

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

**TUESDAY, DECEMBER 5, 2017
8:30 A.M.**

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

TIME	#	TOPIC	PRESENTER	PAGE
8:30	1	CALL REGULAR MEETING TO ORDER		
	2	APPROVAL OF MINUTES: November 21, 2017, Regular Meeting November 21, 2017, Closed Session		1
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	7	CONSIDERATION OF PROPOSED AMENDMENTS TO THE ORDINANCE TO REGULATE SUBDIVISIONS AND MULTI- UNIT STRUCTURES	MR. RIC MATTAR MR. JOE FURMAN	153
8:55	8	PROPOSED AUDIT CONTRACT FOR FY 2017-2018	MS. MARGARET PIERCE	227
9:00	9	MISCELLANEOUS ADMINISTRATIVE MATTERS	MR. DERON GEOUQUE	
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10:30	13	ADJOURN		

AGENDA ITEM 2:

APPROVAL OF MINUTES:

November 21, 2017, Regular Meeting

November 21, 2017, Closed Session

DRAFT**MINUTES****WATAUGA COUNTY BOARD OF COMMISSIONERS
TUESDAY, NOVEMBER 21, 2017**

The Watauga County Board of Commissioners held a regular meeting, as scheduled, on Tuesday, November 21, 2017, at 5:30 P.M. in the Commissioners' Board Room of the Watauga County Administration Building, Boone, North Carolina.

PRESENT: John Welch, Chairman
 Billy Kennedy, Vice-Chairman
 Jimmy Hodges, Commissioner
 Perry Yates, Commissioner
 Anthony di Santi, County Attorney
 Deron Geouque, County Manager
 Anita J. Fogle, Clerk to the Board

[Clerk's Note: Commissioner Turnbow was not present due to a prior commitment.]

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

Commissioner Hodges opened with a prayer and Commissioner Turnbow led the Pledge of Allegiance.

APPROVAL OF MINUTES

Chairman Welch called for additions and/or corrections to the October 3, 2017, regular meeting and closed session minutes.

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to approve the October 3, 2017, regular meeting minutes as presented.

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

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to approve the October 3, 2017, closed session minutes as presented.

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

APPROVAL OF AGENDA

Chairman Welch called for additions and/or corrections to the November 21, 2017, agenda.

Vice-Chairman Kennedy, seconded by Commissioner Yates, moved to approve the November 21, 2017, agenda as presented.

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

CONSIDERATION OF PROPOSED AMENDMENTS TO THE ORDINANCE TO REGULATE SUBDIVISIONS AND MULTI-UNIT STRUCTURES

In January of 2017 the Board requested the Planning Board review the Ordinance to Govern Subdivisions and Multi-Unit Structures. The Planning Board presented the recommended changes to the ordinance and a public hearing was conducted on May 16, 2017. After completion of the public hearing the Board recommended the Planning Board further consider the amendments and the questions raised during the public hearing.

The Planning Board's revised proposal was presented for Board consideration and the decision was made to conduct another public hearing, which was held on September 19, 2017, to consider the additional changes. The proposed amendments were presented with the changes recommended in May shown in red ink and the additional changes recommended in September shown in blue ink.

Since all Commissioners were not present, Commissioner Yates, seconded by Commissioner Hodges, moved to table consideration until a future meeting.

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

[Clerk's Note: At 5:35 P.M. Commissioner Yates stepped out of the meeting and at 5:38 P.M. Commissioner Yates returned and announced he had to leave the meeting due to a family emergency.]

REQUEST TO ACCEPT GRANT AWARD FOR MIDDLE FORK GREENWAY PROJECT

Mr. Joe Furman, Planning and Inspections Director, stated that, in May, the Board authorized staff to apply for a \$200,000 grant from the NC Division of Water Resources (DWR) for the Middle Fork Greenway, Section 4. The County received notification in October that the grant was awarded. The match for the grant will be provided through grants and other funds the Middle Fork Greenway Association has on hand. No County funds are requested.

Mr. Furman also announced that the County was not awarded a recently applied for Parks and Recreation Trust Fund (PARTF) Grant and stated that staff plans to reapply in the next grant cycle.

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to accept the \$200,000 grant from the NC Division of Water Resources (DWR) for the Middle Fork Greenway, Section 4 with matching funds to come from the Middle Fork Greenway Association and to authorize staff to reapply for a PARTF grant in an amount not to exceed \$500,000.

