038,419</u>	<u>2,540,369</u>	<u>19,996,292</u>	<u>26,981,354</u>
Total net assets	\$ <u>102,583,617</u>	<u>101,971,953</u>	<u>8,223,309</u>	<u>7,657,799</u>	<u>110,806,926</u>	<u>109,629,752</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$110,806,926 at June 30, 2011. The County's net assets increased by \$1,177,174 for the fiscal year ended June 30, 2011. Net assets is reported in three categories: Invested in capital assets, net of related debt of \$85,915,848, Restricted net assets of \$4,894,785 and Unrestricted net assets of \$19,996,292.

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2011, the increase in this category of net assets is due to current year additions to capital assets being more than current year depreciation expenses.

Another category of net assets is restricted net assets. This represents resources that are subject to external restrictions on how they may be used.

The final category of net assets is unrestricted net assets. 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 assets:

- Changes in how assets are categorized with the implementation of GASB 45 increased the restricted funds classification by over \$3.7 million
- Creation of the irrevocable trust for other post employment benefit funds transferred these assets to fiduciary status and therefore they no longer reported within these net asset numbers

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Watauga County Changes in Net Assets**  
**Figure 3**

	Government Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	1,325,776	2,182,838	4,359,122	4,067,836	5,684,898	6,250,674
Operating grants and contributions	5,149,321	6,228,031	116,621	100,822	5,265,942	6,328,853
Capital grants	2,610,110	--	--	--	2,610,110	--
General revenues:						
Property taxes	30,432,819	30,044,889	--	--	30,432,819	30,044,889
Other taxes	11,040,295	10,472,813	--	--	11,040,295	10,472,813
Grants and contributions not restricted to specific programs	22,719	22,538	--	--	22,719	22,538
Donations	--	45,000	--	--	--	45,000
Other	648,118	961,743	39,905	7,473	688,023	969,216
Total revenues	51,229,158	49,957,852	4,515,648	4,176,131	55,744,806	54,133,983
Expenses:						
General government	13,637,404	8,115,419	--	--	13,637,404	8,115,419
Public safety	10,718,270	10,788,233	--	--	10,718,270	10,788,233
Economic and physical development	1,595,618	1,317,324	--	--	1,595,618	1,317,324
Environment Protection	251,799	141,030	--	--	251,799	141,030
Human services	7,432,718	7,510,996	--	--	7,432,718	7,521,996
Cultural and recreation	1,199,593	1,513,275	--	--	1,199,593	1,513,275
Education	13,082,464	12,902,066	--	--	13,082,464	12,902,066
Interest on long-term debt	2,767,163	3,191,790	--	--	2,767,163	3,191,790
Solid Waste	--	--	3,882,603	3,799,545	3,882,603	3,799,545
Total expenses	50,685,029	45,480,133	3,882,603	3,799,545	54,567,632	49,279,678
Increase (decrease) in net assets before transfers and special items	544,129	4,477,719	633,045	376,586	1,177,174	4,854,305
Transfers	67,535	75,413	(67,535)	(75,413)	--	--
Special item, transfer of schools	--	30,493,628	--	--	--	30,493,628
Increase (decrease) in net assets	611,664	35,046,760	565,510	301,173	1,177,174	35,347,933
Net assets, July 1	101,971,953	61,615,036	7,657,799	7,356,626	109,629,752	68,971,662
Prior period adjustments	--	5,310,157	--	--	--	5,310,157
Net assets, June 30	102,583,617	101,971,953	8,223,309	7,657,799	110,806,926	109,629,752

**Governmental activities:** Governmental activities increased the County's net assets by \$611,664 thereby accounting for 51.96% of the total growth in the net assets of Watauga County. Key elements of this increase are as follows:

- Increased collections of property tax revenue above budgeted amounts by continued diligence, proven by the County maintaining a collection percentage of 97.21%, which is comparable to the 2010 statewide average of 97.17% and above the average collection percentage of 96.19% for counties with populations of 50,000 to 99,999.
- Solicitation of additional grant revenues for Public Safety and Recreation

**Business-type activities:** Business-type activities increased Watauga County's net assets by \$565,510. Key elements of this increase are as follows:

- Decrease in operating expenditures primarily due to reduction in waste removal expenses along with contracted fuel credits
- Increase in revenue from solid waste operations due to enhanced recycling activities
- Reduced debt service costs

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Financial Analysis of the County's Funds**

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As noted earlier, Watauga County used fund accounting to ensure and demonstrate compliance with finance-related legal 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, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$11,880,356 while total fund balance decreased to \$22,093,903. 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 25.63 percent of total General Fund expenditures, while total fund balance represents 47.66 percent of that same amount.

At June 30, 2011, the governmental funds of Watauga County reported a combined fund balance of \$27,380,442, a 19.65 percent decrease over last year. The primary reason for this decrease is the continued construction of the new high school which results in higher net assets as the fund balance is used.

**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 \$5,213,672. The actual operating revenues for the General Fund were \$533,138 more than the budgeted amount. Actual operating expense was less than budgeted by \$3,298,086.

**Proprietary Funds** - Watauga County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year amounted to \$3,038,419. The total increase in proprietary net assets was \$565,510.

**Capital Asset and Debt Administration**

**Capital Assets:** Watauga County's investment in capital assets for its governmental and business type activities as of June 30, 2011, totals \$153,991,473 (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 departments
- Improvement of 45+ acres of land at Rocky Knob for recreational use
- Continued improvement of 75+ acres of land at Brookshire Park for mixed uses of recreation, affordable housing, and a commerce park
- Continued construction of new county wide high school on 90+ acres site

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Watauga County's Capital Assets**  
**Figure 4**  
**(net of depreciation)**

	Governmental	Business	Total
	Activities	Activities	
	2011	2011	2011
Land	\$ 12,560,435	975,497	13,535,932
Buildings	52,081,027	3,423,861	55,504,888
Other improvements	2,351,453	64,715	2,416,168
Equipment	1,934,876	300,757	2,235,633
Vehicles	395,982	425,953	821,935
Construction in progress	79,347,520	129,397	79,476,917
Total	\$148,671,293	5,320,180	153,991,473

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, 2011, Watauga County had bonded debt outstanding of \$5,956,427 all of which is backed by the good faith and credit of the County.

**Watauga County's Outstanding Debt**  
**General Obligation Bonds**  
**Figure 5**

	Governmental Activities	
	2011	2010
General obligation bonds	\$5,956,247	\$7,360,274
Installment purchase	\$67,940,334	\$71,876,946

Watauga County's total debt decreased by \$5,340,639 or (6.7%) during the past fiscal year due to debt service payments.

Watauga County maintained its bond rating by Standard and Poor's of AA. This bond rating is a good indication of the sound financial condition of Watauga County. A good bond rating also helps keep interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation 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 is \$695,987,281.

Additional information regarding Watauga County's long-term debt can be found in note 3 beginning on page 42 of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

- The County continues to experience limited growth in tourism after another slow year due to the overall economy but has seen some recovery
- The County is experiencing a low unemployment rate of 7.3%, well below the state average of 10.4%
- Appalachian State University's economic impact is estimated at \$506 million a year and provides continued stability to the local economy
- New construction and real estate sales have continued to remain relatively flat, consistent with state and national trends
- The County delayed the property revaluation to be effective January 1, 2014 from January 1, 2012

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**Budget Highlights for the Fiscal Year Ending June 30, 2012**

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**Governmental activities** -The County's property tax rate is maintained at the rate of 31.3 cents per \$100 in property valuation. 3.41 cents of the tax rate, generating approximately \$2,972,470 in property tax revenue, is earmarked for debt service and capital needs for the public school system. Sales tax revenue is projected with a minor increase.

Budgeted expenditures in the General Fund includes increases in the current expense appropriation to education to return Watauga County School and Caldwell Community College to the FY 2008 levels, decreased funding of outside agencies, set aside of funds as part of the long term debt service plan, and limited capital purchases.

**Businesses-type Activities**- Budgeted revenues for greenbox and landfill fees have increased slightly in the Solid Waste Fund Tipping fees are projected to decline due to a decrease in the waste stream and increased recycling. Budgeted expenditures include funding for an increase in capital purchases with scheduled replacement of the large loader.

**Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Watauga County Finance Director, 814 West King Street, Room 216, Boone, NC 28607.

## BASIC FINANCIAL STATEMENTS

Watauga County, North Carolina  
Statement of Net Assets  
June 30, 2011

Exhibit A

	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	\$ 25,936,833	3,063,367	29,000,200	224,194	699,047
Receivables (net)	1,606,927	347,011	1,953,938	17,372	--
Due from other governments	2,288,225	30,296	2,318,521	1,757,650	79,597
Inventories	--	--	--	159,323	--
Other assets	5,241	--	5,241	4,007	1,506
Deferred charges - issuance cost	72,624	--	72,624	--	--
Deferred charges - refunding	281,664	--	281,664	--	--
Intangible asset - advanced funding of pension obligation	367,413	--	367,413	--	--
Capital assets:					
Land, improvements, and construction in progress	91,907,955	1,104,894	93,012,849	5,966,754	--
Other capital assets, net of depreciation	56,763,338	4,215,286	60,978,624	3,956,368	2,715
Total capital assets	148,671,293	5,320,180	153,991,473	9,923,122	2,715
Total assets	179,230,220	8,760,854	187,991,074	12,085,668	782,865
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	975,017	143,464	1,118,481	1,189,386	20,325
Unearned revenue	14,361	140,557	154,918	18,819	--
Accrued interest payable	837,173	--	837,173	--	--
Customer deposits	614	--	614	--	--
Due to other governments	1,706	--	1,706	--	--
Net OPEB Liability	--	19,875	19,875	--	--
Long-term liabilities:					
Due within one year	5,806,623	66,701	5,873,324	67,315	5,400
Due in more than one year	69,011,109	166,948	69,178,057	--	4,225
Total liabilities	76,646,603	537,545	77,184,148	1,275,520	29,950
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	80,730,959	5,184,890	85,915,849	9,923,122	2,715
Restricted for:					
Stabilization of State Statute	3,579,537	--	3,579,537	--	79,597
Debt Service	71,433	--	71,433	--	--
Economic and physical development	9,503	--	9,503	--	--
Environmental protection	1,632	--	1,632	--	--
Public safety	1,019,155	--	1,019,155	--	--
Register of Deeds	213,525	--	213,525	--	--
Unrestricted (deficit)	16,957,873	3,038,419	19,996,292	887,026	670,603
Total net assets	\$ 102,583,617	8,223,309	110,806,926	10,810,148	752,915

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, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 13,637,404	513,459	140,919	--
Public safety	10,718,270	481,862	618,646	--
Economic and physical development	1,595,618	821,076	--	614,095
Environmental Protection	251,799	--	249,377	249,830
Human service	7,432,718	45,045	4,140,379	--
Cultural and recreation	1,199,593	285,410	--	871,205
Education	13,082,464	--	--	874,980
Interest on long-term debt	2,767,163	--	--	--
Total governmental activities	<u>50,685,029</u>	<u>1,325,776</u>	<u>5,149,321</u>	<u>2,610,110</u>
Business-type activities:				
Solid waste	3,882,603	4,067,836	116,621	--
Total	<u>\$ 54,567,632</u>	<u>5,393,612</u>	<u>5,265,942</u>	<u>2,610,110</u>
Component units:				
AppalCART	\$ 3,504,194	1,382,660	1,575,233	4,291,422
Watauga County District U Development Authority	<u>\$ 1,040,358</u>	<u>--</u>	<u>141,202</u>	<u>--</u>
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				
Donations, unrestricted				
Gain (loss) on sale of assets				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

Watauga County, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

Net (Expense) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	AppalCART	Watauga County District U Tourism Development Authority
(12,983,026)	--	(12,983,026)		
(9,617,762)	--	(9,617,762)		
(981,523)	--	(981,523)		
247,408	--	247,408		
(3,247,294)	--	(3,247,294)		
(42,978)	--	(42,978)		
(12,207,484)	--	(12,207,484)		
(2,767,163)	--	(2,767,163)		
(41,599,822)	--	(41,599,822)		
--	593,140	593,140		
(41,599,822)	593,140	(41,006,682)		
			3,745,121	
				(899,156)
\$ 30,432,819	--	30,432,819	--	--
9,476,943	--	9,476,943	--	--
1,563,352	--	1,563,352	--	802,864
22,719	--	22,719	--	--
80,312	8,300	88,612	51	1,205
567,806	--	567,806	--	--
--	--	-	--	--
--	31,605	31,605	(3,866)	--
67,535	(67,535)	--	--	--
42,211,486	(27,630)	42,183,856	(3,815)	804,069
611,664	565,510	1,177,174	3,741,306	(95,087)
101,971,953	7,657,799	109,629,752	7,068,842	848,002
\$ 102,583,617	8,223,309	110,806,926	10,810,148	752,915

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

Watauga County, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2011

Exhibit C

	General	Capital Projects Fund	Watauga High School	Other Governmental Funds	Total Governmental Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20,812,845	3,723,712	338,052	1,062,224	25,936,833
Taxes receivable, net	1,174,030	--	--	142,759	1,316,789
Due from other governments	2,051,381	--	196,356	40,488	2,288,225
Accounts receivable, net	55,727	--	--	77,341	133,068
Other assets	5,241	--	--	--	5,241
Total assets	<u>\$ 24,099,224</u>	<u>3,723,712</u>	<u>534,408</u>	<u>1,322,812</u>	<u>29,680,156</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 823,101	--	239	73,822	897,162
Unearned revenue	4,462	--	--	--	4,462
Deferred revenue	1,175,438	--	--	142,759	1,318,197
Performance deposits	614	--	--	--	614
Due to other governments	1,706	--	--	77,573	79,279
Total liabilities	<u>2,005,321</u>	<u>--</u>	<u>239</u>	<u>294,154</u>	<u>2,299,714</u>
Fund balances:					
Restricted:					
Stabilization of State Statute	3,579,537	--	--	372,826	3,952,363
Public Safety	--	--	--	646,329	646,329
Grant Expenditure	--	--	--	9,503	9,503
Register of Deeds	213,525	--	--	--	213,525
No Till Drill	1,632	--	--	--	1,632
Loan Payment	71,433	--	--	--	71,433
Committed					
Capital Projects	--	3,723,712	534,169	--	4,257,881
Assigned:					
Subsequent Year's expenditures	6,347,420	--	--	--	6,347,420
Unassigned:	11,880,356	--	--	--	11,880,356
Total fund balances	<u>22,093,903</u>	<u>3,723,712</u>	<u>534,169</u>	<u>1,028,658</u>	<u>27,380,442</u>
Total liabilities and fund balances	<u>\$ 24,099,224</u>	<u>3,723,712</u>	<u>534,408</u>	<u>1,322,812</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.

367,413

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

148,671,293

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

157,362

Liabilities for earned but deferred revenues in fund statements.

1,308,006

Deferred charges based on refunding issues.

354,288

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 (Note 3).

(75,655,187)

Net assets of governmental activities

\$ 102,583,617

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, 2011

Exhibit D

	General	Capital Projects Fund	Watauga High School	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Ad valorem taxes	\$ 27,426,684	--	--	2,639,588	30,066,272
Local option sales taxes	9,476,943	--	--	--	9,476,943
Other taxes and licenses	742,277	--	--	821,075	1,563,352
Unrestricted intergovernmental	22,719	--	--	--	22,719
Restricted intergovernmental	5,222,827	--	350,000	1,728,417	7,301,244
Permits and fees	647,229	--	--	--	647,229
Sales and services	676,295	--	--	--	676,295
Investment earnings	66,570	8,960	4,776	2,256	82,562
Donations	421,205	--	--	--	421,205
Miscellaneous	286,592	--	196,357	121,839	604,788
Total revenues	<u>44,989,341</u>	<u>8,960</u>	<u>551,133</u>	<u>5,313,175</u>	<u>50,862,609</u>
<b>EXPENDITURES</b>					
Current:					
General government	7,875,844	--	--	821,075	8,696,919
Public safety	7,621,675	--	--	2,954,574	10,576,249
Economic and physical development	949,240	--	--	614,095	1,563,335
Environmental Protection	--	--	--	249,830	249,830
Human services	7,145,599	--	--	--	7,145,599
Cultural and recreational	1,404,866	--	--	--	1,404,866
Intergovernmental:					
Education	13,081,673	--	--	--	13,081,673
Capital outlay	--	--	6,545,173	61,488	6,606,661
Debt service:					
Principal	4,845,354	--	--	495,000	5,340,354
Interest	2,936,178	--	--	26,463	2,962,641
Total expenditures	<u>45,860,429</u>	<u>--</u>	<u>6,545,173</u>	<u>5,222,525</u>	<u>57,628,127</u>
Excess (deficiency) of revenues over expenditures	<u>(871,088)</u>	<u>8,960</u>	<u>(5,994,040)</u>	<u>90,650</u>	<u>(6,765,518)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	403,792	387,391	50,000	60,399	901,582
Transfers to other funds	(497,790)	(333,421)	--	(2,836)	(834,047)
Total other financing sources and uses	<u>(93,998)</u>	<u>53,970</u>	<u>50,000</u>	<u>57,563</u>	<u>67,535</u>
Net change in fund balance	(965,086)	62,930	(5,944,040)	148,213	(6,697,983)
Fund balances-beginning	23,058,989	3,660,782	6,478,209	880,445	34,078,425
Fund balances-ending	<u>\$ 22,093,903</u>	<u>3,723,712</u>	<u>534,169</u>	<u>1,028,658</u>	<u>27,380,442</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, 2011**

Exhibit D

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

Net changes in fund balances - total governmental funds \$ (6,697,983)

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

956,150

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis until due, rather than as it accrues. This adjustment combines the net changes for five balances.

Advanced funding of other postemployment benefits	409,519	
Compensated absences	63,103	
Advance funding of pension obligation	(20,107)	
Accrued interest expense	200,895	
Taxes receivable	366,547	
Combined adjustment	1,019,957	1,019,957

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 transactions has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

5,333,540

Total changes in net assets of governmental activities \$ 611,664

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

Watauga County, North Carolina  
 General Fund and Annually Budgeted Major Special Revenue Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2011

Exhibit E

	General Fund			
	Budget		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 26,969,685	26,969,685	27,426,684	456,999
Local option sales tax	9,449,215	9,449,215	9,476,943	27,728
Other taxes and licenses	697,500	700,700	742,277	41,577
Unrestricted intergovernmental	13,000	13,000	22,719	9,719
Restricted intergovernmental	3,965,701	5,216,248	5,222,827	6,579
Permits and fees	665,350	668,036	647,229	(20,807)
Sales and services	661,265	661,865	676,295	14,430
Investment earnings	101,000	101,000	66,570	(34,430)
Donations	18,000	426,805	421,205	(5,600)
Miscellaneous	249,649	249,649	286,592	36,943
Total revenues	<u>42,790,365</u>	<u>44,456,203</u>	<u>44,989,341</u>	<u>533,138</u>
<b>Expenditures:</b>				
Current:				
General government	7,010,128	9,701,034	7,875,844	1,825,190
Public safety	7,858,381	7,939,328	7,621,675	317,653
Economic & Physical	867,614	1,071,769	949,240	122,529
Human services	7,159,864	7,517,427	7,145,599	371,828
Cultural and recreation	1,430,667	1,438,199	1,404,866	33,333
Education	12,183,939	13,619,117	13,081,673	537,444
Debt service:				
Principal retirement	4,845,324	4,845,324	4,845,354	(30)
Interest and other charges	3,026,317	3,026,317	2,936,178	90,139
Total expenditures	<u>44,382,234</u>	<u>49,158,515</u>	<u>45,860,429</u>	<u>3,298,086</u>
Revenues over (under) expenditures	<u>(1,591,869)</u>	<u>(4,702,312)</u>	<u>(871,088)</u>	<u>3,831,224</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	266,388	403,793	403,792	(1)
Transfers to other funds	--	(437,391)	(497,790)	(60,399)
Future project funding	--	--	--	--
Fund balance appropriated	1,325,481	4,735,910	--	(4,735,910)
Total other financing sources (uses)	<u>1,591,869</u>	<u>4,702,312</u>	<u>(93,998)</u>	<u>(4,796,310)</u>
Revenues and other sources over (under) expenditures and other uses	--	--	(965,086)	(965,086)
Fund balances, beginning of year	--	--	23,058,989	--
Fund balances, end of year	<u>\$ --</u>	<u>--</u>	<u>22,093,903</u>	<u>--</u>

**Watauga County, North Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<b>Enterprise Fund</b>
	<b>Solid Waste Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,063,367
Receivables, net	347,011
Due from other governments	30,296
Total current assets	3,440,674
Capital assets:	
Land and construction in progress	1,104,894
Other capital assets, net of depreciation	4,215,286
Total capital assets	5,320,180
Total assets	8,760,854
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	143,464
Installment purchase payable	66,701
Total current liabilities	210,165
Noncurrent liabilities:	
Deferred Revenue	140,557
Compensated absences	98,359
Accrued other post employment benefit	19,875
Installment purchase payable	68,589
Total noncurrent liabilities	327,380
Total liabilities	537,545
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,184,890
Unrestricted	3,038,419
Total net assets	\$ 8,223,309

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 Assets  
Proprietary Funds  
For the Year Ended June 30, 2011

		<u>Enterprise Fund</u>
		<u>Solid Waste Fund</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$	4,359,122
Restricted intergovernmental revenues		<u>116,621</u>
Total operating revenues		<u>4,475,743</u>
<b>OPERATING EXPENSES:</b>		
Landfill operations		3,521,459
Recycling operations		125,956
Depreciation		<u>234,756</u>
Total operating expenses		<u>3,882,171</u>
Operating income (loss)		<u>593,572</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest and investment revenue		8,300
Interest paid on long term debt		(432)
Gain (loss) on sale of assets		<u>31,605</u>
Total non operating revenue (expenses)		<u>39,473</u>
Income (loss) before transfers		633,045
Transfers (to) from other funds (net)		<u>(67,535)</u>
Change in net assets		565,510
Total net assets - beginning		<u>7,657,799</u>
Total net assets - ending	\$	<u><u>8,223,309</u></u>

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



Watauga County, North Carolina  
 Statement of Cash Flows  
 Proprietary Funds  
 For The Fiscal Year Ended June 30, 2011

	<u>Solid Waste Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 4,360,953
Cash paid for goods and services	(2,456,084)
Cash paid to employees for services	(1,245,293)
Other operating revenue	116,621
Net cash provided by (used) operating activities	<u>776,197</u>
Cash flows from noncapital financing	
Operating transfers (net)	<u>(67,535)</u>
Cash flows from capital and related financing activities:	
Proceeds received from sale of fixed assets	31,605
Acquisition and construction of capital assets	(391,938)
Proceeds from installment purchase contracts	135,290
Principal paid on installment purchase contracts	(45,569)
Interest paid on installment purchase contracts	(432)
Net cash used by capital and related financing activities	<u>(271,044)</u>
Cash flows from investing activities:	
Interest on investments	<u>8,300</u>
Net increase (decrease) in cash and cash equivalents	445,918
Cash and cash equivalents, July 1	<u>2,617,449</u>
Cash and cash equivalents, June 30	<u>\$ 3,063,367</u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ <u>593,572</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	234,756
Changes in assets and liabilities:	
Decrease in accounts receivable	1,831
Decrease in deferred revenue	(68,994)
Decrease in accounts payable and accrued liabilities	(4,617)
Increase in accrued OPEB	10,505
Increase in accrued vacation pay	9,144
Total adjustments	<u>182,625</u>
Net cash used by operating activities	<u>\$ 776,197</u>

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

**Watauga County, North Carolina  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2011**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ <u>667,905</u>	<u>51,614</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>          --</u>	<u>51,614</u>
Net Assets:		
Assets held in trust for pension benefits	\$ <u>667,905</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**  
**Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2011**

		<b>Pension Trust Funds</b>
		<u>June 30, 2011</u>
Additions:		
Employer contributions	\$	599,121
Interest earned		<u>474</u>
Total additions		<u>599,595</u>
Deductions:		
Benefits		114,188
Administrative expense		<u>236</u>
Total deductions		<u>114,424</u>
Change in net assets		485,171
Net assets, beginning		<u>182,734</u>
Net assets, ending	\$	<u><u>667,905</u></u>

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 1 - **Summary of Significant Accounting Policies:**

The accounting policies of Watauga County and its component unit 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 a separate column 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 and tourism development 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 benefit of the County's residents, and the County provides financial support 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

**Note 1 - Summary of Significant Accounting Policies (continued):****B. Basis of Presentation – Basis of Accounting****Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statement:* The statement of net assets 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. 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 difference 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 expenses 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 nonmajor 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 project fund. It accounts for the County's reserves set aside for future capital asset additions.

*Watauga High School Capital Project Fund* - This is a capital project fund. It accounts for the construction of the new high school.

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (continued):**

**B. Basis of Presentation – Basis of Accounting (continued)**

The County reports the following major enterprise fund:

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

The County reports the following fund types:

*Pension Trust Funds* - The County maintains two Pension Trust Funds – the Special Separation Allowance Fund and the Other Postemployment Benefit 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 Special Separation Allowance Fund, that account for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. The Other Postemployment Benefit Fund accounts for the County's contributions for healthcare coverage provided to qualified retirees.

*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 monies deposited with the Department of Social Services for the benefit of certain individuals; the Vehicle Tax-Towns Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities within the County; the Jail 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 Motor Vehicle Tax Fund which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles, 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 that are billed and collected by the County for the Town of Boone.

**Measurement Focus and Basis of Accounting**

*Non major Funds* - The County maintains nine legally budgeted funds. The Revaluation Fund was transferred to the General Fund during the year in accordance with GASB 54. The Federal Substance Abuse Tax Fund, the State Substance Abuse Tax Fund, the Emergency Telephone System Tax Fund, the Fire Districts Fund, the Occupancy Tax Fund, the CDBG Scattered Site Housing Fund, the CDBG Hospitality House Fund, and the Upper Watauga River Project Fund are reported as non-major special revenue funds. The PARTF Rocky Knob Capital Project Fund is reported as a non-major Capital Projects Fund.

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

**Note 1 - Summary of Significant Accounting Policies (continued):****B. Basis of Presentation – Basis of Accounting (continued)**

*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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Watauga County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the county. For those motor vehicles registered under the staggered system

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**Note 1 - Summary of Significant Accounting Policies (continued):**

and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements.

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. 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 assets 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 Principles 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 Substance Abuse Tax, the State Substance Abuse Tax, the Emergency Telephone, Fire District, and the Occupancy Tax Special Revenue Funds, and Enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the CDBG Scattered Site Housing Grant, the CDBG Hospitality House and the Upper Watauga River Project Special Revenue Funds, the Watauga High School Capital Project Fund, and the PARTF Rocky Knob Park Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The budget officer is authorized by the budget ordinance to transfer appropriation within a fund up to 10% of the total departmental appropriation; 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.



**Note 1 - Summary of Significant Accounting Policies (continued):****D. Assets, Liabilities and Fund Equity (continued)****1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the County, AppalCART, and the Authority to invest in obligations of the United States 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 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. 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, 2010.

**4. Allowances for Doubtful Accounts**

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

Note 1 - Summary of Significant Accounting Policies (continued):

**D. Assets, Liabilities and Fund Equity (continued)**

**5. Inventory**

The inventory of AppalCART are maintained for fuel oil, tires, and vehicle parts; valuation is at lower of Cost or market on an average basis.

**6. 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 Enterprise 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 Enterprise Fund's minimum capitalization cost is \$5,000. Prior to July 1, 2002, the Enterprise Fund did not have a minimum capitalization cost. Plant assets of the County are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 2% annual rate. In the composite rate, gain or loss or disposition is not calculated except in extraordinary circumstances. The cost of normal maintenance and repairs that do not add to the value of the asset 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 permit installment purchase financing of acquisition and construction costs and to permit the county to receive refunds of sales tax paid for construction costs. 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 provide that the County will convey title back to the Board of Education, once all restrictions of the financing agreements and sales tax reimbursement requirements 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	30 to 50
Improvements	8 to 10
Furniture and equipment	5 to 10
Vehicles	5 to 6
Computer equipment	3 to 6

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	5-7
Maintenance and shop equipment	8
Vehicles	7-12
Land improvements	10

**Note 1 - Summary of Significant Accounting Policies (continued):**

**D. Assets, Liabilities and Fund Equity (continued)**

**6. Capital Assets (continued)**

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 & Equipment	7

**7. 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 in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

**8. 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. For the County's government-wide and proprietary funds and AppalCART, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The vacation policy of the Authority provides for the accumulation of up to 15 days earned vacation leave which such leave being fully vested when earned. For the 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 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 accrual for sick leave has been made by the County or its component units.

**9. Net Assets/Fund Balances**

**Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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.

**Note 1 - Summary of Significant Accounting Policies (continued):****D. Assets, Liabilities and Fund Equity (continued)****9. Net Assets/Fund Balances (continued)****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 ending inventories, which are not expendable resources.

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

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

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for automation and technology enhancements for Register of Deed's office [G.S. 161-11.3].

Restricted for the Emergency Telephone – portion of fund balance that is restricted by revenue source for Emergency telephone system equipment and services. [G.S. 62A-46(a)]

Restricted for Public Safety – portion of fund balance that is restricted by revenue sources for public safety expenditures.

Restricted for Housing Rehabilitation – portion of fund balance that is restricted by revenue sources for housing rehabilitation expenditures.

Restricted for No till drill – portion of fund balance that is restricted by revenue sources for expenditures associated with the no till drill equipment.

**Note 1 - Summary of Significant Accounting Policies (continued):**

**D. Assets, Liabilities and Fund Equity (continued)**

**g. Net Assets/Fund Balances (continued)**

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

Committed for Capital Projects – portion of fund balances that are committed for Capital Project expenditures.

*Assigned Fund Balance* – portion of fund balance that the Watauga County governing board has budgeted.

Subsequent year’s expenditures – portion of fund balance that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to transfer appropriation within a fund up to 10% of total departmental appropriation.

*Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Watauga County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, and county funds. For 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’s in the best interest of the County.

**G. Reconciliation of Government-wide and Financial Statements**

**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The government fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 168,788,362
Less accumulated depreciation	(20,117,070)

Note 1 - **Summary of Significant Accounting Policies (continued):**

1. **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (continued)**

The pension and OPEB assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds 367,413

Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements 157,362

Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide 1,308,006

Deferred charges related to advance refunding bond issued – included on government-wide statement of net assets but are not current financial resources. 354,288

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:

Bonds and installment financing	(73,896,866)
Compensated absences	(921,148)
Accrued interest payable	(837,173)
Total adjustment	\$ <u>75,203,174</u>

2. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of the total adjustment as follows:

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued):

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities (continued)

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 7,749,113
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(2,149,688)
Loss on disposal of capital assets reported on the statement of activities but not on the fund statements	(4,643,276)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide	5,340,354
The advance funding of pension obligations	(20,107)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	200,895
Amortization of refunding costs not recorded on fund statements	(6,814)
Advanced funding of other postemployment benefits	(409,519)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	63,103
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred tax revenue for year ended 6/30/11	209,379
Increase in accrued interest receivable on taxes for year ended 6/30/11	<u>71,168</u>
Total adjustment	\$ <u>7,309,646</u>

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**Note 2 - Stewardship, Compliance, and Accountability**

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

**Noncompliance with North Carolina General Statutes**

There were no instances of noncompliance with North Carolina Statute.

**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 State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, AppalCART, and the Authority's 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 undercollateralization, 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 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 other 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, 2011, the County's deposits had a carrying amount of \$24,498,654 and a bank balance of \$25,180,303. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$5,181,314 in non-interest bearing deposits and \$19,248,989 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2011 Watauga County had \$2,900 cash on hand.



Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - Detail Notes on All Funds (continued):

A. Assets (continued)

1. Deposits (continued)

At June 30, 2011, the AppalCART's deposits had a carrying amount of \$222,859 and a bank balance of \$434,298. Of the bank balance, \$250,000 was covered by federal depository insurance and \$184,298 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2011, AppalCART had \$150 cash on hand.

At June 30, 2011, the Authority's deposits had a carrying amount and a bank balance of \$397,992. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2011, the County's investments consisted of \$5,218,095 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating a AAAM by Standard & Poor's. The County has no policy on credit risk.

At June 30, 2011, the AppalCART's investments consisted of \$1,185 in the North Carolina Capital Management Trust's Cash Portfolio. The AppalCART has no policy on credit risk.

At June 30, 2011, the Authority's investments consisted of \$301,055 in the North Carolina Capital Management Trust's Cash Portfolio. The Authority has no policy on credit risk.

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.

Year Levied	Tax	Interest	Total
2008	\$ 616,322	174,111	790,433
2009	623,093	119,945	743,038
2010	630,436	64,620	695,056
2011	<u>623,181</u>	<u>--</u>	<u>623,181</u>
Total	\$ <u>2,493,032</u>	<u>358,676</u>	<u>2,851,708</u>

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

4. Receivables

Receivables at the government-wide level at June 30, 2011, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental Activities:				
General	\$ 55,727	1,801,564	2,051,381	3,714,797
Other Governmental	<u>77,276</u>	<u>171,112</u>	<u>40,488</u>	<u>485,232</u>
Total receivables	133,003	1,972,676	2,288,225	4,200,029
Allowance for doubtful accounts	<u>    --</u>	<u>(498,752)</u>	<u>    --</u>	<u>(498,752)</u>
Total-governmental activities	\$ <u>133,003</u>	<u>1,473,924</u>	<u>2,288,225</u>	<u>3,701,277</u>
Business-type activities				
Solid Waste	\$ 487,568	--	30,296	517,864
Allowance for doubtful accounts	<u>(140,557)</u>	<u>    --</u>	<u>    --</u>	<u>(140,557)</u>
Total-business-type activities	\$ <u>347,011</u>	<u>    --</u>	<u>30,296</u>	<u>377,307</u>

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

Local option sales tax	\$ 1,351,120
Scrap tire tax	13,658
White goods tax	3,292
Solid Waste Disposal Tax	5,607
NCDMV Fees	7,595
Home and Community Block Grant	52
Residential Tire	983
School Recycling Grant	6,756
Domestic Violence Grant	8,621
Criminal Justice Partnership Program	11,694
County Administration	360,679
NC Education Lottery	45,970
Medicaid Reimbursement	9,995
JCPC Gang Grant Funds	3,078
Grant Reimbursement/NC Emergency Mgmt.	182
State Senior Center Grant	234
Avery County Child Support incentives	12,096
Wireless Revenues	32,351
Sales tax refunds	378,374
ABC Taxes	1,453
Clerk of Court fees	43,378
USDA Reimbursement	2,365

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**Note 3 - Detail Notes on All Funds (continued)**

Town of Boone tax collection fee and reimbursements	9,833
Watauga Tourism Development Authority	8,654
EDC Sponsorship	500
Total	<u>\$ 2,318,520</u>

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,485,435	75,000	--	12,560,435
Construction in progress	<u>74,720,171</u>	<u>6,724,588</u>	<u>2,097,239</u>	<u>79,347,520</u>
Total not being depreciated	<u>87,205,606</u>	<u>6,799,588</u>	<u>2,097,239</u>	<u>91,907,955</u>
Capital assets being depreciated:				
Buildings	71,466,121	430,858	4,600,600	67,296,379
Other improvements	733,513	1,827,630	--	2,561,143
Equipment	4,622,171	456,775	36,128	5,042,818
Vehicles and motor equipment	<u>1,815,368</u>	<u>189,146</u>	<u>24,447</u>	<u>1,980,067</u>
Total being depreciated	<u>78,637,173</u>	<u>2,904,409</u>	<u>4,661,175</u>	<u>76,880,407</u>
Less accumulated depreciation for:				
Buildings	13,882,067	1,432,965	99,680	15,215,352
Improvements	128,840	80,850	--	209,690
Equipment	2,692,941	451,129	36,128	3,107,942
Vehicles and motor equipment	<u>1,423,788</u>	<u>184,744</u>	<u>24,447</u>	<u>1,584,085</u>
Total accumulated depreciation	<u>18,127,636</u>	<u>2,149,688</u>	<u>160,255</u>	<u>20,117,069</u>
Total being depreciated, net	<u>60,509,537</u>			<u>56,763,338</u>
Governmental activity, net	\$ <u>147,715,143</u>			<u>148,671,293</u>

**Primary Government**

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

General government	\$ 1,019,889
Public safety	529,267
Economic and physical development	35,715
Environmental Protection	1,970
Education	791
Human services	372,932
Cultural and recreational	<u>189,124</u>
Total depreciation expense	\$ <u>2,149,688</u>

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - **Detail Notes on All Funds (continued)**

**5. Capital Assets (continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 975,497	--	--	975,497
Construction in progress	<u>55,633</u>	<u>73,764</u>	--	<u>129,397</u>
Total capital assets not being depreciated	<u>1,031,130</u>	<u>73,764</u>	--	<u>1,104,894</u>
Capital assets being depreciated:				
Improvements	557,475	--	--	557,475
Buildings	4,108,845	14,362	--	4,123,207
Equipment	1,371,148	83,522	--	1,454,670
Vehicles	<u>1,309,261</u>	<u>220,290</u>	<u>147,108</u>	<u>1,382,443</u>
Total capital assets being depreciated	<u>7,346,729</u>	<u>318,174</u>	<u>147,108</u>	<u>7,517,795</u>
Less accumulated depreciation for:				
Improvements	483,421	9,339	--	492,760
Buildings	620,641	78,705	--	699,346
Equipment	1,110,147	43,766	--	1,153,913
Vehicles	<u>1,000,653</u>	<u>102,945</u>	<u>147,108</u>	<u>956,490</u>
Total accumulated depreciation	<u>3,214,862</u>	<u>234,755</u>	<u>147,108</u>	<u>3,302,509</u>
Total capital assets being depreciated, net	<u>4,131,867</u>			<u>4,215,286</u>
Business-type activities capital assets, net	\$ <u>5,162,997</u>			<u>5,320,180</u>

**Construction commitments**

The government has active construction projects as of June 30, 2011. The projects include a new high school, greenway trails, and Rocky Knob Park. At June 30, 2011, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Rocky Knob Park	\$ 571,839	503,761
Greenway trails	8,865	81,135
Watauga High School	<u>79,301,279</u>	<u>534,168</u>
Total	\$ <u>79,881,983</u>	<u>1,119,064</u>

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - **Detail Notes on All Funds (continued)**

**5. Capital Assets (continued)**

**Discretely presented component units**

Capital asset activity for the AppalCART for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,114,242	--	--	1,114,242
Construction in progress	<u>2,018,241</u>	<u>2,834,271</u>	--	<u>4,852,512</u>
Total capital assets not being depreciated	<u>3,132,483</u>	<u>2,834,271</u>	--	<u>5,966,754</u>
Capital assets being depreciated:				
Land improvements	159,662	--	--	159,662
Office furniture and equipment	159,789	51,349	--	211,138
Vehicles	4,909,880	1,094,783	23,151	5,981,512
Shop equipment	<u>146,297</u>	<u>169,514</u>	--	<u>315,811</u>
Total capital assets being depreciated	<u>5,375,628</u>	<u>1,315,646</u>	<u>23,151</u>	<u>6,668,123</u>
Less accumulated depreciation for:				
Land improvements	144,084	2,837	--	146,921
Office furniture and equipment	107,898	11,432	--	119,330
Vehicles	1,831,476	502,291	14,883	2,318,884
Shop equipment	<u>120,205</u>	<u>6,415</u>	--	<u>126,620</u>
Total accumulated depreciation	<u>2,203,663</u>	<u>522,975</u>	<u>14,883</u>	<u>2,711,755</u>
Total capital assets being depreciated, net	<u>3,171,965</u>			<u>3,956,368</u>
AppalCART capital assets, net	\$ <u>6,304,448</u>			<u>9,923,122</u>

Capital asset activity for the Watauga County District U Tourism Development Authority for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Furniture and fixtures	\$ 3,636	--	--	3,636
Computer equipment	<u>13,778</u>	--	--	<u>13,778</u>
Total Capital assets being depreciated	<u>17,414</u>	--	--	<u>17,414</u>
Less accumulated depreciation for:				
Furniture and fixtures	1,802	519	--	2,321
Computer equipment	<u>9,622</u>	<u>2,756</u>	--	<u>12,378</u>
Total accumulated depreciation	<u>11,424</u>	<u>3,275</u>	--	<u>14,699</u>
Total capital assets being depreciated, net	\$ <u>5,990</u>			<u>2,715</u>

**Note 3 - Detail Notes on All Funds (continued)**

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2011, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental activities:					
General	\$ 823,383	--	837,173	--	1,660,556
Capital projects	24,527	--	--	--	24,527
Other governmental	127,107	--	--	--	127,107
Total-governmental activities	\$ <u>975,017</u>	<u>--</u>	<u>837,173</u>	<u>--</u>	<u>1,812,190</u>
Business-type activities:					
Solid Waste	\$ <u>143,464</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>143,464</u>

**2. Pension Plan Obligations**

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

*Plan Description.* Watauga County contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina Assembly. 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, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.48% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of Watauga County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$1,175,760, \$1,157,868, and \$1,187,918, respectively. The contributions made by the County equaled the required contributions for each year.

Note 3 - **Detail Notes on All Funds (continued)**

5. **Capital Assets (continued)**

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. The Separation Allowance is reported in the County's report as a fiduciary fund.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>47</u>
Total	<u>49</u>

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 \$38,978, or 2.34% of covered payroll. There were no contributions made by employees.

Note 3 - **Detail Notes on All Funds (continued)**

**2. Pension Plan Obligations (continued)**

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

**3. Contributions**

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 paid by the pension trust fund.

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.

Annual required contribution	\$ 52,879
Interest on net pension obligation	(4,090)
Adjustment to annual required contribution	<u>4,379</u>
Annual pension cost	53,168
Contributions made	<u>33,061</u>
Increase in net pension obligation	20,107
Net pension obligation, beginning of year	(81,793)
Net pension obligation, end of year	\$ <u>(61,686)</u>

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefits increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 23,908	128.61 %	(78,759)
2010	26,294	111.54	(81,793)
2011	53,168	62.18	(61,686)



**Note 3 - Detail Notes on All Funds (continued)****2. Pension Plan Obligation****b. Law Enforcement Officers' Special Separation Allowance****4. *Funded Status and Funding Progress.***

As of December 31, 2010, the most recent actuarial valuation date, the plan was 43.62 percent funded. The actuarial accrued liability for benefits was \$418,911, and the actuarial value of assets was \$182,734, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,177.

The covered payroll (annual payroll of active employees covered by the plan) was \$1,737,216 and the ratio of the UAAL to the covered payroll was 13.60 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, 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, 2011 were \$93,715, which consisted of \$85,759 from the County and \$7,956 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 5.0 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, 2011 to these plans were \$680,844 which consisted of \$495,284 from the County and \$185,560 from employees.

**Note 3 - Detail Notes on All Funds (continued)****B. Liabilities (continued)****2. Pension Plan Obligations (continued)****e. Registers of Deeds' Supplemental Pension Fund**

*Plan Description.* Watauga County also contributes to the Register of Deeds' Supplemental Pension Fund, a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund 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. 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, or by calling (919) 981-5454.