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

PARKS & RECREATION OUT-OF-STATE TRAVEL REQUEST

Mr. Stephen Poulos, Parks and Recreation Director, presented an out-of-state travel request for Ms. Keron Poteat, Recreation Specialist II, to travel to Seattle, Washington, to serve as the Special Olympics tennis coach. All costs, with the exception of Ms. Poteat's time and potential comp time, are covered. Mr. Poulos stated that Ms. Poteat had taken a day off recently to offset comp time.

Commissioner Hodges, seconded by Vice-Chairman Kennedy, moved to authorize the out-of-state travel for Ms. Poteat as requested.

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

TAX MATTERS

A. Monthly Collections Report

Tax Administrator, Mr. Larry Warren, presented the Tax Collections Report for the month of October 2017. This report was presented for information only and, therefore, no action was required.

B. Refunds and Releases

Mr. Warren presented the Refunds and Releases Report for October 2017 for Board approval:

TO BE TYPED IN MINUTE BOOK

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to approve the Refunds and Releases Report for October 2017, as presented.

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

FINANCE MATTERS

A. Vaya Health Quarterly Report

Ms. Margaret Pierce, Finance Director, presented the Vaya Health Quarterly Financial Report as required by Statute. The report was for information only and, therefore, no action was required. Vice-Chairman Kennedy stated that Vaya had received a clean audit and, even with State funding cuts, continued to meet State requirements. Mr. Kennedy stated that more funds were needed for mental health.

B. Proposed Resolution Designating Deputy Finance Officers

Ms. Pierce presented a proposed resolution appointing deputy finance officers for the detention center. The addition of the deputy finance officers is necessitated by the need to release funds for inmates transferring to other detention centers. Due to the variation in times when inmates are transferred it would be impractical for the Finance Director or County Manager to always be available to sign the checks. Therefore, to be compliant with state statues, Ms. Pierce requested the appointment of the following four detention supervisors to be listed as deputy finance officers: Juanita Miller, James Sharpe, Michael Brown, and Barry Trivette.

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to adopt the resolution appointing Juanita Miller, James Sharpe, Michael Brown, and Barry Trivette as deputy finance officers authorizing them to sign checks not to exceed \$1,000 for inmates transferring to other detention facilities.

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

MISCELLANEOUS ADMINISTRATIVE MATTERS

A. Proposed SECU ATM Lease Renewal

County Manager Geouque stated that in 2012, a lease with the State Employees Credit Union (SECU) for the ATM located at the Human Services Parking Lot was renewed and is scheduled to expire on December 31, 2017. The County Manager presented a proposed renewal for a five (5) year term which increases the monthly amount from \$400 to \$450. No other changes have been made to the current agreement and the Credit Union has been a good steward.

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to approve the lease renewal with the State Employees Credit Union for the ATM located at the Human Services Parking Lot in the amount of \$450 a month for a five (5) year period ending on December 31, 2022 and contingent upon County Attorney review.

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

B. Second Ratifying Vote of Ambulance Services Contract Renewal

County Manager Geouque stated that the Board voted to approve a proposed contract renewal with Watauga Medics for ambulance services at the October 17, 2017, Board meeting which reflected an additional twelve (12) hour crew and the waiving of the CPI escalator for 2018. The contract has an effective date of January 1, 2018, and would expire on December 31, 2025. The County Manager stated that North Carolina General Statute 153A-46 requires a grant, renewal, extension, or amendment of any franchise to be passed at two regular meetings of the Board of Commissioners before it may be adopted.

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to ratify the Ambulance Franchise Agreement as presented for the second required approval.

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

C. Boards and Commissions

County Manager Geouque presented the following for consideration:

Watauga County Board of Adjustment

The terms of Bill Ragan, Baxter Palmer and Todd Rice expire in November. All three are willing to continue to serve if reappointed. NC Statutes require a representative (resident) of each zoned area in counties that have partial-county zoning such as Watauga. Mr. Rice represents the Valle Crucis Historic District, which is a small area with limited population, therefore small pool of potential representatives. Mr. Palmer is the alternate member and is the representative of the Foscoe-Grandfather zoned area. Mr. Ragan resides in the Howard Creek Watershed, which is not a zoned area in the traditional sense, but since the watershed ordinance was adopted under zoning authority, the County has attempted to appoint residents of those areas when possible.