*Funding Policy.* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$5,831.

**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 100%, \$400 monthly maximum, until the age of 65 or until Medicare eligible, whichever is sooner. The Board of Commissioners may amend the benefit provisions. The HCB Plan is reported in the County's report as a fiduciary fund.

**Note 3 - Detail Notes on All Funds (continued)**

**B. Liabilities (continued)**

**2. Pension Plan Obligations (continued)**

**f. Other Postemployment Benefits – Watauga County (continued)**

Membership of the HCB Plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	General Employees:	Sanitation:
Retirees and dependents receiving benefits	17	1
Terminated plan members entitled to but not yet receiving benefits	--	--
Active plan Members	<u>247</u>	<u>36</u>
Total	<u>264</u>	<u>37</u>

*Funding Policy* The Board of Commissioners established the contribution requirements of plan members and 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 1.47% of annual covered payroll. For the current year, the County contributed \$560,597 or .6% 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 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 cost 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.

**Note 3 - Detail Notes on All Funds (continued)**

**B. Liabilities (continued)**

**2. Pension Plan Obligations (continued)**

**f. Other Postemployment Benefits – Watauga County (continued)**

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 he postemployment healthcare benefits:

Annual required contribution	\$ 160,959
Interest on net OPEB obligation	4,529
Adjustment to annual required contribution	<u>3,905</u>
Annual OPEB cost (expense)	161,583
Contributions made	<u>(560,597)</u>
Increase (decrease) in net OPEB obligation	<u>(399,014)</u>
Net OPEB obligation, beginning of year	<u>113,162</u>
Net OPEB obligation, end of year	\$ <u>(285,852)</u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2011 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 117,341	55.7%	\$ 113,162
2011	161,583	346.9	(285,852)

*Funded Status and Funding Progress.* As of December 31, 2009, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$1,899,693, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,899,693. The covered payroll (annual payroll of active employees covered by the plan) was \$10,936,838, and the ratio of UAAL to the covered payroll was 17.4%.

As of June 7, 2011, the County has established an irrevocable trust to hold the assets of the plan. The trustee of the plan is the Finance Officer of the County, who serves at the pleasure of the Board of Commissioners. The trust may only be amended by the Board of Commissioners and only amended to be in compliance with applicable laws and regulations governing the administration of the Post-Employment Benefits which are subject to the trust. All funds deposited into this trust are restricted and cannot be removed except to pay benefits or administer the plan.

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 tot continual revision as actual results are compared with past expectations and

Note 3 -

employer are subject to continual revision as actual results are compared with past expectations and

**Detail Notes on All Funds (continued)**

**B. Liabilities (continued)**

**2. Pension Plan Obligations (continued)**

**f. Other Postemployment Benefits – Watauga County (continued)**

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 information about the actuarial value of plan assets and the actuarial 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, 2009 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 3.75 percent inflation assumption. The medical cost trend rate varied between 10.50 percent and 5.00 percent. 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, 2009, 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 may not be less than \$25,000 and no more than \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates

Note 3 - **Detail Notes on All Funds (continued)**

**B. Liabilities (continued)**

**2. Pension Plan Obligations (continued)**

**h. Retirement System – AppalCART**

established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the County made contributions to the State for death benefits of \$13,878. The County's required contributions for employees represented .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

The AppalCART retirement plan is a money purchase plan through Jefferson Pilot Pension Life. Each employee who works 1,000 hours in the fiscal year will be eligible for an 8.25% of gross pay contribution in the retirement system. The vesting schedule after working 1,000 hours in each plan year is as follows:

<u>Years of Service</u>	<u>Percent Vested</u>
2	40%
3	60
4	80
5 or more	100

This rate of contribution is subject to change due to funding constraints. The contribution requirement for June 30, 2011 and 2010 amounted to \$100,523 and \$100,523, respectively. Payments of \$106,384 and \$106,384 were made for each fiscal year, respectively.

**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 NCDEHNR 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 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

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - **Detail Notes on All Funds (continued)**

**B. Liabilities (continued)**

**4. Deferred/Unearned Revenues**

The balance in deferred and unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid user fees not yet earned (General)	\$ 4,462	4,462
Prepaid taxes not yet earned (General)	7,737	8,711
Prepaid taxes not yet earned (Special Revenue)	1,023	1,188
Prepaid user fees not yet earned (Enterprise)	140,557	140,557
Taxes receivable, net (General)	1,166,293	--
Taxes receivable, net (Special Revenue)	<u>141,444</u>	<u>--</u>
Total	\$ <u>1,461,516</u>	<u>154,918</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 three 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 \$143.7 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health insurance for county employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of 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 \$2,000,000 for workers' compensation. For health insurance, the county is reinsured through the Pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through commercial carriers for individual losses in excess of \$100,000.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is 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. The County also is eligible to and has purchased commercial flood insurance for another \$692,900 for certain flood-prone structures. The County carries flood insurance to avoid possible significant loss.

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

5. Risk Management (continued)

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 the NC Association of County Commissioners Liability and Property Pool. The Finance Officer, Tax Administrator, Register of Deeds, and County Manager 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.

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; natural disasters; and medical malpractice. The AppalCART carries commercial insurance for these 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.

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 Pool that provide coverage for general liability in the amount of \$2,000,000.

6. Contingent Liabilities

At June 30, 2011, the County was a defendant in various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-term Obligations

a. Capital Leases

The County has no capital lease agreements.

b. Installment Purchase

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed various property acquisitions 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.



Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

**B. Liabilities (continued)**

**7. Long-term Obligations (continued)**

**b. Installment Purchase (continued)**

The County has seven installment purchases serviced by the general fund. The first installment purchase was executed on November 1, 1997, for the construction and renovation of the Human Services Center. On October 24, 2007, the loan terms were amended to reduce the interest rate from 5.2 percent to 3.84 percent annually for the remainder of the loan term. The loan terms now require quarterly principal and interest payments of \$70,337.

The second installment purchase was executed on April 30, 2004 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 third installment purchase was executed on November 3, 2005, for the purchase of the Brookshire Land. This installment purchase required five annual payments of \$344,071 which includes interest at 4.75 percent. The installment purchase was paid in full on November 1, 2010.

The fourth and fifth installment purchase agreements were executed on April 10, 2008 to finance the construction of the new high school. The installment purchase agreements were refinanced on October 5, 2011. One installment purchase agreement, for \$45 million, requires biannual interest payments at 3.67 percent and annual principal payments of \$2,250,000 through June 2028. The second installment purchase agreement, for \$25 million, requires biannual interest payments at 3.67 percent and annual principal payments of \$1,470,588 through June 2028.

The sixth installment purchase was executed on August 15, 2008 for the purchase of land for the Tweetsie Incentive Project. This installment purchase calls for quarterly principal payments of \$65,000 plus interest at 5.942 percent.

The seventh installment purchase was executed on December 15, 2009 for the purchase of the Rocky Knob Property. The agreement required five annual principal payments of \$99,000 plus interest at 2.97 percent. The installment purchase was paid in full on February 4, 2011.

The County also has two installment purchases serviced by the Solid Waste Fund. The first installment purchase was executed on September 6, 2007 for the purchase of equipment and requires twelve quarterly payments of \$46,084 which includes interest at 3.79 percent. This installment purchase was paid in full on September 1, 2010.

The second installment purchase serviced by the Solid Waste Fund was executed on November 19, 2010 for the purchase of equipment. The installment purchase calls for four biannual payments of \$34,804.81 at an interest rate of 1.98 percent.

**Note 3 - Detail Notes on All Funds (continued)**

**B. Liabilities (continued)**

**7. Long-term Obligations (continued)**

**b. Installment Purchase (continued)**

For Watauga County, the future minimum payments as of June 30, 2011, including \$21,673,829 of interest, are:

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2012	\$ 4,452,595	2,511,838	66,701	2,909
2013	4,313,921	2,347,043	68,589	1,020
2014	4,313,921	2,184,249	--	--
2015	4,313,921	2,021,454	--	--
2016	4,313,921	1,858,659	--	--
2017-2021	20,187,939	6,923,380	--	--
2022-2029	<u>26,044,086</u>	<u>3,823,277</u>	--	--
Principal payments	\$ <u>67,940,334</u>		<u>135,920</u>	
Total interest payments		\$ <u>21,669,900</u>		<u>3,929</u>

**c. General Obligation Indebtedness**

All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2011 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$7,500,000 1993 School Facility Serial Bonds, due in semi-annual installments through June 1, 2014; interest at 4.40 percent	\$ 1,125,000
\$6,425,000 2001 General Obligation Bond Refunding, due in semi-annual installments through June 1, 2015; interest at 3.00-4.25 percent	1,795,000
\$4,275,000 2004 General Obligation Bond Refunding, due in semi-annual installments through June 1, 2015; interest at 2.0-3.5 percent	1,875,000
\$1,290,274 2010 Qualified School Construction Bonds, due in annual installments through June 1, 2020; with no stated interest rate	<u>1,161,247</u>
<b>Total</b>	<b>\$ <u>5,956,247</u></b>

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. Long-term Obligations (continued)

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2012	\$ 1,354,027	192,618
2013	1,344,027	142,700
2014	1,329,027	92,795
2015	1,284,027	43,125
2016	129,027	--
2017-2021	516,112	--
Total	\$ <u>5,956,247</u>	<u>471,238</u>

At June 30, 2011, Watauga County had a legal debt margin of \$ 695,987,281.

d. Advance Refunding

In December 2001, the County issued \$6,425,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$5,900,000 general obligation bonds. As a result, the refunded bonds are considered to be deceased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$282,135 and resulted in an economic gain of \$231,604.

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). As a result the refunded bonds are considered to be deceased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$293,305 and resulted in an economic gain of \$279,411.

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

Note 3 - Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. Long-term Obligations (continued)

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, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 7,360,274	--	1,404,027	5,956,247	1,354,028
Installment purchases	71,876,946	--	3,936,612	67,940,334	4,452,905
Compensated absences	984,250	852,699	915,801	921,148	--
Other postemployment benefits	103,792	--	103,792	--	--
Total governmental activities	\$ 80,325,262	852,699	6,360,232	74,817,729	5,806,623
Business-type activities:					
Installment purchases	\$ 45,568	135,290	45,568	135,290	66,701
Compensated absences	89,214	66,218	57,073	98,359	--
Other postemployment benefits	9,370	10,505	--	19,875	--
Total business-type activities	\$ 144,152	212,013	102,641	253,524	66,701
Discretely presented component units:					
Compensated absences – AppalCART	\$ 61,405	56,472	50,562	67,315	67,315
Compensated absences – Watauga County District U Tourism Development Authority	\$ 4,697	10,177	5,249	9,625	5,400

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

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**Note 3 - Detail Notes on All Funds (continued)**

**C. Interfund Balances and Activity**

Transfers to/from other funds

Transfers to/from other funds at June 30, 2011, consists of the following:

From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions	\$ 387,391
From the Capital Projects Fund to the General Fund for the new capital acquisitions and debt service for school capital	333,421
From the Revaluation Fund to the General Fund to close fund	2,836
From the Solid Waste Fund to the Debt Service Fund for debt service payments owed to the General Fund	67,535
From the General Fund to the Watauga High School Capital Project Fund for construction projects	50,000
From the General Fund to Emergency Telephone System Fund to replace funds expensed for unallowed costs	<u>60,399</u>
Total	\$ <u><u>901,582</u></u>

**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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$495,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's 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.

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**Note 4 - Joint Ventures (continued)**

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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$541,127 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.

The County also participates in a joint venture to operate New River Service Authority with four other local governments. Each participating government appoints one County Commissioner to the Governing Board and they in turn appoint the other members. None of the participating governments have any equity interest in the New River Service Authority, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated a total of \$303,494 for mental health, of which \$82,300 was allocated to New River Service Authority and \$221,194 was allocated to the local management entity. Complete financial statements for the New River Service Authority can be obtained at 895 State Farm Road, Suite 508, 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 \$790,851 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 that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

		<u>Federal</u>	<u>State</u>
Temporary assistance to needy families	\$	72,156	--
Medicaid		18,149,907	7,351,545
Supplemental Nutrition Assistance program		5,223,557	--
Energy assistance		272,769	--
Adoption assistance		180,127	39,736
Adoption subsidy		--	77,360
Adult assistance		--	288,443
Title IV-E, Foster care		81,141	17,925
Links		9,096	--
Total	\$	<u>23,988,753</u>	<u>7,775,009</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 - Interest on Unpaid Motor Vehicle Taxes**

In 2005, the North Carolina General Assembly enacted House Bill #1779, which increased the first month interest due on delinquent motor vehicle taxes from 2 percent to 5 percent, beginning January 1, 2006. The additional interest was to be collected by the counties which levied the taxes and remitted to the Department of State Treasurer the 10<sup>th</sup> of every month, for use by the Division of Motor Vehicles to create a combined registration and collection system.

The following reports the total collections and disbursements of the interest collected by Watauga County for the fiscal year ending June 30, 2011:

Beginning balance	\$ 711
Total interest collected:	9,082
Total interest remitted	<u>9,232</u>
Amount due to Department of State Treasurer as of June 30, 2010	\$ <u>561</u>

**Note 9 - Subsequent Events**

On October 7, 2011, it was determined that 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 in the past three months and the five counties involved (Alleghany, Ashe, Avery, Watauga and Wilkes) are in the process of dissolving New River. As of this time, the actual amount of debt, funds, and assets of New River has not been determined, and it is not yet possible to determine the County's ultimate liability, but it could possibly have a material effect on the County's finances.

### 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 1

**WATAUGA COUNTY, NORTH CAROLINA**  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Reserved Assets (a)	Actuarial Liability Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2005	\$ 121,075	314,210	193,135	38.53 %	1,320,159	14.63 %
12/31/2006	131,075	305,327	174,252	42.93	1,456,052	11.97
12/31/2007	146,330	253,515	107,185	57.72	1,493,567	7.18
12/31/2008	160,403	244,637	84,234	65.57	1,727,417	4.88
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

## Schedule 2

**WATAUGA COUNTY, NORTH CAROLINA**  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Schedule of Employer Contributions

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	30,962	124
2007	32,874	119
2008	30,943	129
2009	24,577	207
2010	27,043	109
2011	52,879	73

**Watauga County**  
**Law Enforcement Officers' Special Separation Allowance Schedule 3**  
**Required Supplementary Information**  
**Notes to the Required Schedules**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/10
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	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 and  
Schedule of Employer Contributions**

**Schedule of Funding Progress:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	\$320,450	\$1,432,288	\$1,111,838	22.4%	\$ 9,979,587	11.1%
12/31/09	--	1,899,693	1,899,693	0.0	10,936,838	17.4

**Schedule of Employer Contributions:**

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2009	112,776	45.7%
2010	112,776	58.0
2011	160,959	348.1

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/09
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	10.50 – 5.00%
Year of Ultimate trend rate	2017
*Includes inflation at	3.75%

## 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 Fiscal Year Ended June 30, 2011

	2011		Variance
	Budget	Actual	
<b>Revenues:</b>			
Taxes - ad valorem:			
Current year	\$	26,712,340	
Prior years		557,711	
Advertising and interest		156,633	
Total Taxes - ad valorem	<u>26,969,685</u>	<u>27,426,684</u>	<u>456,999</u>
Local Option Sales Taxes:			
Article 39 and 44		4,520,993	
Article 40 one-half of one percent		1,867,834	
Article 42 one-half of one percent		2,439,125	
Medicaid Hold Harmless payment		648,991	
Total Taxes - Local Option Sales	<u>9,449,215</u>	<u>9,476,943</u>	<u>27,728</u>
Taxes - other:			
Real estate transfer tax		287,153	
ABC - .05/bottle		18,293	
Heavy equipment rental tax		5,334	
Gross receipts tax - county		37,556	
Franchise Tax		393,941	
Total Taxes - other	<u>700,700</u>	<u>742,277</u>	<u>41,577</u>
Unrestricted intergov. rev.:			
Payments in lieu of taxes		22,719	
Total Unrestricted intergov. rev.	<u>13,000</u>	<u>22,719</u>	<u>9,719</u>
Restricted intergov. revenues:			
Grants-Federal & State		4,556,928	
Public School Building Capital Fund - lottery		524,980	
Court facilities fees		140,919	
Total Restricted intergov. revenues	<u>5,216,248</u>	<u>5,222,827</u>	<u>6,579</u>
Permits and fees:			
Gun storage fees-DV		2,834	
Drug fees awarded by courts		2,689	
Gun permits		31,935	
Serving civil summons		43,259	
Jail and officer fees		24,597	
Planning and inspection fees		189,241	
Marriage license		10,773	
Register of deeds fees		307,925	
Fire inspection fees		4,080	
Occupancy tax administrative fee		18,211	
Green Business Plan		100	
Watauga Naturally		2,886	
Child Support fees		8,699	
Total Permits and fees	<u>668,036</u>	<u>647,229</u>	<u>(20,807)</u>
Sales and service:			
POA in-home svc. - soc. serv.		12,782	
Recreation department revenues		285,409	
Sales of tax maps		1,088	
Data processing fees		251	
NC DMV fees		108,632	
NC reimbursement for prisoners		42,169	
Tax collection fees-Towns		103,031	
Jail medical service		4,217	
Passport processing fees		15,352	
Election revenues		5	
Child Support Enforcement - Avery County		23,564	
Sale of fixed assets		69,188	
Animal control fees		10,607	
Total Sales and Service	<u>661,865</u>	<u>676,295</u>	<u>14,430</u>
Investment earnings:			
Interest earned on investments	<u>101,000</u>	<u>66,570</u>	<u>(34,430)</u>
Miscellaneous:			
Other		286,592	
Donations		421,205	
Total Miscellaneous	<u>676,454</u>	<u>707,797</u>	<u>31,343</u>
<b>TOTAL REVENUES</b>	<u>44,456,203</u>	<u>44,989,341</u>	<u>533,138</u>

Watauga County, North Carolina  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE -- BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2011

EXPENDITURES:	2011		Variance
	Budget	Actual	
<b>General Government</b>			
Governing Body:			
Salaries and benefits		52,524	
Operating expenses		4,539	
Total Governing Body	63,734	57,063	6,671
Administration:			
Salaries and benefits		422,883	
Operating expenses		8,231	
Total Administration	431,258	431,114	144
Finance:			
Salaries and benefits		267,810	
Operating expenses		60,016	
Total Finance	344,920	327,826	17,094
Tax Administration:			
Salaries and benefits		1,016,595	
Operating expenses		105,290	
Capital Outlay		221,500	
Total Tax Administration	1,612,202	1,343,385	268,817
Tax Revaluation:			
Salaries and benefits		46,219	
Operating expenses		460	
Total Tax Revaluation	161,453	46,679	114,774
Tag office:			
Salaries and benefits		141,358	
Operating expenses		8,477	
Total Tag office	149,896	149,835	61
Legal Services:			
Operating expenses	45,000	38,538	6,462
Court facilities:			
Operating expenses	1,500	664	836
Elections:			
Salaries and benefits		176,910	
Operating expenses		119,096	
Total Elections	332,980	296,006	36,974
Register of Deeds:			
Salaries and benefits		370,041	
Operating expenses		87,518	
Total Register of Deeds	502,026	457,559	44,467
General administration:			
Operating expenses		1,243,797	
Capital outlay		45,070	
Total General Administration	1,924,184	1,288,867	635,317
Information technologies:			
Salaries and benefits		331,721	
Operating expenses		325,935	
Capital outlay		140,595	
Total Information technologies	854,954	798,251	56,703
Maintenance:			
Salaries and benefits		853,878	
Operating expenses		42,431	
Total Maintenance	1,027,923	896,309	131,614

Watauga County, North Carolina  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE -- BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2011

	Budget	2011 Actual	Variance
Public Buildings			
Courthouse:			
Operating expenses		100,512	
Capital Outlay		113,902	
Total Courthouse	276,333	214,414	61,919
East Courthouse Annex:			
Operating expenses	24,275	24,266	9
Administration Building:			
Operating expenses	28,579	17,021	11,558
Emergency Management:			
Operating expenses	1,150	681	469
Hannah:			
Operating expenses	6,132	5,783	349
Animal Shelter:			
Operating expenses	12,890	10,866	2,024
Health Department:			
Operating expenses	90,937	58,775	32,162
AppalCART:			
Operating expenses	4,191	2,336	1,855
Library:			
Operating expenses	163,435	155,814	7,621
Tag office:			
Operating expenses	45,246	42,059	3,187
Old Caldwell College & Tech. Inst:			
Operating expenses	2,060	1,466	594
Western Watauga Comm. Center:			
Operating expenses	41,288	35,999	5,289
Parking Lots:			
Operating expenses	2,200	1,173	1,027
West Courthouse Annex:			
Operating expenses	54,363	32,094	22,269
Human Services Center:			
Operating expenses	80,974	69,043	11,931
Appalachian Enterprise Center:			
Operating expenses	16,031	12,454	3,577
Law Enforcement Center:			
Operating expenses	231,612	196,982	34,630
Old Watauga High School:			
Salaries and benefits		10,396	
Operating expenses		6,849	
Capital Outlay		8,407	
Total Old Watauga High School	72,565	25,652	46,913
Recreation Administration Center:			
Operating expenses	2,812	1,195	1,617
Aquatics Center:			
Operating expenses	105,255	73,406	31,849
Opt./Maintenance Facility:			
Operating expenses	37,380	33,795	3,585
Recreation Fields/Parks:			
Operating expenses		49,817	
Capital outlay		75,000	
Total recreation fields/parks	143,365	124,817	18,548
Old Cove Creek School:			
Operating expenses	22,586	18,216	4,370
Brookshire Park:			
Operating expenses		14,830	
Capital outlay		108,263	
Total Brookshire Park	256,794	123,093	133,701



**Watauga County, North Carolina**  
General Fund  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE -- BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2011

	Budget	2011 Actual	Variance
Anne Marie Drive Fields:			
Operating expenses	26,275	13,390	12,885
Brookshire Soccer Complex:			
Operating expenses		13,098	
Capital outlay		430,860	
Total Brookshire Soccer Complex	495,276	443,958	51,318
Rocky Knob Park			
Capital outlay	5,000	5,000	0
Total Public Buildings	2,249,004	1,743,748	505,256
<b>Total General Government</b>	<b>9,701,034</b>	<b>7,875,844</b>	<b>1,825,190</b>
<b>Public Safety</b>			
Sheriff's department:			
Salaries and benefits		2,550,938	
Operating expenses		313,493	
Capital outlay		169,807	
Total Sheriff's department	3,156,861	3,034,238	122,623
Communications:			
Salaries and benefits		482,109	
Operating expenses		23,674	
Total Communications	507,024	505,783	1,241
Domestic Violence-NCDCCPS:			
Salaries and benefits		43,324	
Operating expenses		0	
Total Domestic Violence-NCDCCPS	48,585	43,324	5,261
Jail:			
Salaries and benefits		1,294,076	
Operating expenses		450,940	
Total Jail	1,853,169	1,745,016	108,153
Emerg. Mgt. & Fire Protect.:			
Salaries and benefits		218,416	
Operating expenses		392,246	
Total Emerg. Mgt. & Fire Protect.	645,578	610,662	34,916
Planning and Inspections:			
Salaries and benefits		533,666	
Operating expenses		25,011	
Total Planning and Inspections	561,215	558,677	2,538
Medical examiner:			
Operating expenses	25,000	19,300	5,700
Ambulance and rescue squad:			
Operating expenses	946,239	934,745	11,494
Animal control:			
Salaries and benefits		102,489	
Operating expenses		24,499	
Total Animal control	147,915	126,988	20,927
Forestry:			
Operating expenses	47,742	42,942	4,800
<b>Total Public Safety</b>	<b>7,939,328</b>	<b>7,621,675</b>	<b>317,653</b>
<b>Economic &amp; Physical Development</b>			
Transportation:			
Operating expenses	177,485	147,646	29,839
Special Appropriations:	427,743	382,370	45,373
Economic Development:			
Operating expenses	73,749	59,103	14,646
Cooperative extension:			
Salaries and benefits		220,907	
Operating expenses		15,904	
Total Cooperative extension	250,968	236,811	14,157

Watauga County, North Carolina  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE -- BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2011

	2011		Variance
	Budget	Actual	
Soil conservation:			
Salaries and benefits		106,759	
Operating expenses		16,551	
Total Soil conservation	141,824	123,310	18,514
<b>Total Economic &amp; Physical Development</b>	<b>1,071,769</b>	<b>949,240</b>	<b>122,529</b>
<b>Human Services</b>			
Public health:			
Operating expenses	541,127	541,127	--
Mental health:			
Operating expenses	305,857	303,494	2,363
Social services - admin.:			
Salaries and benefits		2,686,646	
Operating expenses		487,396	
Total Social services - admin.	3,349,645	3,174,042	175,603
Beneficiary payments:	804,709	745,579	59,130
State foster care and daycare			
Room & Board		172,181	
Purchase-daycare XX		946,051	
Total State foster care and daycare	1,154,336	1,118,232	36,104
Project on aging:			
Salaries and benefits		914,710	
Operating expenses		238,361	
Total Project on aging	1,251,689	1,153,071	98,618
Veterans services:			
Salaries and benefits		107,229	
Operating expenses		2,825	
Total Veterans services	110,064	110,054	10
<b>Total Human Services</b>	<b>7,517,427</b>	<b>7,145,599</b>	<b>371,828</b>
<b>Education</b>			
Public Schools - current		10,985,315	
Public Schools - capital outlay		1,305,507	
Community College - current		790,851	
<b>Total Education</b>	<b>13,619,117</b>	<b>13,081,673</b>	<b>537,444</b>
<b>Cultural and recreational</b>			
Library:			
Operating expenses	495,000	495,000	--
Recreation:			
Salaries and benefits		556,982	
Operating expenses		141,874	
Total Recreation	724,223	698,856	25,367
Aquatics:			
Salaries and benefits		196,142	
Operating expenses		14,868	
Total Aquatics	218,976	211,010	7,966
<b>Total Cultural and recreational</b>	<b>1,438,199</b>	<b>1,404,866</b>	<b>33,333</b>
<b>Debt Service</b>			
Principal retirement		4,845,354	
Interest & fees		2,936,178	
<b>Total Debt Service</b>	<b>7,871,641</b>	<b>7,781,532</b>	<b>90,109</b>
<b>TOTAL EXPENDITURES</b>	<b>49,158,515</b>	<b>45,860,429</b>	<b>3,298,086</b>
Excess (deficiency) of revenues over expenditures	(4,702,312)	(871,088)	3,831,224

Watauga County, North Carolina  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE -- BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2011

	2011		Variance
	Budget	Actual	
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers to Capital Projects Fund	(387,391)	(387,391)	--
Transfers to WHS Capital Project Fund	(50,000)	(50,000)	--
Transfers to Emergency Telephone Fund	-	(60,399)	(60,399)
Transfers from Capital Projects Fund	333,421	333,421	--
Transfers from Solid Waste Fund	67,535	67,535	--
Transfers from Revaluation Fund	2,837	2,836	(1)
Fund Balance Appropriated	<u>4,735,910</u>	<u>-</u>	<u>(4,735,910)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>4,702,312</u>	<u>(93,998)</u>	<u>(4,796,310)</u>
Excess (deficiency) of revenues over expenditures & other sources (uses) \$	<u>0</u>	(965,086)	<u>(965,086)</u>
Fund balances at beginning of year		<u>23,058,989</u>	
Fund balances at end of year		<u>\$ 22,093,903</u>	

Watauga County, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

	Special Revenue Funds										Capital Project Funds		
	Federal Substance Abuse Tax Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Fund	Revaluation Fund	Occupancy Tax Fund	CDBG Scattered Site Housing Fund	CDBG Hospitality House	Upper Watauga River Project	Total Nonmajor Special Revenue Funds	PARTF Rocky Knob Park Capital Projects Fund	Total Non-Major Capital Project Funds	Total Non-major Governmental Funds
<b>ASSETS:</b>													
Cash and cash equivalents	\$ 71,831	43,483	890,371	25,685	--	300	14,503	--	--	1,046,073	16,151	16,151	1,062,224
Due from governments	--	--	32,351	--	--	--	--	--	--	32,351	8,137	8,137	40,488
Accounts receivable, net	--	--	--	68	--	77,273	--	--	--	77,341	--	--	77,341
Taxes receivable, net	--	--	--	142,759	--	--	--	--	--	142,759	--	--	142,759
Total assets	\$ 71,831	43,483	922,722	168,412	--	77,573	14,503	--	--	1,298,524	24,288	24,288	1,322,812
<b>LIABILITIES AND FUND BALANCE</b>													
<b>Liabilities:</b>													
Accounts payable and accrued liabilities	--	5,126	13,755	25,653	--	--	5,000	--	--	49,534	24,288	24,288	73,822
Due from other governments	--	--	--	--	--	77,573	--	--	--	77,573	--	--	77,573
Deferred revenue	--	--	--	142,759	--	--	--	--	--	142,759	--	--	142,759
Total Liabilities	--	5,126	13,755	168,412	--	77,573	5,000	--	--	269,866	24,288	24,288	294,154
<b>Fund Balances:</b>													
<b>Restricted:</b>													
Stabilization of State Statute	--	--	372,826	--	--	--	--	--	--	372,826	--	--	372,826
Public Safety	71,831	36,357	536,141	--	--	--	--	--	--	646,329	--	--	646,329
Grant expenditures	--	--	--	--	--	--	9,503	--	--	9,503	--	--	9,503
Committed	--	--	--	--	--	--	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--	--	--	--	--	--	--
Total fund balances	71,831	36,357	908,967	--	--	--	9,503	--	--	1,028,658	--	--	1,028,658
Total liabilities and fund balances	\$ 71,831	43,483	922,722	168,412	--	77,573	14,503	--	--	1,298,524	24,288	24,288	1,322,812

Statement 3

Watauga County, North Carolina  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2011

	Special Revenue Funds										Capital Projects Funds			
	Federal Substance Abuse Tax	State Substance Abuse Tax	Emergency Telephone System	Fire Districts Fund	Revaluation Funds	Occupancy Tax Fund	Scattered Site Housing Fund	CDBG Hospitality House	Upper Watauga River Project	Total Nonmajor Special Revenue Funds	PARTF Rocky Knob Park Capital Project Fund	Total Non-Major Capital Project Fund	Total Non-Major Governmental Project Fund	
<b>REVENUES</b>														
Ad valorem taxes	--	--	--	2,639,588	--	--	--	--	--	2,639,588	--	--	2,639,588	
Other taxes and licenses	--	--	--	--	--	821,075	--	--	--	821,075	--	--	821,075	
Restricted intergovernmental	2,123	14,654	388,212	--	--	--	189,593	434,005	249,830	1,278,417	450,000	450,000	1,728,417	
Other miscellaneous income	--	--	--	--	--	--	--	--	--	--	121,839	121,839	121,839	
Investment earnings	176	155	1,919	--	6	--	--	--	--	2,256	--	--	2,256	
Total revenues	2,299	14,809	390,131	2,639,588	6	821,075	189,593	434,005	249,830	4,741,336	571,839	571,839	5,313,175	
<b>EXPENDITURES</b>														
Current:														
General government	--	--	--	--	--	821,075	--	--	--	821,075	--	--	821,075	
Public safety	--	41,417	273,569	2,639,588	--	--	--	--	--	2,954,574	--	--	2,954,574	
Economic and Physical Development	--	--	--	--	--	--	180,090	434,005	--	614,095	--	--	614,095	
Environmental Protection	--	--	--	--	--	--	--	--	249,830	249,830	--	--	249,830	
Capital outlay	--	11,112	--	--	--	--	--	--	--	11,112	--	--	11,112	
Principal Retirement	--	--	--	--	--	--	--	--	--	--	50,376	50,376	50,376	
Interest and Fees	--	--	--	--	--	--	--	--	--	--	495,000	495,000	495,000	
Total expenditures	--	52,529	273,569	2,639,588	--	821,075	180,090	434,005	249,830	4,650,686	571,839	571,839	5,222,525	
Excess (deficiency) of revenues over expenditures	2,299	(37,720)	116,562	--	6	--	9,503	--	--	90,650	--	--	90,650	
<b>OTHER FINANCING SOURCES (USES)</b>														
Proceeds from installment purchase contracts	--	--	--	--	--	--	--	--	--	--	--	--	--	
Transfers (to) from other funds	--	--	60,399	--	(2,836)	--	--	--	--	57,563	--	--	57,563	
Total other financing sources and uses	--	--	60,399	--	(2,836)	--	--	--	--	57,563	--	--	57,563	
Net change in fund balances	2,299	(37,720)	176,961	--	(2,830)	--	9,503	--	--	148,213	--	--	148,213	
Fund balances - beginning	69,532	76,077	732,006	--	2,830	--	--	--	--	880,445	--	--	880,445	
Fund balances - ending	71,831	38,357	908,967	--	--	--	9,503	--	--	1,028,658	--	--	1,028,658	

**WATAUGA COUNTY, NORTH CAROLINA**  
 Federal Substance Abuse Tax Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Restricted intergovernmental - Federal	\$	2,123	
Investment Earnings		176	
<b>Total revenues</b>	<u>  --</u>	<u>2,299</u>	<u>2,299</u>
<b>Expenditures:</b>			
Public Safety			
Federal		--	
Capital outlay - federal		--	
<b>Total expenditures</b>	<u>  --</u>	<u>  --</u>	<u>  --</u>
Excess (deficiency) of revenues over expenditures	<u>  --</u>	<u>2,299</u>	<u>2,299</u>
<b>Other financing sources (uses)</b>			
Appropriated fund balance	<u>  --</u>	<u>  --</u>	<u>  --</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>\$  --</u>	<u>2,299</u>	<u>2,299</u>
<b>Fund balance at beginning of year</b>		<u>69,532</u>	
<b>Fund balance at end of year</b>		<u>\$  71,831</u>	

**WATAUGA COUNTY, NORTH CAROLINA**  
 State Substance Abuse Tax Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Restricted intergovernmental - State	\$	14,654	
Investment Earnings		155	
<b>Total revenues</b>	<u>29,550</u>	<u>14,809</u>	<u>(14,741)</u>
<b>Expenditures:</b>			
Public Safety			
Operating		41,417	
Capital outlay		11,112	
<b>Total expenditures</b>	<u>52,554</u>	<u>52,529</u>	<u>25</u>
Excess (deficiency) of revenues over expenditures	<u>(23,004)</u>	<u>(37,720)</u>	<u>(14,716)</u>
<b>Other financing sources (uses)</b>			
Appropriated fund balance	<u>23,004</u>	<u>--</u>	<u>(23,004)</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>\$ --</u>	<u>(37,720)</u>	<u>(37,720)</u>
<b>Fund balance at beginning of year</b>		<u>76,077</u>	
<b>Fund balance at end of year</b>		<u>\$ 38,357</u>	

**WATAUGA COUNTY, NORTH CAROLINA**  
**Emergency Telephone System Fund**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Restricted intergovernmental:			
Wireless 911 funds	\$	388,212	
Investment earnings		1,919	
<b>Total revenues</b>	<b>390,212</b>	<b>390,131</b>	<b>(81)</b>
<b>Expenditures:</b>			
Public safety:			
Implementation services		71,674	
Software		81,890	
Hardware		15,517	
Telephones		82,247	
Training		4,371	
50% Public Safety Need		17,870	
Furniture		--	
<b>Total expenditures</b>	<b>743,684</b>	<b>273,569</b>	<b>470,115</b>
Excess (deficiency) of revenues over expenditures	<b>(353,472)</b>	<b>116,562</b>	<b>470,034</b>
<b>Other financing sources (uses):</b>			
Transfer from General Fund	--	60,399	60,399
Appropriated fund balance	353,472	--	(353,472)
<b>Total other financing sources (uses)</b>	<b>353,472</b>	<b>60,399</b>	<b>(293,073)</b>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<b>\$ --</b>	<b>176,961</b>	<b>176,961</b>
<b>Fund balance at beginning of year</b>		<b>732,006</b>	
<b>Fund balance at end of year</b>		<b>\$ 908,967</b>	



**WATAUGA COUNTY, NORTH CAROLINA**  
**Fire Districts Fund**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	2011		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,670,796	2,639,588	(31,208)
<b>Total revenues</b>	<u>2,670,796</u>	<u>2,639,588</u>	<u>(31,208)</u>
<b>Expenditures:</b>			
Public safety:			
Beaver Dam Fire District	110,493	108,712	1,781
Blowing Rock Fire District	470,626	465,631	4,995
Boone Fire District	608,192	603,182	5,010
Cove Creek Fire District	225,115	223,531	1,584
Deep Gap Fire District	181,008	178,151	2,857
Foscoe Fire District	456,258	454,424	1,834
Meat Camp Fire District	125,407	124,179	1,228
Meat Camp/Creston Fire District	3,656	3,436	220
Shawneehaw Fire District	94,641	92,395	2,246
Stewart Simmons Fire District	166,285	160,000	6,285
Todd Fire District	44,759	43,902	857
Zionville Fire District	109,009	106,947	2,062
Beech Mountain Fire Service District	1,728	1,751	(23)
Cove Creek Fire Service District	302	301	1
Foscoe Fire Service District	67,978	67,817	161
Shawneehaw Fire Service District	5,339	5,229	110
<b>Total expenditures</b>	<u>2,670,796</u>	<u>2,639,588</u>	<u>31,208</u>
Excess (deficiency) of revenues over expenditures	\$ <u>          --</u>	<u>          --</u>	<u>          --</u>
<b>Fund balance at beginning of year</b>		<u>          --</u>	
<b>Fund balance at end of year</b>		<u>          --</u>	

**WATAUGA COUNTY, NORTH CAROLINA**  
 Revaluation Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Investment earnings	\$ <u>          --</u>	<u>          6</u>	<u>          6</u>
<b>Expenditures:</b>			
General government	<u>          --</u>	<u>          --</u>	<u>          --</u>
Excess (deficiency) of revenues over expenditures	<u>          --</u>	<u>          6</u>	<u>          6</u>
<b>Other Financing Sources (Uses):</b>			
Transfer to other funds	(2,837)	(2,836)	1
Appropriated fund balance	<u>          2,837</u>	<u>          --</u>	<u>          (2,837)</u>
Total other financing sources	<u>          --</u>	<u>          (2,836)</u>	<u>          (2,836)</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	\$ <u>          --</u>	<u>          (2,830)</u>	<u>          (2,830)</u>
<b>Fund balance at beginning of year</b>		<u>          2,830</u>	
<b>Fund balance at 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 Fiscal Year Ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Other taxes and licenses	\$ 805,000	821,075	16,075
<b>Total revenues</b>	805,000	821,075	16,075
<b>Expenditures:</b>			
Tourism Development		802,864	
Administrative fee		18,211	
<b>Total expenditures</b>	805,000	821,075	(16,075)
Excess (deficiency) of revenues over expenditures	\$ --	--	--
<b>Fund balance at beginning of year</b>		--	
<b>Fund balance at end of year</b>		\$ --	

**WATAUGA COUNTY, NORTH CAROLINA**  
 CDBG Scattered Site Housing  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2011

	2011				
	Project Authorization	Prior Year	Actual	Total to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Restricted intergovernmental Programs revenues	\$ 400,000	48,393	170,258	218,651	(181,349)
	<u>19,335</u>	<u>--</u>	<u>19,335</u>	<u>19,335</u>	<u>--</u>
<b>Total revenues</b>	<u>419,335</u>	<u>48,393</u>	<u>189,593</u>	<u>237,986</u>	<u>(181,349)</u>
<b>Expenditures:</b>					
Residence rehabilitation	313,000	31,100	124,065	155,165	157,835
Local option/Emergency	59,335	--	36,025	36,025	23,310
Grant administration	<u>47,000</u>	<u>17,293</u>	<u>20,000</u>	<u>37,293</u>	<u>9,707</u>
<b>Total expenditures</b>	<u>419,335</u>	<u>48,393</u>	<u>180,090</u>	<u>228,483</u>	<u>190,852</u>
Excess (deficiency) of revenues over expenditures	\$ <u><u>--</u></u>	<u><u>--</u></u>	<u>9,503</u>	<u>9,503</u>	<u>9,503</u>
<b>Fund balance at beginning of year</b>			<u>--</u>		
<b>Fund balance at end of year</b>			\$ <u><u>9,503</u></u>		

WATAUGA COUNTY, NORTH CAROLINA  
 CDBG - Hospitality House  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2011

	2011				Variance Favorable (Unfavorable)
	Project Authorization	Prior Year	Actual	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental	\$ 600,000	165,995	434,005	600,000	--
<b>Total revenues</b>	<u>600,000</u>	<u>165,995</u>	<u>434,005</u>	<u>600,000</u>	--
<b>Expenditures:</b>					
Continuing Services - Hospitality House	583,000	154,823	428,177	583,000	--
Grant Administration	17,000	11,172	5,828	17,000	--
<b>Total expenditures</b>	<u>600,000</u>	<u>165,995</u>	<u>434,005</u>	<u>600,000</u>	--
Excess (deficiency) of revenues over expenditures	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Fund balance at beginning of year</b>			<u>--</u>		
<b>Fund balance at end of year</b>			<u>\$ --</u>		

**WATAUGA COUNTY, NORTH CAROLINA**  
 Upper Watauga River Project  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2011

	2011				
	Project Authorization	Prior Year	Actual	Total to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Restricted intergovernmental	\$ 423,760	141,030	249,830	390,860	(32,900)
<b>Total revenues</b>	<u>423,760</u>	<u>141,030</u>	<u>249,830</u>	<u>390,860</u>	<u>(32,900)</u>
<b>Expenditures:</b>					
River Enhancement	390,486	141,030	249,455	390,485	1
Contingency	18,000	--	--	--	18,000
Grant administration	15,274	--	375	375	14,899
<b>Total expenditures</b>	<u>423,760</u>	<u>141,030</u>	<u>249,830</u>	<u>390,860</u>	<u>32,900</u>
Excess (deficiency) of revenues over expenditures	\$ <u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>
<b>Fund balance at beginning of year</b>			--		
<b>Fund balance at end of year</b>			\$ <u>    --</u>		

**WATAUGA COUNTY, NORTH CAROLINA**  
**PARTF - Rocky Knob Park Capital Project**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	2011				
	Project Authorization	Prior Year	Actual	Total to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Restricted intergovernmental	\$ 500,000	--	450,000	450,000	(50,000)
Other miscellaneous revenue	575,600	--	121,839	121,839	(453,761)
<b>Total revenues</b>	<u>1,075,600</u>	<u>--</u>	<u>571,839</u>	<u>571,839</u>	<u>(503,761)</u>
<b>Expenditures:</b>					
Capital Outlay			50,376		
Principal Retirement			495,000		
Interest and Fees			26,463		
<b>Total expenditures</b>	<u>1,075,600</u>	<u>--</u>	<u>571,839</u>	<u>571,839</u>	<u>503,761</u>
Excess (deficiency) of revenues over expenditures	\$ <u>          --</u>	<u>          --</u>	<u>          --</u>	<u>          --</u>	<u>          --</u>
<b>Fund balance at beginning of year</b>			<u>          --</u>		
<b>Fund balance at end of year</b>		\$ <u>          --</u>			