The Pond Creek (Beech Mountain) Watershed Ordinance was not adopted under zoning authority as it is not large enough to qualify for partial-county zoning. Adam Rhyne resides in the South Fork New River/Winkler Creek/Middle Fork watershed (the boundaries adjoin and form one larger watershed-regulated area). David Hill and Charles Phillips are at-large members. Those 3 terms are not expiring this year. The new South Fork New River Watershed for the new Boone water intake does not have a representative. The above are second readings.

Watauga Medical Center Board of Trustees

The Watauga Medical Center Board of Trustees has recommended Dr. Paul Dagher and Mr. Joe Miller for reappointment and Ms. Mary Louise Roberts for appointment as Board Trustees. Each of their terms would be effective January 1, 2018, through December 31, 2020. The above are first readings.

Recreation Commission

The following recommendations were received for consideration of appointment to the Recreation Commission: Mr. Jason Eldreth to represent Bethel School, Mr. Denny Norris to

represent Green Valley School, Mr. Gene Swift to represent Parkway School, and Ms. Carolina Carney to represent Valle Crucis School. The above are first readings.

Economic Development Commission

The terms of two members of the Economic Development Commission (EDC) expired in June. Mr. Ed Evans and Mr. Tommy Sofield served two consecutive terms and, therefore, were not eligible for reappointment. Mr. James Bance was appointed to fill one of these seats at the September 19, 2017, meeting leaving one seat to be filled for a three-year term. A volunteer application has been received from Mr. Erik Carsten Lanier who is interested in serving on the EDC. The above is a first reading.

Consideration of all appointments was tabled.

D. Announcements

County Manager Geouque announced the following:

- The Register of Deeds, Clerk of Court, and Tax Office invites you to join them for holiday goodies on Friday, December 8, 2017, from 12:30 – 2:30 P.M. in the hallway between the Clerk of Court and Register of Deeds offices. There will be collection boxes for non-perishable food items to be donated to the Hunger and Health Coalition.
- The Annual County Christmas Luncheon, scheduled on Tuesday, December 12, 2017, will be held at Dan'l Boone Inn from 11:45 A.M. to 2:00 P.M.

PUBLIC COMMENT

Mr. Frank Bolick had signed up for public comment by mistake; therefore, there was no public comment.

CLOSED SESSION

At 5:56 P.M., Commissioner Hodges, seconded by Vice-Chairman Kennedy, moved to enter Closed Session to discuss Attorney/Client Matters, per G. S. 143-318.11(a)(3) and Personnel Matters, per G. S. 143-318.11(a)(6).

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to resume the open meeting at 6:41 P.M.

VOTE: Aye-3(Welch, Kennedy, Hodges)
Nay-0
Absent-2(Turnbow, Yates)

ADJOURN

Chairman Welch adjourned the meeting at 6:41 P.M.

John Welch, Chairman

ATTEST:
Anita J. Fogle, Clerk to the Board

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

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

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

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

Board action is requested.

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AGENDA ITEM 3:

BOARD ORGANIZATIONAL MATTERS

C. Fidelity Bonds

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



WATAUGA COUNTY

FINANCE OFFICE

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

MEMORANDUM

TO: Deron Geouque, County Manager
FROM: Margaret Pierce, Finance Director
SUBJECT: Fidelity Bonds, Official and Authorized Signers
DATE: November 29, 2017

The following fidelity bonds are in place and require the annual approval of the Watauga County Board of Commissioners. Currently, the County Manager serves as Deputy Finance Director in the absence of the Finance Director and is bonded as such. The Finance Director, County Manager, and Chair of the Board of Commissioners serve as the authorized signers for disbursements on all County accounts. Additional signers and Deputy Finance Officers on the Inmate Commissary account only are Juanita Miller, James Sharpe, Barry Trivette, and Michael Brown. Official depositories of the County are First National Bank, BB&T Bank, First Citizens Bank, Great State Bank, PNC Bank, and Wells Fargo Bank.

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

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

AGENDA ITEM 3:

BOARD ORGANIZATIONAL MATTERS

D. Commissioner Appointments to Boards & Commissions

Each elected commissioner appoints a representative to the Boone Rural Fire Protection Service District Board and the County Planning Board. The representative must live in the Boone Rural Fire Protection Service District to be appointed. Also, included in the packet is a list of Boards & Commissions on which the commissioners themselves have served in the past. Some of these are legal requirements that the commissioners serve, and some are at the request of the agencies. The majority of these appointments can be made by the Chairman of the Board although several of them do require Board action. Therefore, it has been the practice for the Chairman to submit a list of appointments with Board action to approve the entire list. If there is more than one nomination for a particular appointment, the Board may vote on each nomination separately.