**WATAUGA COUNTY, NORTH CAROLINA**  
Watauga High School Capital Project  
Statement of Revenues and Expenditures and Changes in  
Fund Balance - Budget and Actual  
From Inception and For the Fiscal Year Ended June 30, 2011

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Investment earnings	\$ 746,000	607,610	4,776	612,386	(133,614)
NC Education Lottery	350,000	--	350,000	350,000	--
Other revenues	1,288,400	1,256,585	196,357	1,452,942	164,542
<b>Total Revenues</b>	<u>2,384,400</u>	<u>1,864,195</u>	<u>551,133</u>	<u>2,415,328</u>	<u>30,928</u>
<b>Expenditures:</b>					
Capital Projects	79,804,520	72,756,106	6,545,173	79,301,279	503,241
Excess (deficiency) of revenues over expenditures	<u>(77,420,120)</u>	<u>(70,891,911)</u>	<u>(5,994,040)</u>	<u>(76,885,951)</u>	<u>534,169</u>
<b>Other financing sources (uses):</b>					
Operating transfers - in (out):					
From Capital Projects Fund	1,548,881	1,548,881	--	1,548,881	--
From General Fund	5,871,239	5,821,239	50,000	5,871,239	--
Loan proceeds	70,000,000	70,000,000	--	70,000,000	--
<b>Total other financing sources (uses)</b>	<u>77,420,120</u>	<u>77,370,120</u>	<u>50,000</u>	<u>77,420,120</u>	<u>--</u>
Increase (decrease) in fund balance	\$ <u><u>--</u></u>	<u><u>6,478,209</u></u>	<u><u>(5,944,040)</u></u>	<u><u>534,169</u></u>	<u><u>534,169</u></u>
<b>Fund balance at beginning of year</b>			<u>6,478,209</u>		
<b>Fund balance at end of year</b>			<u>\$ <u>534,169</u></u>		



**WATAUGA COUNTY, NORTH CAROLINA**  
 Capital Projects Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Investment earnings	\$ <u>          --</u>	<u>          8,960</u>	<u>          8,960</u>
<b>Expenditures:</b>			
General government	<u>          --</u>	<u>          --</u>	<u>          --</u>
Excess (deficiency) of revenues over expenditures	<u>          --</u>	<u>          8,960</u>	<u>          8,960</u>
<b>Other Financing Sources (Uses):</b>			
Transfer from other funds	387,391	387,391	--
Future project funding	(387,391)	--	387,391
Transfer to other funds	(333,421)	(333,421)	--
Appropriated fund balance	<u>          333,421</u>	<u>          --</u>	<u>          (333,421)</u>
Total other financing sources	<u>          --</u>	<u>          53,970</u>	<u>          53,970</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	\$ <u>          --</u>	<u>          62,930</u>	<u>          62,930</u>
<b>Fund balance at beginning of year</b>		<u>          3,660,782</u>	
<b>Fund balance at end of year</b>		<u>\$ <u>          3,723,712</u></u>	

Watauga County, North Carolina  
Solid Waste Fund  
Statement of Revenues and Expenditures  
Budget and Actual (NON-GAAP)  
For the Fiscal Year Ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Operating revenues:			
Landfill charges	\$	4,390,727	
Restricted intergovernmental revenues		116,621	
Total	<u>4,045,951</u>	<u>4,507,348</u>	<u>461,397</u>
Non-operating revenues:			
Investment earnings	<u>2,000</u>	<u>8,300</u>	<u>6,300</u>
Total revenues	<u>4,047,951</u>	<u>4,515,648</u>	<u>467,697</u>
EXPENDITURES:			
Landfill operations:			
Salaries and employee benefits		1,196,743	
Other operating expenditures		2,305,067	
Total landfill operations	<u>3,575,833</u>	<u>3,501,810</u>	<u>74,023</u>
Recycling operations:			
Salaries and employee benefits		48,550	
Other operating expenses		77,406	
Total recycling operations	<u>253,356</u>	<u>125,956</u>	<u>127,400</u>
Budgetary appropriations			
Interest paid		432	
Debt principal		45,569	
Capital outlay		391,938	
Total budgetary appropriations	<u>516,671</u>	<u>437,939</u>	<u>78,732</u>
Total expenditures	<u>4,345,860</u>	<u>4,065,705</u>	<u>280,155</u>
Revenues under expenditures	<u>(297,909)</u>	<u>449,943</u>	<u>747,852</u>
Other financing sources (uses):			
Proceeds from installment purchase	135,290	135,290	--
Transfers to general fund for debt payment	(67,535)	(67,535)	--
Appropriated fund balance	230,154	--	(230,154)
Total other financing sources (uses):	<u>297,909</u>	<u>67,755</u>	<u>(230,154)</u>
Revenues over expenditures and other sources (uses)	\$ <u><u>    --</u></u>	<u>517,698</u>	<u>517,698</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		391,938	
Depreciation		(234,756)	
Payment of debt principal		45,569	
Increase in accrued vacation pay		(9,144)	
Increase in accrued OPEB		(10,505)	
Proceeds from installment purchase		(135,290)	
Total reconciling items		<u>47,812</u>	
Change in net assets		<u>\$ 565,510</u>	

**Watauga County, North Carolina**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2011**

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ <u>193,188</u>	<u>474,717</u>	<u>667,905</u>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ <u>          --</u>	<u>          --</u>	<u>          --</u>
Total liabilities	<u>          --</u>	<u>          --</u>	<u>          --</u>
Net Assets:			
Assets held in trust for pension benefits	\$ <u>193,188</u>	<u>474,717</u>	<u>667,905</u>

**Watauga County, North Carolina**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2011**

	<u>LEO Special Separation Allowance</u>	<u>Other Post- Employment Benefits</u>	<u>Total</u>
Additions:			
Employer contributions	\$ 38,524	560,597	599,121
Interest	454	20	474
Total additions	<u>38,978</u>	<u>560,617</u>	<u>599,595</u>
Deductions:			
Benefits	28,288	85,900	114,188
Administrative expense	236	--	236
Total deductions	<u>28,524</u>	<u>85,900</u>	<u>114,424</u>
Change in net assets	10,454	474,717	485,171
Net assets, beginning	182,734	--	182,734
Net assets, ending	<u>\$ 193,188</u>	<u>474,717</u>	<u>667,905</u>

**Watauga County, North Carolina**  
**Agency Funds**  
 Combining Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2010
<b>Social Services:</b>				
Assets:				
Cash and Investments	\$ 30,333	257,624	265,785	22,172
Liabilities:				
Accounts Payable	\$ 30,333	257,624	265,785	22,172
<b>Vehicle Tax-Towns:</b>				
Assets:				
Accounts Payable	4,299	90,692	89,743	5,248
Liabilities:				
Accounts Payable	4,299	90,692	89,743	5,248
<b>Jail Commissary:</b>				
Assets:				
Cash and Investments	13,898	75,037	77,021	11,914
Liabilities:				
Accounts Payable	13,898	75,037	77,021	11,914
<b>Fines and Forfeitures:</b>				
Assets:				
Cash and Investments	--	317,925	318,416	(491)
Liabilities:				
Accounts Payable	--	317,925	318,416	(491)
<b>DMV Tax Interest Fund:</b>				
Assets:				
Cash and Investments	711	9,082	9,232	561
Liabilities:				
Accounts Payable	711	9,082	9,232	561
<b>Deed of Trust Fee Fund:</b>				
Assets:				
Cash and Investments	--	12,005	12,005	--
Liabilities:				
Accounts Payable	--	12,005	12,005	--
<b>Town of Boone Tax Fund:</b>				
Assets:				
Cash and Investments	--	79,107	66,897	12,210
Liabilities:				
Accounts payable	--	79,107	66,897	12,210
<b>Total - All Agency Funds</b>				
Assets:				
Cash and Investments	\$ 49,241	841,472	839,099	51,614
Liabilities:				
Accounts Payable	\$ 49,241	841,472	839,099	51,614

**Watauga County, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2011**

Fiscal year:	Uncollected Balance June 30, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010 - 2011	\$ 0	27,484,010	26,717,729	766,281
2009 - 2010	703,294	-	396,697	306,597
2008 - 2009	281,515	-	109,878	171,637
2007 - 2008	123,277	-	30,210	93,067
2006 - 2007	91,449	-	16,955	74,494
2005 - 2006	66,814	-	6,377	60,437
2004 - 2005	48,418	-	4,588	43,830
2003 - 2004	45,356	-	4,345	41,011
2002 - 2003	42,713	-	2,681	40,032
2001 - 2002	40,235	-	1,156	39,079
2000 - 2001	34,920	-	34,920	0
	<u>\$ 1,477,991</u>	<u>27,484,010</u>	<u>27,325,536</u>	<u>1,636,465</u>
Plus: 2011 - 2012 receivable				7,737
Less: allowance for uncollectible accounts General Fund				<u>(470,172)</u>
Ad valorem taxes receivable - net General Fund				<u>\$ 1,174,030</u>

---

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 27,426,684
Reconciling items:	
Advertising and interest collected	(156,672)
Taxes written off	34,392
Prior year releases	<u>21,132</u>
Total reconciling items	<u>(101,148)</u>
Total collections and credits	<u>\$ 27,325,536</u>

**Watauga County, North Carolina**  
**Analysis of Current Tax Levy**  
**County-Wide Levy**  
**For the Fiscal Year Ended June 30, 2011**

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 8,368,653,674	\$ 0.313	26,193,886	\$ 26,193,886	--
Motor vehicles	338,881,789	0.313	1,060,700	--	1,060,700
Penalties	--		4,648	4,648	--
Total	8,707,535,463		27,259,234	26,198,534	1,060,700
Discoveries:					
Current year taxes	86,274,290	0.313	253,435	253,435	--
Prior year taxes	--		31,335	31,335	--
Penalties	--		1,090	1,090	--
Total	86,274,290		285,860	285,860	--
Abatements:	(19,515,655)		(61,084)	(49,349)	(11,735)
Total property valuation	\$ 8,774,294,098				
Net levy			27,484,010	26,435,045	1,048,965
Uncollected taxes at June 30, 2011			766,281	651,345	114,936
Current year's taxes collected			\$ 26,717,729	25,783,700	934,029
Current levy collection percentage			97.21%	97.54%	89.04%

**WATAUGA COUNTY, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**County-wide Levy**  
**For the Fiscal Year Ended June 30, 2011**

Statement 22-A

**Secondary Market Disclosures:**

## Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 8,180,630,847
Personal Property	514,266,562
Public Service Companies	<u>79,396,689</u>
Total Assessed Valuation	8,774,294,098
Tax Rate per \$100	<u>0.313</u>
Levy (includes discoveries, releases and abatements)	\$ <u>27,484,010</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 2011:

Fire Protection District	Tax Rate per \$100		Net Levy
Beaver Dam	0.05	\$	110,580
Beech Mtn Rural	0.05	\$	1,751
Blowing Rock	0.05	\$	465,704
Boone Rural	0.04	\$	597,315
Cove Creek	0.05	\$	223,531
Cove Creek Rural	0.05	\$	301
Deep Gap	0.05	\$	180,355
Foscoe	0.05	\$	455,723
Foscoe Rural	0.05	\$	68,636
Meat Camp	0.03	\$	123,328
Meat Camp/Creston	0.03	\$	3,612
Shawneehaw	0.05	\$	92,633
Shawneehaw Rural	0.05	\$	5,329
Stewart Simmons	0.05	\$	164,955
Todd	0.05	\$	44,072
Zionville	0.05	\$	<u>109,069</u>
Total Net Fire Protection District Levies			\$ <u>2,646,894</u>



WATAUGA COUNTY, NORTH CAROLINA  
 Ten Largest Taxpayers  
 For the Fiscal Year Ended June 30, 2011

Statement 22-B

Taxpayer	Type of Business	2010 Assessed Valuation	Percentage of Total Assessed Valuation
BR Development Group LLC	Real Estate Development	\$ 122,985,800	1.40 %
Blue Ridge Electric	Electric Utility	58,659,433	0.67
Mountaineer Village LLC	Rental Properties	25,769,700	0.29
Lowe's Home Centers	Home Supply Center	21,595,300	0.25
Appalachian South	Rental Properties	20,082,500	0.23
Village at Meadowview of Boone LTD	Rental Properties	18,906,800	0.22
BellSouth	Telephone Utility	15,157,995	0.17
Templeton Properties LP	Commercial Rental Properties	15,060,730	0.17
Paul Brown Enterprises	Rental Properties	14,165,420	0.16
WM Land Boone LTD Partnership	Real Estate Development	12,423,600	0.14
		<u>\$ 324,807,278</u>	<u>3.70 %</u>

**Watauga County, North Carolina**  
 Analysis of Current Tax Levy

Fire Districts  
 For the Fiscal Year Ended June 30, 2011

	Beaver Dam Fire District	Beech Mtn. Rural Fire Service District	Blowing Rock Rural Fire District	Boone Rural Fire District	Cove Creek Fire District	Cove Creek Rural Fire Service District	Deep Gap Fire District	Foscoe Fire District
Tax rate	0.05	0.05	0.05	0.04	0.05	0.05	0.05	0.05
Net levy	\$ 110,580	1,751	465,704	597,315	223,531	301	180,355	455,723
Uncollected taxes at June 30, 2011	4,441	3	9,083	18,857	8,279	--	8,012	11,240
Current year's taxes collected	106,139	1,748	456,621	578,458	215,252	301	172,343	444,483
Current levy collection percentage	95.98%	99.83%	98.05%	96.84%	96.30%	100.00%	95.56%	97.53%

	Foscoe Rural Fire Service District	Meat Camp Fire District	Meat Camp/ Creston Fire District	Shawnee Fire District	Shawnee Rural Fire Service District	Stewart Simmons Fire District	Todd Fire District	Zionville Fire District
Tax rate	0.05	0.03	0.03	0.05	0.05	0.05	0.05	0.05
Net levy	\$ 68,636	123,328	3,612	92,633	5,329	164,955	44,072	109,069
Uncollected taxes at June 30, 2011	2,258	3,860	492	3,535	181	8,706	906	5,568
Current year's taxes collected	66,378	119,468	3,120	89,098	5,148	156,249	43,166	103,501
Current levy collection percentage	96.71%	96.87%	86.38%	96.18%	96.60%	94.72%	97.94%	94.89%

## Compliance Section

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**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

To the Board of County Commissioners  
Watauga County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprises Watauga County's basic financial statements, and have issued our report thereon dated December 14, 2011. We did not audit the financial statement of AppalCART or the Watauga County District U Tourism Development Authority. Those financial statement were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for AppalCART and the Watauga County District U Tourism Development Authority 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 Controller General of the United States.

Internal Control over Financial Reporting

Management of Watauga County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Watauga County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on effectiveness of Watauga County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watauga County's financial statements are free of 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. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Watauga County in a separate letter dated December 14, 2011.

This report is intended solely for the information of management, others within the organization, members of the Board of County Commissioners, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

*Bryce Holder, CPA, P.A.*

December 14, 2011

**BRYCE HOLDER, CPA, P.A.**

**CERTIFIED PUBLIC ACCOUNTANT  
820 STATE FARM ROAD, SUITE F  
BOONE, NORTH CAROLINA 28607  
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**Report on Compliance With Requirements Applicable to Each Major Federal  
Program and Internal Control Over Compliance in Accordance With OMB  
Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Watauga County, North Carolina

Compliance

We have audited the compliance of Watauga County, North Carolina, compliance with the requirements described in the *U.S. Office of Management and Budget (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, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Watauga County's management. Our responsibility is to express an opinion on Watauga County's compliance based on our audit.

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, *Audits and States Local Governments, and Non-Profit Organizations*, 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. Our audit does not provide a legal determination on Watauga County's compliance with those requirements.

In our opinion, Watauga County complied, in all material respects, with the 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, 2011.

The management of Watauga County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Watauga County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 an entity's internal control over compliance 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 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 combination of deficiencies 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 or corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information of the management, others within the entity, members of the Board of County Commissioners, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

*Bryce Holder, CPA, P.A.*

December 14, 2011

**BRYCE HOLDER, CPA, P.A.**

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**Report on Compliance With Requirements Applicable to Each Major State  
Program and Internal Control Over Compliance in Accordance With OMB  
Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Watauga County, North Carolina

Compliance

We have audited 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 that could have a direct and material effect on each of Watauga County's major State programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Watauga County's management. Our responsibility is to express an opinion on Watauga County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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. Our audit does not provide a legal determination on Watauga County's compliance with those requirements.

In our opinion, Watauga County complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major State programs for the year ended June 30, 2011.



Internal Control Over Compliance

The management of Watauga County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Watauga County's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 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 combination of deficiencies in internal control 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to material weaknesses, as defined above.

This report is intended solely for the information of the management, others within the organization, members of the Board of County Commissioners, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

*Bryce Holder, CPA, P.A.*

December 14, 2011

WATAUGA COUNTY, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2011

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial Statements noted \_\_\_\_\_ Yes      X   No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued noncompliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 \_\_\_\_\_ Yes      X   No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Title XIX Medicaid	93.778
Childcare Cluster	93.596
	93.575
	93.713
	93.667
	93.558
	93.714

Dollar threshold used to distinguish Between Type A and Type B Programs: \$   674,115  

Auditee qualified as low-risk auditee   X   Yes    \_\_\_\_\_ No

Watauga County, North Carolina  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2011

State Awards

Internal control over major State Programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(s) identified that are not considered to be material weaknesses  Yes  None reported

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

- Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act  Yes  No

Identification of major State programs:

Program Name

Title XIX Medicaid

II. **Financial Statement Findings:**

There were no findings.

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

There were no findings or questioned costs.

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

There were no findings or questioned costs.

WATAUGA COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2011

Finding 2007

Status: The County has hired another person with sufficient expertise to help monitor the auditor's drafting of the financial statements and is in the process of developing a schedule to phase in the procedures of drafting the financial statements in house with the assistance of the auditors.

Finding 2008

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

Finding 2009

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

Finding 2010

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 Fiscal Year Ended June 30, 2011

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Grants:</b>					
<b>U.S. Dept. of Agriculture</b>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Supplemental Nutrition Assistance Program					
State Administrative Matching Grants for the Food Stamp Program	10.561		\$ 256,442	-	203,716
Passed-through the N.C. Dept. of Health and Human Services:					
Nutrition Program for the Elderly	10.570		24,671	-	-
<b>Total U.S. Dept. of Agriculture</b>			<u>281,113</u>	<u>-</u>	<u>203,716</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	06-C-1541	170,258	-	-
Community Development Block Grant - Hospitality House	14.228	08-C-1881	434,005	-	-
Total U.S. Dept. of Housing and Urban Development			<u>604,263</u>	<u>-</u>	<u>-</u>
<b>Environmental Protection Agency</b>					
Passed-through the N.C. Dept. of Environmental and Natural Resources Division of Water Quality					
Capitalization Grants for Clean Water State Revolving Funds	66.458	2008-428	249,830	-	-
<b>U.S. Dept. of Homeland Security</b>					
Passed-through the N.C. Dept. of Crime Control and Public Safety					
Disaster Assistance to Individuals and Households in					
Presidential Declared Disaster Areas	97.048		1,000	-	-
Emergency Management Performance Grant	97.042		31,901	-	31,901
State Homeland Security Program	97.073		1,696	-	-
Total U.S. Dept. of Homeland Security			<u>34,597</u>	<u>-</u>	<u>31,901</u>
<b>U.S. Dept. of Justice</b>					
State Criminal Alien Assistance Program					
Public Safety Partnership and Community Policing Grants	16.606		25,541	-	-
Passed-through the N.C. Dept. of Crime Control and Public Safety:					
Domestic Violence Intervention Program	16.710		204	-	-
Domestic Violence Intervention Program	16.588		50,554	-	16,851
Governor's Crime Commission Equipment Grant	16.804		7,521	-	2,507
Total U.S. Dept. of Justice			<u>83,820</u>	<u>-</u>	<u>19,358</u>
<b>U.S. Dept. of Health &amp; Human Services</b>					
Administration on Aging					
Aging Cluster:					
Passed-through High Country Council of Governments					
Special Programs for the Aging - Title III F					
Disease Prevention and Health Promotion Services	93.043		2,408	140	283
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		32,576	1,953	3,837
Special Programs for the Aging - Title III C					
Nutritional Services	93.045		69,578	56,518	14,011
Senior Center			-	16,325	-
Fan and Heat Program			-	399	-
Family Caregiver Support Program	93.052		3,781	220	445
Social Services Block Grant (SSBG)					
In-home Services	93.667		27,875	799	3,186
In-home Services - State Match			-	58,011	6,446
Seniors Health Insurance Info Program	93.779		4,471	-	-
Total Aging Cluster			<u>140,689</u>	<u>134,365</u>	<u>28,208</u>
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Family Preservation					
Temporary Assistance for Needy Families	93.556		2,982	-	-
Administration	93.558		224,458	-	168,323
Direct Benefit Payments	93.558		72,156	-	-
N.C. Child Support Enforcement Section	93.563		193,279	-	99,568
Low-Income Home Energy Assistance Block Grant:					
Administration					
Direct Benefit Payments	93.568		182,369	-	-
Direct Benefit Payments	93.568		272,769	-	-

WATAUGA COUNTY, NORTH CAROLINA  
 Schedule of Expenditures of Federal and State Awards  
 For the Fiscal Year Ended June 30, 2011

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Local Expenditures
<b>U.S. Dept. of Health &amp; Human Services (cont.)</b>					
Child Welfare Services	93.645		5,188	—	1,782
Child Welfare Services:					
Adoption Subsidy - Direct Benefit Payments	93.645		—	77,360	14,579
Title IV-E Foster Care	93.658		144,138	9,175	114,802
Foster Care - Direct Benefit Payments	93.658		81,141	17,925	20,164
Adoption Assistance - Administration	93.659		42	—	42
Adoption Assistance - Direct Benefit Payments	93.659		180,127	39,736	39,736
Social Services Block Grant	93.667		142,193	13,603	49,751
Family Violence Prevention	93.671		1,627	—	—
DCD Smart Start			—	42,300	—
Adoption/Foster Care Special Provision			17,740	22,460	466
Subsidized Child Care					
Division of Social Services					
Child Care and Development					
Fund—Administration	93.596		80,000	—	—
Child Care and Development					
Fund—Discretionary	93.575		330,520	—	—
Child Care and Development					
Fund—Mandatory	93.596		139,812	—	—
Child Care and Development					
Fund—Match	93.596		119,011	64,712	—
Total Child Care Development Fund Cluster			<u>669,343</u>	<u>64,712</u>	<u>—</u>
Social Services Block Grant	93.667		3,853	—	—
Temporary Assistance for Needy Families	93.558		107,619	—	—
Smart Start			—	29,385	—
State Appropriations			—	55,624	—
TANF - MOE			—	38,765	—
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families	93.714		63,253	—	—
Total Subsidized Child Care (Note 3)			<u>844,068</u>	<u>188,486</u>	<u>—</u>
Health Care Financing Administration					
Passed-through the N. C. Dept. of Health and					
Division of Medical Assistance:					
Medical Assistance Program	93.778		18,149,907	7,351,545	11,782
Division of Social Services:					
Administration	93.778		488,880	23,328	443,356
Health Choice	93.767		26,838	1,344	7,429
Links	93.674		5,079	1,270	—
Links- Direct Benefit Payments	93.674		9,096	—	—
Passed-through the N. C. State Board of Elections	93.617		32,113	—	—
<b>Total U.S. Department of Health &amp; Human Services</b>			<u>21,216,879</u>	<u>7,922,897</u>	<u>999,988</u>
<b>Total Federal Awards</b>			<u>22,470,502</u>	<u>7,922,897</u>	<u>1,254,963</u>
<b>State Awards:</b>					
<b>N.C. Dept. of Health and Human Services</b>					
Division of Social Services					
State/County Special Assistance for Adults- Direct Benefit Payments			—	288,443	288,443
State Foster Care Benefits Program			—	97,337	97,337
Program Integrity			—	1,090	—
State Adult Protective Service			—	25,180	—
<b>Total N.C. Dept. of Health and Human Services</b>			<u>—</u>	<u>412,050</u>	<u>385,780</u>

**WATAUGA COUNTY, NORTH CAROLINA**  
 Schedule of Expenditures of Federal and State Awards  
 For the Fiscal Year Ended June 30, 2011

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor's Number	Federal Through) Expenditures	State Expenditures	Local Expenditures
<b>Office of the Governor</b>					
Department of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Council Programs-Gang violence study			-	1,504	-
Juvenile Crime Prevention Council Programs-Gang violence prevention			-	5,927	-
Juvenile Crime Prevention Council Programs-Youth Services-Links			-	9,090	-
Juvenile Crime Prevention Council Programs			-	109,439	32,606
<b>Total Office of the Governor</b>			-	125,960	32,606
<b>N.C. Rural Economic Development Center</b>					
Clean Water Partner Infrastructure Program					
Supplement Grant			-	195,143	105,077
<b>N.C. Dept. of Public Instruction</b>					
Public School National Forest Service					
<b>Total N.C. Dept. of Public Instruction</b>			-	541	-
<b>N.C. Dept. of Transportation</b>					
Workfirst/Employment Transportation					
Operating Assistance			-	12,281	-
Elderly and Disabled Transportation Assistance					
Program (E&DTAP)			-	69,441	-
Rural General Public Program			-	54,058	-
<b>Total N.C. Dept. of Transportation</b>			-	135,780	-
<b>N.C. Dept. of Environment, Health, and Natural Resources</b>					
Soil Conservation Assistance					
Soil Conservation Cost Sharing			-	3,960	102,717
N.C. Adopt-A-Trail Grant			-	24,193	24,193
N.C. Parks and Recreation Trust Fund Grant			-	5,000	-
Division of Waste Management Trust Fund			-	450,000	121,839
School Recycling Grant			-	15,893	4,610
N.C. Electronics Management Fund			-	3,277	-
<b>Total N.C. Dept. of Environment, Health, and Natural Resources</b>			-	502,323	253,359
<b>N.C. Community Foundation</b>					
High Country Water Media Society Endowment					
North Carolina Biotechnology Center			-	225	-
High Country Natural Products Science and					
Technology Development Program			-	961	-
<b>Clean Water Management Trust Fund</b>					
Brookshire Park Project 2011-407			-	14,258	7,000
<b>N.C. Dept. of Agriculture and Consumer Services</b>					
Agriculture Development and Farmland Preservation			-	19,081	11,484
<b>N.C. Dept. of Corrections</b>					
Criminal Justice Partnership Program			-	63,077	-
<b>N.C. Division of Veteran's Affairs</b>					
Veteran's Service Program			-	2,000	108,054
<b>N.C. Association of County Commissioners</b>					
<b>Total State awards</b>			-	1,471,399	903,360
<b>Total federal and State awards</b>			\$ 22,470,502	9,394,296	2,158,323

**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 in or used in the preparation of the general purpose 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

Program Title	Number	Expenditures	Expenditures
Supplemental Nutrition Assistance Program-noncash	10.551	\$ 5,223,557	-
Temporary Assistance for Needy Families	93.558	72,156	-
Medical Assistance Program	93.778	18,149,907	7,351,545
Low Income Home Energy Assistance Block Grant	93.568	272,769	-
Child Welfare - Adoption Subsidy	93.645	-	77,360
Foster Care	93.658	81,141	17,925
Adoption Assistance	93.659	180,127	39,736
Adult Assistance	-	-	288,443

Subsidized Child Care

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

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**AGENDA ITEM 5:**

**PROPOSED AMERICAN RED CROSS SHELTER AGREEMENT**

**MANAGER'S COMMENTS:**

Mr. Tom Dunn, American Red Cross, will present a proposed agreement requesting permission for the Western Watauga Community Center to be designated as an emergency disaster shelter. Staff was unable to find instances where the center had been used as a shelter in the past.

Board action is requested and any agreement should be contingent upon County Attorney review.

### American Red Cross Shelter Agreement

The American National Red Cross ("Red Cross"), a not-for-profit corporation chartered by the United States Congress, provides services to individuals, families and communities when disaster strikes. The disaster relief activities of the Red Cross are made possible by the American public, as the organization is supported by private donations and facility owners who permit their buildings to be used as a temporary refuge for disaster victims. This agreement is between the Red Cross and a facility owner ("Owner") so the Red Cross can use the facility as an emergency shelter during a disaster.

DR#: \_\_\_\_\_ Facility: \_\_\_\_\_

#### Parties and Facility

Owner:  
 Legal name: Watauga County  
 Chapter: \_\_\_\_\_  
 24-Hour Point of Contact:  
     Name and title: \_\_\_\_\_  
     Work phone: \_\_\_\_\_ Cell phone/pager: \_\_\_\_\_  
 Address for Legal Notices:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Red Cross:  
 Legal name: The American National Red Cross  
 Chapter: Watauga  
 24-Hour Point of Contact:  
     Name and title: Tom Dunn  
     Work phone: 336-409-1627 Cell phone/pager: 336-401-6044  
 Address for Legal Notices:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Copies of legal notices must also be sent to:*  
 The American National Red Cross, Office of the General Counsel,  
 2025 E Street, NW, Washington DC 20006  
 and  
 The American National Red Cross, Disaster Operations,  
 2025 E Street NW, Washington, DC 20006.

Shelter Facility:  
 (Insert name and complete street address of building or, if multiple buildings, write "See attached Facility List" and attach Facility List including complete street address of each building that is part of this Agreement).

Western Watauga Community Center  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## Terms and Conditions

1. Use of Facility: Upon request and if feasible, the Owner will permit the Red Cross to use the Facility on a temporary basis as an emergency public shelter.
2. Shelter Management: The Red Cross will have primary responsibility for the operation of the shelter and will designate a Red Cross official, the Shelter Manager, to manage the sheltering activities. The Owner will designate a Facility Coordinator to coordinate with the Shelter Manager regarding the use of the Facility by the Red Cross.
3. Condition of Facility: The Facility Coordinator and Shelter Manager (or designee) will jointly conduct a pre-occupancy survey of the Facility before it is turned over to the Red Cross. They will use the first page of the [Facility/Shelter Opening/Closing Form](#), available on CrossNet, to record any existing damage or conditions. The Facility Coordinator will identify and secure all equipment that the Red Cross should not use while sheltering in the Facility. The Red Cross will exercise reasonable care while using the Facility as a shelter and will make no modifications to the Facility without the express written approval of the Owner.
4. Food Services: Upon request by the Red Cross, and if such resources exist and are available, the Owner will make the food service resources of the Facility, including food, supplies, equipment and food service workers, available to feed the shelter occupants. The Facility Coordinator will designate a Food Service Manager to coordinate the provision of meals at the direction of and in cooperation with the Shelter Manager. The Food Service Manager will establish a feeding schedule, determine food service inventory and needs, and supervise meal planning and preparation. The Food Service Manager and Shelter Manager will jointly conduct a pre-occupancy inventory of the food and food service supplies in the Facility before it is turned over to the Red Cross.
5. Custodial Services: Upon request by the Red Cross and if such resources exist and are available, the Owner will make its custodial resources, including supplies and custodial workers, available to provide cleaning and sanitation services at the shelter. The Facility Coordinator will designate a Facility Custodian to coordinate the provision of cleaning and sanitation services at the direction of and in cooperation with the Shelter Manager.
6. Security: In coordination with the Facility Coordinator; the Shelter Manager, as he or she deems necessary and appropriate, will coordinate with law enforcement regarding any public safety issues at the Shelter.
7. Signage and Publicity: The Red Cross may post signs identifying the shelter as a Red Cross shelter in locations approved by the Facility Coordinator and will remove such signs when the shelter is closed. The Owner will not issue press releases or other publicity concerning the shelter without the express written consent of the Shelter Manager. The Owner will refer all media questions about the shelter to the Shelter Manager.
8. Closing the Shelter: The Red Cross will notify the Owner or Facility Coordinator of the closing date for the shelter. Before the Red Cross vacates the Facility, the Shelter Manager and Facility Coordinator will jointly conduct a post-occupancy survey, using the second page of the Shelter/Facility Opening/Closing Form to record any damage or conditions. The Shelter Manager and Facility Coordinator or Food Service Manager will conduct a post-occupancy inventory of the food and supplies used during the shelter operation.
9. Reimbursement: The Red Cross will reimburse the Owner for the following:
  - a. *Damage to the Facility or other property of Owner*, reasonable wear and tear excepted, resulting from the operations of the Red Cross. Reimbursement for facility damage will be based on replacement at actual cash value. The Red Cross will select from among

bids from at least three reputable contractors. The Red Cross is not responsible for storm damage or other damage caused by the disaster.

- b. *Reasonable costs associated with custodial and food service personnel* which would not have been incurred but for the Red Cross's use of the Facility for sheltering. The Red Cross will reimburse at per-hour, straight-time rate for wages actually incurred but will not reimburse for (i) overtime or (ii) costs of salaried staff.
- c. *Reasonable, actual, out-of-pocket operational costs*, including the costs of the utilities indicated below, to the extent that such costs would not have been incurred but for the Red Cross's use of the Premises (both parties must initial all utilities to be reimbursed by the Red Cross):


	Owner initials	Red Cross initials
Water	_____	_____
Gas	_____	_____
Electricity	_____	_____
Waste Disposal	_____	_____

The Owner will submit any request for reimbursement to the Red Cross within 60 days after the shelter closes. Any request for reimbursement for food, supplies or operational costs must be accompanied by supporting invoices. Any request for reimbursement for personnel costs must be accompanied by a list of the personnel with the dates and hours worked at the shelter.

10. Insurance: The Red Cross shall carry insurance coverage in the amounts of at least \$1,000,000 per occurrence for Commercial General Liability and Automobile Liability. The Red Cross shall also carry Workers' Compensation coverage with statutory limits for the jurisdiction within which the facility is located and \$1,000,000 in Employers' Liability.

11. Indemnification: The Red Cross shall defend, hold harmless, and indemnify Owner against any legal liability, including reasonable attorney fees, in respect to bodily injury, death and property damage arising from the negligence of the Red Cross during the use of the Premises.

12. Term: The term of this agreement begins on the date of the last signature below and ends 30 days after written notice by either party.

Owner (legal name)	THE AMERICAN NATIONAL RED CROSS (legal name)
By (signature)	By (signature) 
Name (printed)	Name (printed) Thomas C. Dunn II
Title	Title Mountain Area Emergency Services Mgr. +
Date	Date 11/15/2011

**AGENDA ITEM 6:**

**PLANNING AND INSPECTIONS MATTERS**

***A. Update Regarding Proposed Acceptance of NC Rural Center Grant***

**MANAGER'S COMMENTS:**

Mr. Joe Furman has received notification from the North Carolina Rural Center that the changes requested in reference to the contract associated with the Aaron's Appliance Project were denied. However, Rural Center staff stated there is no language within the agreement requiring the local government to repay funds in the event of Aaron's default. Mr. Furman and the County Attorney have discussed this project and will provide an opinion to the Board.

Board action is requested.

**From:** Joe Furman  
**Sent:** Wednesday, December 14, 2011 1:43 PM  
**To:** Deron.Geouque  
**Cc:** Anita.Fogle  
**Subject:** NC Rural Center grant  
**Attachments:** Rural Ctr Grant agreements.pdf; Rural Center grant guidelines excerpt.pdf

Deron,

Attached is the response from the NC Rural Center regarding the wording of the grant agreement for the "Aaron's project". As you can see (email pasted below), our request for additional wording was declined. I have studied this agreement, and I am unable to find anything in the contract that makes the County liable for repaying the grant funds in the event of default by the company. It seems clear in sections 4 and 14 of the agreement that repayment is required only if the County makes false statements or representations. The company is liable to repay to the County (who would pass on the \$ to the Rural Center) if the jobs commitment is not met through the loan agreement and promissory note. The email from the Rural Center as well as the grant guidelines state that the County is not liable for payment with County funds under those circumstances. Our responsibility would be to seek recovery of the funds from the company. This would not seem to be a worry, as the jobs are already created. I have discussed this again the County Attorney and asked him to revisit the issue. Please save room on the December 20 Commissioners meeting agenda for discussion. Thanks.

Joe

Joseph A. Furman, AICP  
Director, Watauga County Planning & Inspections and Economic Development  
331 Queen Street, Suite A  
Boone, NC 28607  
(828) 265-8043  
(828) 265-8080 (fax)  
[joe.furman@watgov.org](mailto:joe.furman@watgov.org)

Dear Mr. Furman,

I hope you are well. I have received notification that the contract changes you requested were not approved. The requested language, while appropriate, for program guidelines, was too broad, and open to interpretation, to be placed in the contract documentation. Also, the language could be considered a contradiction to the language in Section 11 of the agreement that does set forth the circumstances when local governments are obligated to repay funds.

**As a consolation, there is no language within the agreement that would indicate that the local government would be expected to repay the funds in the event of company default.**

Please let me know if you have any questions.

Melody

**Melody Adams**  
Director, Building Reuse and Restoration  
North Carolina Rural Center  
4021 Carya Drive  
Raleigh, NC 27610

Phone: 919-250-4314  
Fax: 919-250-4325  
[www.ncruralcenter.org](http://www.ncruralcenter.org)

- Priority will be given projects that offer higher salaries/wages and provide benefits to employees.
- The jobs committed must be maintained by the company for at least six consecutive months in order to meet the terms of the loan performance agreement.

**Loan Requirements**

- Funds are granted to the local government applicant.
- **The government will lend the funds to the property owner in the form of a deferred, forgivable loan.**
- **The loan will be secured with a loan performance agreement and promissory note signed by the property owner.**
- Loan forgiveness requires verification of the job creation requirements by the Rural Center.
- If job creation goals are not met, a pro rata share of loan funds must be repaid by the property owner through a "claw back" provision in the loan agreement. Sample Loan Performance Agreement and Promissory Note can be found at [www.ncruralcenter.org](http://www.ncruralcenter.org).

**Local Government Requirements**

- The local government applicant must contribute a cash match of at least 5% of the grant amount to be used toward the renovation project.
- The local government will act as an intermediary partner for all aspects of the project, including the application process, reporting requirements, payments, job verification, and loan repayment, if applicable.
- The local government is required to analyze the participating company's financial and organizational strength in regard to the ability to successfully meet the terms of the job creation and maintenance requirements, carry out the renovation project, and the ability to meet the potential for repayment of loan funds.
- In the event the company defaults on the job commitment, the local government is required to call in the loan for repayment to the Rural Center.
- The local government will not be required to repay the funds from government funds, but will be required to take any means necessary, including litigation, if required, to recoup the funds from the company.
- Local governments receiving funds under this grant program will be expected to comply at a minimum with state regulations regarding procurement, including G.S 14-234.
- Recipients will be subject to state audit and reporting requirements.



**Application Deadline**

Applications are accepted according to the deadlines listed below. Full applications must be received at the Rural Center by 5:00 p.m. on the deadline date.

<b>Application Deadline</b>	<b>Date of Award</b>
September 12, 2011	November 15, 2011
December 9, 2011	February 29, 2012
March 2, 2012	April 18, 2012
May 4, 2012	June 20, 2012
June 29, 2012	August 22, 2012
August 24, 2012	TBA

**All grant materials should be submitted to:**

**Building Reuse and Restoration Grants Program,  
North Carolina Rural Economic Development Center,  
4021 Carya Drive, Raleigh, NC 27610  
Attn: Melody Adams.**



Valeria L. Lee  
Chair

Billy Ray Hall  
President

Mr. Nathan A. Miller  
Watauga County  
814 West King Street, Ste 205  
Boone, NC 28607

September 27, 2011



Contract: 2012-020-60504-107

Dear Mr. Miller:

Enclosed for your review and signature are two complete sets of contract documents required to finalize the grant/loan award from the Rural Economic Development Center, Inc. Below is a description of the documents attached along with an explanation of the signatures required for each document.

1. Agreement—this document outlines the terms and conditions of the grant between the Rural Center and the Organization (Watauga County). This document is pre-executed by the Rural Center and requires the signature of the highest elected official of the Organization (Watauga County).
2. Loan Performance Agreement—this document outlines the terms and conditions of the loan from the Organization (Watauga County) to the Responsible Party (James P. Dunn). This document must be signed by the highest elected official of the Organization (Watauga County) and the Responsible Party (James P. Dunn).
3. Promissory Note—this document defines the repayment terms of the loan in the event of default by the Responsible Party (James P. Dunn). This document must be executed by the Responsible Party (James P. Dunn).
4. Waiver of Confidentiality—this document waives the job creating entity's right to confidentiality regarding employment information reported to the NC Employment Security Commission. This document must be executed by an authorized representative of the participating job creating entity.

Once executed, make one copy of the entire set of contract documents for the Responsible Party (James P. Dunn) and the Organization (Watauga County) project manager; keep one original set for the Organization (Watauga County) records; and mail one original set of contract documents to my attention at:

NC Rural Economic Development Center  
4021 Carya Drive  
Raleigh, NC 27610

Please note the acceptance clause outlined in Paragraph 19 which states that the grant may be withdrawn if a complete set of signed contracts are not returned to the Rural Center within 30 days.

Also, please carefully review the specific conditions outlined in the Agreement: Exhibit A—Scope of Services, defines the scope of the renovation project; Exhibit B—Payment Schedule, explains the process required to request funds; Exhibit C—Reporting Schedule, explains the reporting requirements of the grant; and Exhibit D – Job Reporting Schedule, outlines the requirement for job reporting.

If you have any questions regarding this agreement, please contact me at the number below.

Sincerely,

Kristen L. Rice  
Contract Manager

Enclosures

4021 Carya Drive

Raleigh, NC 27610

Phone: (919) 250-4314

FAX: (919) 250-4325

North Carolina

Rural Economic

Development Center, Inc.



4/19/11

NC RURAL GRANT APPLICATION REQUEST

Mr. Joe Furman presented a recommendation from the Economic Development Commission (EDC) to submit a grant to The Rural Center Building Reuse and Restoration Program in the amount of \$64,000. This grant was to be a pass-through grant for Giant Street Ventures, a business owned by Mr. James P. Dunn. Mr. Dunn was committing in the grant application to create within eighteen months, and maintain for another six months, eight new jobs. There was no financial obligation to the County and the required local match was to be covered by Mr. Furman's administrative time (of approximately 30 hours). Mr. Furman stated that the Economic Development Commission had recommended approval of this request.

Mr. Dunn was present and stated that he was purchasing four parcels and planned to renovate and add on to the existing building which would house his furniture and appliance business.

Commissioner Deal, seconded by Vice-Chairman Blust, moved to authorize the submission of the grant application as requested with the stipulation that the eight new jobs be created as stated in the application.