Commissioner Appointments to Boards & Commissions 120517 BCC Meeting

December 5, 2016

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

AGENDA ITEM 3:

BOARD ORGANIZATIONAL MATTERS

E. Regular Meeting Schedule

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

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AGENDA ITEM 4:

APPROVAL OF THE DECEMBER 5, 2017, AGENDA

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

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

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AGENDA ITEM 5:

PRESENTATION OF FISCAL YEAR 2017 AUDIT

MANAGER'S COMMENTS:

Ms. Misty Watson will present the Fiscal Year 2017 County audit. As will be evident by the audit, the County continues to remain financially strong with prudent, fiscally, and conservative management. Below are key financial highlights:

- ❖ The total assets of the County exceeded its liabilities at the close of the fiscal year by \$144,372,548.
- ❖ The County's unassigned fund balance for the general fund was \$22,104,565 at the end of the year, representing 45.55% of total General Fund expenditures. This is an increase of \$496,615 in the unassigned fund balance from the previous year.
- ❖ The current year collection rate for property taxes was 98.90% which was an increase from last year's 98.76%. The County is still well above the statewide average of 97.82% for entities of similar populations in fiscal year 2015-16.
- ❖ **Outstanding debt principal decreased by \$4,082,361.** Total outstanding debt principal at June 30, 2017 is \$39,073,749. Watauga County's legal debt limit is \$681,830,754 so the County continues to be well below the state limits.
- ❖ Moody's Investor Services updated their review of the County's financials and reported the County is in a very healthy financial position.

The audit is presented for information only; and therefore no action is required. Due to another successful fiscal year and an increase in the unassigned fund balance, staff is recommending the Board transfer the \$496,615 increase in the unassigned fund balance along with an additional \$5,000,000 from the unassigned fund balance to the Recreation and Community Center Capital Project to potentially reduce the loan amount, cover escalation costs, or provide for additional features. The proposed reduction to the unassigned fund balance would reduce the unassigned percentage to 34.36% or four months working capital. The statewide average unassigned fund balance for counties of a comparable size in fiscal year 2015-16 was 31.57%.

Board action is required to approve the transfer of the \$496,615 increase along with an additional \$5,000,000 from the unassigned fund balance to the Recreation and Community Center Capital Project.



WATAUGA COUNTY, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Misty D. Watson, CPA, PA

PO Box 2122

Boone, NC 28607



WATAUGA COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

John Welch, Chairman

Billy Kennedy, Vice Chairman

Larry Turnbow

Jimmy Hodges

Perry Yates

COUNTY OFFICIALS

Deron T. Geouque

County Manager

Margaret Pierce

Finance Director

Watauga County, North Carolina
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FINANCIAL SECTION

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

Independent Auditor's Report

To the Board of Commissioners
Watauga County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Watauga County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of AppalCART, which represents 87.1 percent, 87.0 percent, and 30.7 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for AppalCART is based solely on the report of the other auditors. 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 *Governmental Auditing Standards*, issued by the Comptroller 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. The financial statements of Watauga County District U Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County as of June 30, 2017, and the respective changes in financial position, and cash flows, where applicable thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10, the Law Enforcement Officers' Special Separation Allowance Irrevocable Trust's Schedules of the Changes in the Net Pension Liability, Net Pension Liability, and County's Contributions, on page 57 through 59, respectively, the Other Post Employment Benefits and Schedules of Funding Progress, Changes in Net Pension Liability, Country's Contributions, and Investment Returns on pages 60 through 63, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 64 through 65, respectively, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of Net Pension Asset and Contributions, on pages 66 through 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

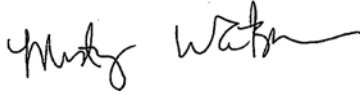
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watauga County's basic financial statements. The combining and individual fund financial 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion based on our audit, the procedures performed as described above, and the report of other auditors the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 on our consideration of the Watauga County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watauga County's internal control over financial reporting and compliance.