E:

Aye-4(Miller, Blust, Deal, Futrelle)

Nay-0

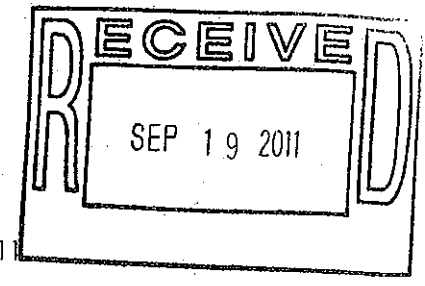
Absent-1(Gable)



Valeria L. Lee  
Chair

Billy Ray Hall  
President

September 9, 2011



Mr. Nathan A. Miller  
Watauga County  
814 West King Street, Ste 205  
Boone, NC 28607

Re: FY11/12 Building Reuse & Restoration Fund, Development Program  
Contract Ref #: 2012-020-60501-107

Dear Mr. Miller:

On behalf of our Board of Directors, I am pleased to announce that the Rural Economic Development Center, Inc. has selected Watauga County for funding under the Development Grants Program. Funds have been awarded to you in the amount of \$44,843.00 for the project entitled, "Aaron's Sales and Lease" in order to create 6 jobs.

Congratulations on this award. We extend our best wishes to you for continued success and look forward to working with you on this important project.

If you have any questions, please feel free to contact me at (919) 250-4314.

Sincerely,

Billy Ray Hall

North Carolina

Rural Economic

Development Center, Inc.

4021 Carya Drive

Raleigh, NC 27610

Phone: (919) 250-4314

FAX: (919) 250-4325

cc: Melody Adams, Building Reuse Program Director

2012-020-60501-107

## AGREEMENT

THIS AGREEMENT, entered into this the 27<sup>th</sup> day of September, 2011, by and between the **Watauga County** (hereinafter referred to as "GRANTEE") and the **Rural Economic Development Center, Inc.** (hereinafter referred to as "CENTER"), a North Carolina non-profit corporation.

## WITNESSETH:

THAT, WHEREAS, the CENTER was organized for the purpose of stimulating economic development and job creation in distressed areas through the reuse of vacant buildings; and

WHEREAS, in its efforts to stimulate and encourage economic development and job creation, the CENTER contracts with local governments to conduct construction and development activities to solidify the location of a business or industry in vacant and/or abandoned buildings in its jurisdiction;

NOW, THEREFORE, in consideration of the mutual promises and such other valuable consideration as shall be set out herein, the parties hereto do mutually agree to the following terms and conditions:

1. Scope of Program/Other Agreements.

(a) The GRANTEE shall develop, perform and complete the work set out in Exhibit A (hereinafter referred to as the "Project") and said Project being that work described in a proposal entitled "**Aaron's Sales and Lease**" as approved by the CENTER.

(b) The parties acknowledge that the funds provided hereunder have been provided in order to facilitate the creation of jobs in the community, and are subject to return to the CENTER if such jobs are not created and maintained. Therefore, GRANTEE agrees to enter into a Loan/Performance Agreement (the "Performance Agreement") substantially in the form attached hereto as Exhibit D with the owner of any real estate on which the Project is located, and, if different, the business which will conduct business operations on the site of the Project. GRANTEE agrees to provide a copy of the same to the CENTER prior to execution for the CENTER'S review and approval, and an executed copy after signing. In the event any sums are repaid under the Performance Agreement, all such amounts will be paid to the CENTER.

(c) GRANTEE agrees to provide CENTER with any information obtained pursuant to the Performance Agreement, and to allow the CENTER to execute any rights of the GRANTEE thereunder, including any rights of access, review or monitoring.

(d) GRANTEE agrees to exercise all of its rights and duties under the Performance Agreement in a prudent manner to ensure the use of the funds for the intended purposes and objectives and to preserve the rights of the CENTER hereunder and thereunder.

2. Changes in the Project.

(a) If changes or extra work are requested and authorized in writing by the CENTER, the GRANTEE will be available to furnish, or obtain from others, the services required.

(b) Any work referred to in paragraph 2(a) above shall be the subject of a separate written agreement between the CENTER and the GRANTEE stating the costs and schedule for completing said extra work.

(c) The GRANTEE shall immediately notify the CENTER of any change in conditions or local law, or any other event, which may significantly affect its ability to perform the Project in accordance with the provisions of this paragraph.

3. Term of Agreement. The effective period of this Agreement shall commence on **8/31/2011** and shall terminate on **8/31/2013** unless sooner terminated under Paragraph 11 (the "Termination Date").

4. Funding.

(a) The CENTER grants to the GRANTEE an amount not to exceed **\$44,843.00**, for expenditures relating to the Project. The GRANTEE hereby represents and warrants that all such sums as may be awarded under this grant shall be utilized exclusively for the purpose of the Project.

(b) In the event the GRANTEE breaches any of the covenants or agreements contained in this Paragraph 4, or if any of the representations and warranties of Paragraph 14 are untrue as to a material fact, the GRANTEE agrees to repay to the CENTER the full amount of sums awarded under this Agreement.

5. Independent Status of the GRANTEE.

(a) It is agreed between the parties that neither this Agreement nor any provisions hereof shall be deemed to create a partnership or joint venture between the CENTER and the GRANTEE. It is further agreed that except for the rights expressly granted to the CENTER in this Agreement, it shall not have any proprietary rights in the Project.

(b) The parties acknowledge that the GRANTEE is an independent entity. The GRANTEE shall not represent itself as an employee of the CENTER nor is the Agreement intended to be construed so as to make the GRANTEE an employee of the CENTER. The GRANTEE shall not have the ability to bind the CENTER to any agreement for payment of goods or services, nor shall it represent to any person that it has such ability. The GRANTEE shall be responsible for payment of all its expenses, including rent, office expenses and all forms of compensation to employees. The GRANTEE shall provide worker's compensation insurance to the extent required for its operations and shall accept full responsibility for payments of unemployment compensation, social security, income taxes, and any other charges, taxes or payroll deductions required by law in connection with its operations, for itself and its employees who are performing work pursuant to this Agreement. All expenses incurred by the GRANTEE are its sole responsibility, and the CENTER shall not be liable for the payment of any obligations incurred in the performance of the Project.

6. Method of Payment. The sums awarded under this agreement shall be paid to the GRANTEE in accordance with the Schedule of Payments attached hereto as Exhibit B. Each payment set forth in Exhibit B will be paid within twenty (20) days after receipt of a written request for payment from the GRANTEE, which request shall certify that GRANTEE has performed the required work under this Agreement and that it is entitled to receive the amount so requested.

7. Obligation of Funds. Funds provided by the CENTER may not be obligated by the GRANTEE prior to the effective date or subsequent to the termination date of this Agreement.

All obligations outstanding as of the termination date shall be liquidated within thirty days. Prior approval shall not be required for changes, which affect the approved budget unless a budget category is exceeded by ten (10) percent or \$500.00, whichever is greater. Any changes in the approved budget, which would result in the addition or deletion of a budget category, shall require prior approval from the CENTER.

#### 8. Reports.

(a) The GRANTEE will furnish the CENTER with detailed written progress reports on a quarterly basis or other periods specified in Exhibit C.

(b) The reports referred to in paragraph 8(a) above should describe the progress made by the GRANTEE toward achieving the purpose(s) for which the funds were awarded. This should include the successes and problems encountered during the reporting period.

(c) Failure to submit a required report by the scheduled submission date will result in the withholding of any forthcoming payment until the CENTER is in receipt of the delinquent report.

(d) All funds awarded to the GRANTEE under this Agreement are appropriated by the North Carolina General Assembly. Accordingly, the GRANTEE acknowledges and agrees that it will be subject to the audit and reporting requirements prescribed by N.C.G.S §159-34, Local Government Finance Act - Annual Independent Audit; rules and regulations. Such audit and reporting requirements may vary depending upon the amount and source of funding received by GRANTEE, and are subject to change from time to time. Upon completion, the GRANTEE agrees to forward to the CENTER one copy of any audited financial statements and accompanying reports generated covering the period that the GRANTEE has an active award contract with the CENTER. In addition to the audit and reporting requirements mandated by the State of North Carolina, the GRANTEE agrees to comply with any requests made by the CENTER from time to time for other financial and organizational materials to permit the CENTER to comply with its fiscal monitoring responsibilities.

(e) The GRANTEE agrees that within thirty (30) days after the termination of this Agreement, a Final Report shall be submitted to the CENTER, which describes the activities and accomplishments of the Project. The Final Report will include a review of performance and activities over the entire project period and will include a one-page program summary, which the CENTER can use for future publication. In that brief summary, the GRANTEE should describe the project, how it is implemented, to what degree the established project objectives were met and the difficulties encountered, what the project changed, and its cost. In addition to accounting for the use of the Project funds during the current fiscal year, the GRANTEE will submit a detailed final financial report by category (i.e., salaries, materials, equipment, etc.) showing all expenditures during the entire Project period and reports the source and amount of all other funds used to support the Project.

(f) The CENTER may request from the GRANTEE certain information, which will assist the CENTER with evaluation of the short- and long-range impact of its programs. The GRANTEE recognizes that such request may occur after the termination of this Agreement and agrees, to the extent possible, to provide such information to the CENTER.

#### 9. Project Records.

(a) The GRANTEE shall maintain full, accurate and verifiable financial records, supporting documents, and all other pertinent data for this Project in such a manner as to clearly identify and document the expenditure of the CENTER funds provided under this Agreement separate from accounts for other awards, monetary contributions, or other revenue sources for this Project.

(b) The GRANTEE shall retain all financial records, supporting documents, and all other pertinent records related to the Project for a period of five years from the date of termination of this Agreement. In the event such records are audited, all project records shall be retained beyond the three-year period until any and all audit findings have been resolved.

(c) The GRANTEE agrees to make available to the CENTER, or its designated representative, all of its records which relate to the Project, and agrees to allow the CENTER or said representative to audit, examine and copy any and all data, documents, proceedings, records and notes of activity relating in any way to the Project. Access to these records shall be allowed upon request at any time during normal business hours and as often as the CENTER or said representative may deem necessary.

#### 10 Publications.

(a) At the request of the CENTER, any reports, data, or other information given to, prepared or assembled by the GRANTEE under the Agreement must contain the following acknowledgment and disclaimer statement: "This material is based upon work supported in whole or part by the Rural Economic Development Center." All materials must also contain the following statement: "Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views and policies of the Rural Economic Development Center."

(b) Except as provided in paragraph 10a) above, the GRANTEE may publish or arrange for the publication of scientific and technical information resulting from work carried out under this Agreement.

(c) Upon publication of materials resulting from the work of the project, the GRANTEE shall furnish a minimum of two copies of reprints to the CENTER.

#### 11 Termination; Availability of Funds.

(a) If the GRANTEE shall fail to fulfill in a timely and proper manner its obligations under this Agreement, or shall violate any of the covenants or stipulations of this Agreement, the CENTER shall thereupon have the right to terminate this Agreement by giving written notice to the GRANTEE of such termination and by specifying the effective date of termination. In such event, the CENTER shall have no responsibility to make additional payments under this contract after the date of termination. No further expenditures shall be made under this Agreement except for such work as shall have already been performed prior to the date of termination and the GRANTEE shall repay all unspent grant funds upon the demand of the CENTER.

(b) It is understood that the CENTER'S obligation to pay any amounts under this Agreement is contingent upon the availability and continuation of funds for such purpose. In the event that funds for this Project become unavailable, the CENTER may terminate this Agreement upon thirty (30) days written notice to the GRANTEE. All obligations of the CENTER to make payments under this Agreement shall cease as of the Termination Date.

12. Liabilities and Loss. The CENTER assumes no liability with respect to accidents, bodily injury, illness, breach of contract or any other damages or loss, or with respect to any claims arising out of any activities undertaken by the GRANTEE under this Agreement, whether with respect to persons or property of the GRANTEE, or third parties. The GRANTEE agrees to obtain insurance or otherwise protect itself or others as it may deem desirable. Further, the GRANTEE agrees to indemnify, defend and save harmless the CENTER and its officers, agents and employees against any liability, including costs and expenses and attorneys' fees, for the GRANTEE'S violation of any proprietary right or right of privacy arising out of the publication, translation, reproduction, delivery, performance, use or disposition of any information published resulting from the work of the Project or based on any libelous or other unlawful matter contained in such information. The GRANTEE also further agrees to indemnify, defend and save harmless the CENTER and its officers, agents and employees from any and all claims and losses accruing or resulting to any and all subcontractors, materialmen, laborers and any other person, firm or corporation furnishing or supplying work, services, materials or supplies in connection with the Project and the performance of this Agreement, and from any and all claims and losses accruing or resulting to any person, firm, or corporation who may be injured or damaged by the GRANTEE or its agents in the performance of the Project and this Agreement.

13. Entire Agreement. This agreement supersedes all prior agreements between the CENTER and the GRANTEE, and expresses their entire understanding with respect to the transactions contemplated herein, and shall not be amended, modified or altered except pursuant to a writing signed by both the GRANTEE and the CENTER.

14. GRANTEE Representations and Warranties. The GRANTEE hereby represents and warrants that:

(a) The GRANTEE is a unit of local government located in one of the state's 85 rural counties or an economically distressed urban county designated as Tier 1, 2, or 3 by the North Carolina Department of Commerce.

(b) The execution and delivery of this Agreement have been duly authorized by all necessary GRANTEE action and are not in contravention of law nor in contravention of the provisions of any indenture agreement or undertaking to which it is a party or by which it is bound.

(c) There is no action, suit proceeding, or investigation at law or in equity or before any court, public board or body pending, or to the GRANTEE'S knowledge, threatened against or affecting it, that could or might adversely affect the Project or any of the transactions contemplated by this Agreement or the validity or enforceability of this Agreement or the GRANTEE'S ability to discharge its obligations under this Agreement. If it is subsequently found that an action, suit, proceeding, or investigation did or could threaten or affect the development of the Project, the GRANTEE shall be liable to the CENTER for repayment of the entire amount of the grant and this Agreement may be terminated by the CENTER effective upon notice.

(d) No consent or approval is necessary from any governmental authority as a condition to the execution and delivery of this Agreement by the GRANTEE or the performance of any of its obligations hereunder, or all such requisite governmental consents or approvals have been obtained. The GRANTEE shall provide the CENTER with evidence of the existence of any such necessary consents or approvals at the time of the execution of this Agreement.

(e) The GRANTEE is solvent.

15. Special Provisions and Conditions.

(a) Nondiscrimination. The GRANTEE agrees not to discriminate by reason of age, race, religion, color, sex, national origin, or handicap related to the activities of this Agreement.

(b) Conflict of Interest. The GRANTEE certifies that to the best of its knowledge no GRANTEE employee or officer of the GRANTEE has any pecuniary interest in the business of the CENTER or of the Agreement, and that no person associated with the GRANTEE has any interest that would conflict in any manner with the performance of the Agreement.

(c) Compliance with Laws. The GRANTEE shall at all times observe and comply with all laws, ordinances, and regulation of the State, Federal and Local governments which may in any manner affect the performance of the Agreement.

(d) Non-Assignability. The GRANTEE shall not assign any interest in the Agreement and shall not transfer any interest in the same without prior written consent of the CENTER; provided, however, that claims for money due to the GRANTEE from the CENTER under this Agreement may be assigned to any commercial bank or other financial institution without such approval.

(e) Personnel. The GRANTEE represents that it has, or will secure at its own expense, all personnel required to monitor, carry out and perform the scope of services of this Agreement. Such employees shall not be employees of the CENTER. Such personnel shall be fully qualified and shall be authorized under state and local law to perform such services.

16. Notice. All notices required or permitted to be delivered hereunder and all communications in respect hereof shall be in writing and shall be deemed given when personally delivered or when deposited in the United States mails, certified, return receipt requested, first class, postage prepaid and addressed as follows:

If to the CENTER, Attn: **Melody Adams**  
Rural Economic Development Center, Inc.  
4021 Carya Drive  
Raleigh, NC 27610

If to the GRANTEE: Attn: **Mr. Nathan A. Miller**  
Watauga County  
814 West King Street, Ste 205  
Boone, NC 28607

or addressed to such other address or to the attention of such other individual as the CENTER or the GRANTEE shall have specified in a notice delivered pursuant to this subsection.

17. Execution. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed an original, and such counterparts, together, shall constitute one and the same Agreement which shall be sufficiently evidenced by one of such original counterparts.

18. Construction. This Agreement shall be construed and governed by the laws of the State of North Carolina.

19. Acceptance. If you agree to the grant conditions as stated, please return the original contract with your signature in the space provided. This grant may be withdrawn if your acceptance has not been received by the Rural Center within one month from the date the contract is received.

IN WITNESSETH WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**Watauga County**

ATTEST:

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

**Rural Economic Development Center, Inc.**

ATTEST:

By: Susan E. Dunn

Vice President, Finance & Administration

Kristen A. Rice



9/29/11



**EXHIBIT A  
SCOPE OF SERVICES**

**Project # 2012-020-60501-107**

Watauga County  
Aaron's Sales and Lease

**NC Economic Infrastructure Fund  
Building Reuse and Restoration Development Grant**

Watauga County will carry out the terms of this contract as follows:

**I. General Project Description**

Watauga County requested \$64,000 to support the reuse of a 7,200 sq. ft. building located at 368 Hwy. 105 Extension in Boone. The building was constructed in 1994 and has been vacant for two years. Giant Street, LLC will reuse the property to open an Aaron's Sales and Lease store. Giant Street currently operates an Aaron's store in Elkin. Giant Street has a baseline employment of 7 in North Carolina and pledged to create eight, full-time jobs with an average annual salary of \$25,771. The company will not provide benefits.

*Recommendation: Reduce funding award to \$44,843 and reduce number of jobs required to six. The reduced funding award represents one-half of the eligible renovation project. The application included a \$60,000 addition to the existing footprint that was not eligible for inclusion in the eligible project cost.*

**Objective:**

Refurbish and up fit the interior and exterior of the building to accommodate the business needs. All work should be completed according to the application and contractor's cost estimates submitted and meet all applicable building code requirements.

**II. Renovation Project Financing**

Financing Source(s)	\$	Amount
JPD Enterprises	\$	\$86,000.00
BB&T Bank/SBA 504		\$1,000,000.00
Watauga County		\$1,920.00
NC Rural Center		\$44,843.00
<b>Total Project Financing</b>	<b>\$</b>	<b><u>\$1,132,763.00</u></b>

**III. Project Reporting**

Watauga County will adhere to the conditions and regulations outlined in the Contract Agreement and the Loan/Performance Agreement. Watauga County will also file reports on the dates set forth in **Exhibit C** of this contract.

## EXHIBIT B PAYMENT SCHEDULE

The Rural Economic Development Center, Inc. shall make payable to Watauga County a sum in the amount of \$44,843.00 as outlined below. The grant requires a cash match equal to the amount of Rural Center funding, which may come from either public or private sources or a combination of both. Funds provided for the match must contribute to the renovation cost. Building acquisition equipment or startup costs will not be considered for the match. The unit of local government must contribute 3% of the grant in cash or in in-kind services.

### **Eligible expenses:**

Eligible expenses for development grants are limited to those expenses associated with the renovation of the subject building. Eligible costs include, but are not limited to, HVAC, electrical, plumbing, roofing, flooring, carpentry, drywall, paint, etc. Building acquisition, machinery, equipment, furnishings, etc. are **not** eligible. The Rural Center will make all checks payable to the local government grantee. The Rural Center will reimburse 50% of the eligible expenditures submitted. (For example: If invoices for eligible expenses totaling \$20,000 with proof of payment are submitted, the Rural Center will reimburse \$10,000).

### **Reimbursement from the Rural Center requires the submission of the following:**

1. A completed financial request form,
2. Copies of project invoices that support the reimbursement request,
3. Proof of payment: applicants must provide copies of checks that have cleared the bank as evidence that the invoices requested for reimbursement have been paid in full, and
4. Progress reports must be up to date. See "Exhibit C" of the grant agreement for a reporting schedule specific to your project. Reimbursements will not be made if progress reports are not submitted according to the reporting schedule.

All payment requests must be received by the Rural Center within 30 days of the end of the contract period. Payments are subject to the availability of funds. Payment Request forms can be found under the Grant Applications and Reporting Forms link on our website at [www.ncruralcenter.org](http://www.ncruralcenter.org)

**EXHIBIT D**  
**JOB REPORTING AND CLOSE OUT REQUIREMENTS**

Building Reuse/Rural Health Care/Rural Hope loans will be forgiven once the project company creates the required number of jobs and maintains that required number for at least six consecutive months. The jobs must be full-time (at least 35 hours per week) and the number must be above the baseline employment level reported in the application.

**Job verification requires the submission of the following:**

1. **Letter Certifying Job Creation**--the applicant must submit a letter from the project company that attests to the creation of the number of jobs committed to receive the grant. The letter should include the number of baseline employees reported at the time of application; the total number of current employees; and the six-month date range that the jobs were created and maintained. The letter should be printed on company letterhead and signed by the company's chief operating officer or chief financial officer.
2. **NCUI101 Forms**—the applicant must submit copies of the company's Employment Security Commission NCUI 101 forms that correspond to the six-month date range that the required jobs were maintained. If the company has more than one location in North Carolina, the names of the employees working in the project building should be highlighted.
3. **Final Report**—the applicant must submit a final report that describes the activities and outcomes of the project.

**Loan Release**

Once all progress reports, the final report and job verification information are received and approved by the Rural Center, the applicant will be notified that the terms of the grant/loan have been met.

## LOAN/PERFORMANCE AGREEMENT

This Loan Performance Agreement (the "Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between the Owner of the Property located at \_\_\_\_\_ (hereinafter referred to as the "Owner") and \_\_\_\_\_ (hereinafter referred to as the "Governmental Unit"), who hereby agree as follows:

## WITNESSETH:

WHEREAS, Governmental Unit has provided loan support to or for the benefit of the Owner in order to stimulate reuse of the Property and support economic development in the local geographic area by making the Property available to a business to create new jobs (the "Business"); and

WHEREAS, a portion of such support has come from the Rural Economic Development Center, Inc. (the "Center") pursuant to its mission to stimulate and support economic development in the rural areas of North Carolina; and

WHEREAS, the Center requires the Owner to enter into this Loan/Performance Agreement as a condition of providing the support to the Governmental Unit for this project;

NOW, THEREFORE, in consideration of the mutual promises and other valuable considerations as shall be set out herein, the parties hereto do mutually agree to the following terms and conditions:

1. Program. The parties have agreed to develop, perform, and complete the work set out in *Exhibit A* (hereinafter referred to as the "Scope of Work") and said Project being that work described in the proposal entitled **Aaron's Sales and Lease** as approved by the Center.
2. Loan. Governmental Unit hereby loans to the Owner the sum of **\$44,843.00** to fund the Project. The parties acknowledge that this Loan will be repayable only in the event the Business fails to achieve certain job creation goals described in paragraph 3 below. In the event such job creation goals are not achieved, the Owner agrees to pay to the Governmental Unit for redistribution back to the Center, the amount set forth in paragraph 5 below. As evidence of the obligation of the Owner hereunder, the Owner shall execute the promissory note, which is attached hereto and incorporated herein by reference.
3. Job Creation. The Owner agrees that the Business shall be required to create **6** number of Jobs (defined below) within twenty-four months of **8/31/2011**, the date of the Governmental Unit's agreement with the Center. The Owner hereby acknowledges that the funding by the Center and the Governmental Unit is predicated upon the satisfaction of this objective by the Business, that failure to achieve this objective will constitute a material default under the terms of this Agreement, and that any such failure shall require the Owner to repay all or a portion of the Loan pursuant to the provisions of paragraph 5 below. For purposes of this Agreement, a "Job" shall mean a full-time job (consisting of at least 35 hours per week of employment and eligibility for all benefits generally available for full-time employees of the Business) with the Business, at a wage at least equal to minimum wage, and located in North Carolina.
4. Verification of Jobs. The Business's baseline job numbers will be verified at the award date (**8/31/2011**) of the Governmental Unit's agreement with the Center. On the date that the specified number of minimum jobs is obtained (the "Job Commitment Date"), the Owner shall cause the Business to notify the Governmental Unit so that the Governmental Unit and the Center can verify satisfaction of the conditions. The Job numbers shall be verified again at the date that is six months following the Job Commitment Date. The Owner shall cause the Business to provide to the Governmental Unit and the Center, or their respective designees, full and complete access to all records of the Business that would be reasonably necessary to verify the number and

types of jobs created, and the wages paid to employees. Failure to provide such access upon reasonable request shall constitute a default under the terms of this Agreement.

5. Repayment. If the Business fails to create the required number of Jobs within twenty-four months of the award date of the Governmental Unit's agreement with the Center, or if the Business has created such Jobs by such date, but has not maintained that total number of Jobs until the date that is 6 months following the Job Commitment Date, the Owner shall repay to the Governmental Unit, for redistribution back to the Center, an amount equal to the product of (i) **\$7,473.83** (the amount of loan funds divided by the number of Jobs in paragraph 3) and (ii) the number of Jobs required to be created under paragraph 3. above, minus the lesser of (A) the number of Jobs in existence on the Job Commitment Date and (B) the number of Jobs in existence on the date that is 6 months following the Job Commitment Date. If a requirement exists to repay any sums hereunder, the Governmental Unit shall notify the Owner in writing of the amount to be repaid, and shall direct it to pay such amount directly to the Center. All such amounts due hereunder shall be due upon demand by the Governmental Unit or the Center. If not paid within 30 days following demand hereunder, the unpaid amount due hereunder or any instrument securing this obligation, shall bear interest at the rate of 10 % per annum after demand until paid. Upon default in such payment, the Governmental Unit or the Center may employ an attorney to enforce their rights and remedies, and the Owner hereby agrees to pay the reasonable attorney's fees or the Governmental Unit or the Center, not exceeding a sum of 15% of the outstanding balance owing hereunder, plus all other reasonable expenses incurred by such party in exercising any of the its rights and remedies upon such defaults.
  
6. Records. The Owner agrees to maintain, and to cause the Business to maintain, full, accurate and verifiable records, supporting documents, and all other pertinent data for this Project to enable the verification of the requirements contained in this Agreement. All such financial records, supporting documents, and other pertinent records related to the Project shall be maintained for a period of at least 3 years from the Job Commitment Date. In the event any such records are audited, all such records shall be retained beyond the 3-year period until any and all audit findings have been resolved. The Owner agreed to make available, and to cause the Business to make available, to the Governmental Unit, the Center, or their designated representatives, all of its records which relate to the Project and the creation of Jobs, and agree to allow the Governmental Unit or the Center or their representatives to audit, examine, and copy any and all data, documents, proceedings, records and notes of activity related in any way to the Project or such Job creation. Access to these records shall be allowed upon request at any time during normal business hours, and as often as the Governmental Unit or the Center or said representatives may deem necessary.
  
7. Reports. The parties acknowledge that a portion of the funds which are the subject of this Agreement are appropriated by the North Carolina General Assembly. Accordingly, the Owner acknowledges and agrees that it may be subject to the audit and reporting requirements prescribed by N.C.G.S. §159-34, Local Government Finance Act-Annual Independent Audit; rules and regulations, or N.C.G.S. §143-6-23, State Grant Funds; Administration; oversight and reporting requirements; as applicable. The Owner agrees to comply with any reasonable requests made from time to time by the Center for other financial and organizational materials to permit the Center to comply with its fiscal monitoring responsibilities.
  
8. Representations and Warranties. The Owner hereby represents and warrants that:
  - (a) It is duly organized and existing, and, if a corporation, is duly incorporated under the laws of the state of North Carolina.
  - (b) The execution and delivery of this Agreement has been duly authorized by all necessary action, and are not in contravention of law nor in contravention of any certificate of authority, bylaws, or other applicable organizational documents of such party, nor the provisions of any indenture, agreement, or undertaking to which it is a party or by which it is bound.
  - (c) There is no action, suit, proceeding, or investigation at law or in equity for any court, public board, or body pending, or to such party's knowledge, threatened against or affecting it, that could or might adversely affect the Project, the creation of the Jobs, or any of the transactions contemplated by this

Agreement, or the validity or enforceability of this Agreement or such party's ability to discharge its obligations under this Agreement. If it is subsequently found that an act, suit, proceeding or investigation did or could threaten the development of the Project or the creation of such Jobs, such party shall be liable to the Governmental Unit and to the Center for repayment of the entire amount of the Loan.

- (d) Such party shall at all times preserve its legal existence, except that it may merge or consolidate with or into or sell all or substantially all of its assets to any entity that expressly undertakes, assumes for itself, and agrees in writing to be bound by all of the obligations and undertakings of such party contained in this Agreement. If such party so merges, consolidates, or sells its assets without such an undertaking being provided, such party agrees to repay to the Governmental Unit and the Center the full amount of sums loaned under this Agreement.
- (e) No consent or approval is necessary from any governmental authority as a condition to the execution and delivery of this Agreement by such party or the performance of any of its obligations hereunder, or all such requisite governmental consents or approvals have been obtained. Such party shall provide the Governmental Unit or the Center with evidence of the existence of any such necessary consents or approvals at the time of the execution of this Agreement.
- (f) Such party is solvent.

9. Special Provisions and Conditions.

- (a) Nondiscrimination. The Owner agrees that it will not, and will ensure that the Business will not, discriminate by reason of age, race, religion, colors, sex, national origin, or handicap related to the activities of this Agreement.
- (b) Compliance with Laws. The Owner shall at all times comply, and to cause the Business to comply, with all laws, ordinances, and regulations of the State, Federal and Local Governments which may in any manner affect the performance of the Agreement.
- (c) Non-Assignability. The Owner shall not assign any interest in the Agreement, nor should they transfer any interest in the same, without the written consent of the Governmental Unit; provided however, that claims for money due to the Owner from the Governmental Unit under this Agreement may be assigned to any commercial bank or other financial institution without such approval.
- (d) Notice. All notices required or permitted hereunder and all communications in respect hereof shall be in writing and shall be deemed given when personally delivered or when deposited in the United States Mail, certified, return receipt requested, postage prepaid, and addressed as follows:

To the Governmental Unit: Attn: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

If to the Owner: Attn: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

or addressed to such other address or to the attention of such other individual as either party above shall specify in a notice pursuant to this subsection.

- (e) Execution. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed an original, and all such counterparts, together, shall constitute one and the same Agreement which shall be sufficiently evidenced by one of such original counterparts.
- (f) Construction. This Agreement shall be construed and governed by the laws of the state of North Carolina.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GOVERNMENTAL UNIT NAME: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest: \_\_\_\_\_

OWNER NAME: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest: \_\_\_\_\_



PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned (which means all the undersigned, jointly and severally) (collectively, the "Borrower") promises to pay to **Watauga County**, or assigns (the "Holder"), the principal sum described below, not to exceed **\$44,843.00**, together with interest after default as described below.

The Borrower acknowledges that the Holder has agreed to advance up to the dollar amount indicated above pursuant to a Loan/Performance Agreement of even date by and among the Borrower and the Holder (the "Agreement"), which requires the creation of certain full-time jobs by the Borrower. In the event all or a portion of the required number of jobs are not created within the time periods indicated in the Agreement, all or a portion of the amount indicated above shall be subject to repayment to the Holder. The Borrower hereby agrees to repay to the Holder, in accordance with the Agreement, an amount equal to the product of (i) **\$7,473.83** and (ii) number of jobs required to be created under the Agreement, minus the lesser of (A) the number of jobs in existence on the Job Commitment Date, and (B) the number of jobs in existence on the date that is 6 months following the Job Commitment Date. All such amounts due hereunder shall be due upon demand by the Holder, and shall be paid directly to the Rural Economic Development Center. Holder shall have the right to assign this Note at any time to the Rural Economic Development Center. If not paid within 30 days following demand hereunder, the unpaid principal of this Note, and all other sums due under this Note or any instrument securing this Note, shall bear interest at the rate of **10 %** per annum after demand until paid.

Upon default, the Holder may employ an attorney to enforce the Holder's rights and remedies, and the maker, principal, surety, guarantor, and endorsers of this Note hereby agree to pay the Holder reasonable attorney's fees not exceeding a sum of 15% of the outstanding balance owing on the Note, plus all other reasonable expenses incurred by the Holder in exercising any of the Holder's rights and remedies upon defaults. The rights and remedies of the Holder as described in this Note and any instrument securing this Note shall be cumulative and may be pursued singly, successively, or together against the property described in any such security instrument, or any other funds, property, or security held by the Holder for payment or security, in the sole discretion of the Holder. The failure to exercise any such right or remedy shall not be a waiver or release of such rights or remedies or the right to exercise any of them at another time.

All parties to this Note, including the Borrower and any sureties, endorsers, or guarantors hereby waive protest, presentment, notice of dishonor, and notice of acceleration and maturity and agree to remain bound for the payment of principal, interest, and all other sums due under this Note or the Agreement and any instrument securing this Note or the Agreement notwithstanding any change or changes by way of release, surrender, exchange, modification, or substitution of any security for this Note, or by way of any extension or extensions of time for the payment of principal and interest; and all such parties waive all and every kind of notice of such change or changes and agree that the same may be made without notice or consent of any of them.

Holder shall not, by any act, delay, omission, or otherwise, be deemed to have waived any of its rights under this Note or the Agreement. No waiver by the Holder of any of its rights under this Note or the Agreement shall be valid unless in writing, and then only to the extent therein set forth. Waiver by the Holder of any right or remedy under the terms of this Note or the Agreement on any one occasion shall not be construed as a bar to the Holder exercising any right or remedy on any future occasion. This Note may not be amended, changed, or altered except in writing executed by the Holder and the Borrower.

This Note evidences a debt payable by the Borrower.

\_\_\_\_\_ If initialed by the Borrower, this Note is secured by a deed of trust on certain property owned by the Borrower.

The law governing this transaction shall be that of the State of North Carolina, excluding its conflict of laws provisions.

IN WITNESS WHEREOF, the undersigned has (have) caused these presents to be executed under seal, pursuant to authority duly given, the day and year first above written.

Dated as of \_\_\_\_\_, 20 \_\_\_\_.

Borrower: \_\_\_\_\_ (SEAL)

Borrower: \_\_\_\_\_ (SEAL)

**LIMITED WAIVER OF CONFIDENTIALITY  
UNEMPLOYMENT TAX AND WAGE RECORDS**

Name of Taxpayer \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

Federal Tax Identification Number \_\_\_\_\_

NC Unemployment Insurance Account Number \_\_\_\_\_

I hereby waive the right to confidentiality, as found in N.C.G.S. 96-4(t), for the limited purpose of authorizing disclosure of certain information contained in the above company's quarterly unemployment insurance tax records filed with the North Carolina Employment Security Commission (the "NC ESC") to the North Carolina Rural Economic Development Center and program administrators (collectively, the "Rural Center") for the limited purpose of administering a Building Reuse and Restoration Grant, Rural Health Care Initiative Grant, Economic Infrastructure Water/Sewer Grant, Economic Innovations Grant, or any other program administered by the Rural Center from which the above-referenced company has sought assistance.

NC ESC is hereby authorized to disclose information contained in the above company's quarterly unemployment insurance tax records to the Rural Center for this purpose.

Unemployment insurance tax information provided in the aggregate to the NC ESC and disclosed to the Rural Center, and the company's aggregated tax and wage information provided to or otherwise in possession of the Rural Center, may be treated as public information. This waiver is not intended to release the Rural Center from any obligation it may have under North Carolina law to maintain the confidentiality of any and all information which could reveal or permit someone to ascertain the identity of any individual employee or that employee's line item unemployment insurance tax or other tax or wage information.

\_\_\_\_\_  
**Signature Chief Financial Officer or Other Authorized Company Official**

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**AGENDA ITEM 6:**

**PLANNING AND INSPECTIONS MATTERS**

***B. NCDOT Secondary Roads Program Public Hearing Request***

**MANAGER'S COMMENTS:**

The Department of Transportation is required to present a Secondary Road Improvement Program to the County each year. The presentation is required to include a public hearing. The Department of Transportation requests that a public hearing and report be scheduled at your January 17, 2012, meeting at 5:30 P.M. The Board needs to decide if public hearings will continue to be scheduled at 6:00 P.M. due to the time change of the Tuesday night meeting.

Staff seeks direction from the Board.



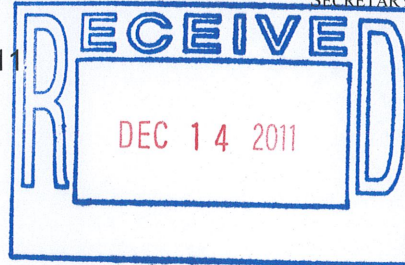
STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION

BEVERLY EAVES PERDUE  
GOVERNOR

P.O. Box 25201, Raleigh, NC 27611-5201  
PHONE (919) 733-2520

EUGENE A. CONTI, JR.  
SECRETARY

December 8, 2011



Mr. Deron Geouque, County Manager  
County of Watauga  
814 West King Street, Suite 205  
Boone, NC 28607

**RE: Secondary Road Improvements Program – Fiscal Year 2011-2012**

Dear Mr. Geouque:

This letter is to acknowledge the joint Public Meeting between the Watauga County Board of Commissioners and representatives of the North Carolina Department of Transportation for the purpose of reviewing the referenced Secondary Road Improvement Program. The meeting is scheduled for Tuesday, January 17, 2012 at 5:30 p.m. in the Watauga County Administration Building in Boone.

As required by General Statute 136-44.5, the North Carolina Department of Transportation – Division of Highways has completed a study of all state maintained unpaved secondary roads to determine the number of miles of unpaved state maintained roads in the state.

It is anticipated that Watauga County will be allocated \$703,951 by the General Assembly for secondary road improvements for Fiscal Year 2011-2012.

Your assistance in handling this matter is appreciated.

Yours very truly,

M. A. Pettyjohn, PE  
Division Engineer

MAP/CCR:cr

cc: Jon Nance, PE  
Sam Halsey  
Ivan Dishman, PE

**AGENDA ITEM 7:**

**BUDGET AMENDMENTS**

**MANAGER'S COMMENTS:**

Ms. Margaret Pierce, Finance Director, will review budget amendments as included in your packet.

Board approval is requested.



# 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: Budget Amendments-FY 2011/12  
 DATE: December 13, 2011

The following budget amendments require approval of the Watauga County Board of Commissioners.

<u>Account#</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
103586-332006	Senior Health Insurance Information Grant		\$8,803
105550-449901	SHIP Program supplies	\$8,803	

Per Board action 8-2-11, to recognize grant award for senior health insurance information program. No match is required.

<u>Account#</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
103586-332000	Home and Community Care Block Grant		\$9,932
105550-429200	POA Program Supplies	\$4,966	
105550-422000	POA Food and Provisions	\$4,966	

Per Board action 12-6-11, to recognize grant award for additional allocation received from the High Country Area Agency on Aging. County match of \$1,103 was already present in the Project on Aging budget.

<u>Account#</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
103300-343313	Homeland Security Training Grant		\$1,857
104330-439501	EM Training Grant	\$1,857	

Per Board action 11-15-11, to recognize grant award for a search and rescue and level 330-400 Incident Command Classes for first responders. No County match was required.

<u>Account#</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
103300-345000	E& D Transportation Grant		\$40,359
103300-345001	WorkFirst Transporation Assistance		\$11,822
103300-345002	Rural General Public		\$60,222
104500-469843	Appalcart-RGP	\$60,222	
104500-469844	Appalcart-WorkFirst	\$11,822	
104500-469845	Elderly & Disabled Trans Assistance	\$ 1,500	
105550-431301	POA-E&D	\$21,859	
105890-469846	Watauga Opportunities-E&D	\$17,000	
143300-345000	E& D Transportation Grant		\$18,645
145310-469845	E& D Transportation Grant	\$18,645	

To recognize the award of the NC Public Transportation Division FY 2011-12 Rural Operating Assistance Program grant funds.

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**AGENDA ITEM 8:**

**MISCELLANEOUS ADMINISTRATIVE MATTERS**

*A. Boards & Commissions*

**MANAGER'S COMMENTS:**

The Farmland Preservation Advisory Board has requested the reappointment of Mr. Johnny Moretz whose term expired November 2011.

This is the first reading and, therefore, no action is required at this time.



**WATAUGA COUNTY FARMLAND PRESERVATION PROGRAM**  
971 WEST KING STREET  
BOONE NC 28607-3468

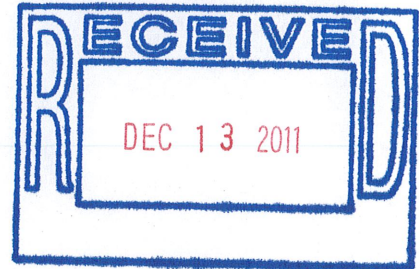
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*ADVISORY BOARD*

*RICKY CRITCHER, CHAIR  
KELLY COFFEY, VICE-CHAIR  
JOHNNY MORETZ  
VIRGINIA WARD  
JOE MCNEIL*

December 13, 2011

Mr. Nathan Miller, Chair of County Commissioners  
814 West King Street Suite 205  
Boone, NC 28607



Dear Mr. Miller,

According to our records, the Farmland Preservation Advisory Board term for Johnny Moretz expired November 2011. He has agreed to serve another term.

Therefore, we are asking that the County Commissioners reappoint Mr. Moretz for another three-year term. Thank you very much for your support and concern for this program.

If you have any questions, please call me.

Sincerely,

*Ricky Critcher*

Ricky Critcher, Chair  
Agricultural Advisory Board

PHONE: 828-264-0842  
FAX: 828-264-3067

## **AGENDA ITEM 8:**

### **MISCELLANEOUS ADMINISTRATIVE MATTERS**

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

#### **MANAGER'S COMMENTS:**

The first regular meeting in January has been cancelled due to the holiday schedule. The only regularly scheduled meeting of the Board of Commissioners in January is on the 17<sup>th</sup> at 5:30 P.M.

The National Association of Counties' (NACo) 2012 Annual Legislative Conference has been scheduled for March 3-7, 2012, in Washington DC. If you wish to attend, please notify Anita who will be glad to assist with registrations and reservations.

# 2012 Legislative Conference

March 3 – 7

Washington Hilton Hotel • Washington, D.C.



## Registration is Open for NACo's 2012 Legislative Conference

Register by clicking [here](#) today and SAVE \$25.

Plan now to:

- Attend the policy setting committee meetings relevant to your county,
- Hear from political commentators **Tucker Carlson** and **Eleanor Clift**, who will jointly present a view of Congress and the 2012 Election at the Opening Session,
- Participate in educational workshops that will provide you with solutions for your county, and
- Schedule your meetings with congressional and federal agency representatives to address legislative and funding issues.



Questions?  
Please contact the NACo Meetings  
Department by emailing:  
[nacomeetings@naco.org](mailto:nacomeetings@naco.org).



**NACo** National Association of Counties  
The Voice of America's Counties

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25 Massachusetts Avenue, NW, Suite 500, Washington, DC 20001

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**AGENDA ITEM 9:**

**PUBLIC COMMENT**

**MANAGER'S COMMENTS:**

Time has been reserved to allow citizen comment to address the Board for any area of interest or concern.

**AGENDA ITEM 10:**

**BREAK**

**AGENDA ITEM 11:**

**CLOSED SESSION**

Attorney/Client Matters, per G. S. 143-318.11(a)(3)

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