Misty D. Watson, CPA, PA
Boone, NC 28607
October 10, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Watauga County

Year Ended June 30, 2017

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, 2017. We encourage users to read the information presented here in conjunction with additional information we have furnished in the County's financial statements and notes which follow this narrative.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$144,372,548.
- The County's total net position increased by \$8,087,995 primarily due to an increase in cash assets from revenues, particularly sales tax, exceeding budget projections and a reduction in outstanding liabilities coupled with operating expenditures below expected levels.
- The County's unassigned fund balance for the General Fund was \$22,104,565 at the end of the year, representing 45.55% of total General Fund expenditures. This is an increase of \$496,615 in unassigned fund balance over the previous year.
- Total County debt decreased by \$4,082,361 in outstanding principal.
- The new Emergency Medic Base 3 near the intersection of Hwy 321 and Hwy 421 was opened.
- The County began a project to build a new recreation and community center that has been in the making for more than 3 decades.
- Moody's Investors Service reaffirmed the County's Aa3 credit rating and stated the County's credit position was very healthy and the "available fund balance as a percent of operating revenues (50.5%) is noticeably higher than other Moody's rated counties nationwide".
- For the third year, the County was able to allocate funds to the Capital Projects Fund as part of the original budget ordinance denoting a continued rebound from the recession.
- The fiscal year 2015-16 increase in unassigned fund balance of \$3,415,881 was appropriated for various County needs. The Capital Project Fund received \$2.8 million for the County's Rec Center CIP, \$470,881 funding to the County's OPEB Irrevocable Trust, \$105,000 for additional Sheriff's Office vehicles, and \$40,000 for the Winkler Creek facility renovations.

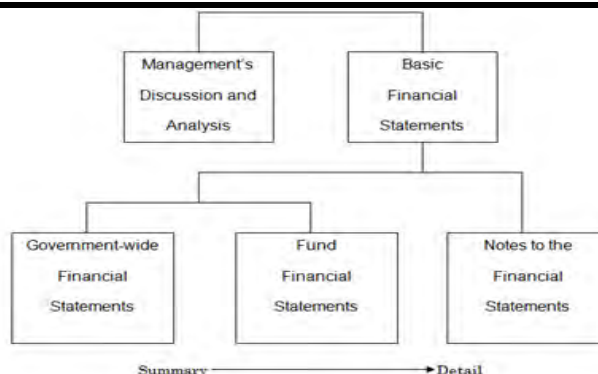
Overview of the Financial Statements

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

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: 1) the final budget as amended by the board, 2) the actual resources, charges to appropriations, and ending balances in the General Fund, and 3) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

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

Government-Wide Financial Analysis

Watauga County's Net Position

Figure 2

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 43,310,596	\$ 39,533,033	\$ 6,643,633	\$ 5,862,432	\$ 49,954,229	\$ 45,395,465
Net capital assets	136,446,126	137,566,874	4,670,528	4,593,317	141,116,654	142,160,191
Total assets	179,756,722	177,099,907	11,314,161	10,455,749	191,070,883	\$ 187,555,656
Total deferred outflows of resources	3,167,654	718,757	256,830	60,289	3,424,484	779,046
Long-term liabilities outstanding	47,608,306	49,333,032	417,416	172,660	48,025,722	49,505,692
Other liabilities	1,737,982	1,834,602	178,014	282,485	1,915,996	2,117,087
Total liabilities	49,346,288	51,167,634	595,430	455,145	49,941,718	51,622,779
Total deferred inflows of resources	170,612	394,202	10,489	33,168	181,101	427,370
Net position:						
Net investment in capital assets	97,759,460	94,926,875	4,670,528	4,593,317	102,429,988	99,520,192
Restricted	4,940,118	5,136,888	-	-	4,940,118	5,136,888
Unrestricted	30,707,898	26,193,065	6,294,544	5,434,408	37,002,442	31,627,473
Total net position	\$ 133,407,476	\$ 126,256,828	\$ 10,965,072	\$ 10,027,725	\$ 144,372,548	\$ 136,284,553

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$144,372,548 at June 30, 2017. The County's net position increased by a total of \$8,087,995 for the fiscal year. Net position is reported in three categories: Net investment in capital assets of \$102,429,988; restricted net position of \$4,940,118; and unrestricted net position of \$37,002,442.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The net investment in capital assets is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2017, the increase in this category of net position correlates to reduced outstanding debt along with increased capital assets.

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

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

- Higher current cash and cash equivalent assets;
- Reductions in outstanding liabilities from debt principal paid;

Watauga County Changes in Net Position Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 2,247,060	\$ 1,891,176	\$5,095,113	\$4,628,031	7,342,173	\$ 6,519,207
Operating grants and contributions	4,926,797	5,694,785	127,665	153,795	5,054,462	5,848,580
Capital grants	709,247	1,087,312	23,164	-	732,411	1,087,312
General revenues:						
Property taxes	31,550,915	30,972,900	-	-	31,550,915	30,972,900
Other taxes	14,168,225	13,445,818	-	-	14,168,225	13,445,818
Grant and contributions not restricted to specific programs	3,519,960	3,278,098	-	-	3,519,960	3,278,098
Other	298,180	136,602	45,785	23,689	343,965	160,291
Total revenues	57,420,384	56,506,691	5,291,727	4,805,515	62,712,111	61,312,206
Expenses						
General government	10,673,241	10,139,596	-	-	10,673,241	10,139,596
Public safety	12,753,441	12,944,370	-	-	12,753,441	12,944,370
Transportation	225,389	209,838	-	-	225,389	209,838
Economic & physical development	555,579	664,986	-	-	555,579	664,986
Environment protection	349,278	331,923	-	-	349,278	331,923
Humans services	7,371,576	7,735,723	-	-	7,371,576	7,735,723
Cultural and recreation	1,893,257	1,293,315	-	-	1,893,257	1,293,315
Education	14,871,985	14,425,668	-	-	14,871,985	14,425,668
Interest on long-term debt	1,575,990	1,734,413	-	-	1,575,990	1,734,413
Solid Waste	-	-	4,354,380	3,913,589	4,354,380	3,913,589
Total expenses	50,269,736	49,479,832	4,354,380	3,913,589	54,624,116	53,393,421
Increase (decrease) in net position before transfers and special items	7,150,648	7,026,859	937,347	891,926	8,087,995	7,918,785
Transfers	-	-	-	-	-	-
Increase (decrease) in net position after transfer and special items	7,150,648	7,026,859	937,347	891,926	8,087,995	7,918,785
Net position, beginning, previously reported	126,256,828	119,722,391	10,027,725	9,135,799	136,284,553	128,858,190
Restatement	-	(492,422)	-	-	-	(492,422)
Net position, beginning, restated	126,256,828	119,229,969	10,027,725	9,135,799	136,284,553	128,365,768
Net position, ending	133,407,476	\$126,256,828	\$10,965,072	\$10,027,725	144,372,548	\$136,284,553

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities: Governmental activities increased the County's net position by \$7,150,648, thereby accounting for 88.41% of the total growth in the net position of Watauga County. Key elements of this increase are as follows:

- Sales tax increases due to the improved economic factors particularly in the tourism industry, resulted in revenues above projection;
- Continued high property tax collections at a rate of 98.94% for the current fiscal year, an increase of 13 basis points over last year;
- Close monitoring of expenditures throughout the year with actual expenditures below budget.

Business-type activities: Business-type activities increased Watauga County's net position by \$937,347 (11.59%). Key elements of this increase are as follows:

- Revenues in excess of projections for sale of recycled materials due to market pricing higher than expected;
- Revenues for solid waste fees were above projections due to higher volume of collections than anticipated;
- Contracted increases in the waste hauling contract were below projected increase along with continued fuel escalator credits in excess of anticipated amounts.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the General Fund increased to \$22,104,565 while total fund balance increased to \$26,660,250. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.01 percent of total General Fund expenditures (\$49,109,228), while total fund balance represents 54.29 percent of that same amount.

General Fund Budgetary Highlights - During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues, transfers and expenditures by \$6,708,531 with approximately \$3,422,569 of the amendments related to appropriations of fund balance. Of this amount, \$2.8 million was set aside for the recreation center project, \$470,887 for advance funding of OPEB liabilities and the balance was used for additional capital needs. Within the remaining fund balance appropriations of \$3,285,900 was \$325,929 for school lottery projects, \$1,050,000 of projects carried forward for completion, and approximately \$1,911,000 for additional intergovernmental revenues recognized or awarded. The actual operating revenues for the General Fund were \$1,557,487 more than the budgeted amount. Actual operating expenses were less than budgeted by \$3,515,005. Unfinished projects which are budgeted but not completed account for approximately \$850,000 (24.18%) and school capital projects not completed are \$511,000 (14.54%) of the total amount under budget for expenditures.

Proprietary Funds - Watauga County's proprietary fund is used to provide information on the solid waste enterprise. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to \$6,294,544. The total increase in proprietary net position was \$937,347. Anticipated rate per ton and fuel escalator increases in the waste hauling contract tied to the national CPI were not realized with the continued recession recovery creating savings.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017, totals \$141,116,654 (net of depreciation). These assets include buildings, land, equipment, improvements, and vehicles. Major capital asset transactions during the year include:

- Purchased 26 new vehicles and numerous pieces of equipment for County governmental departments;
- Completion of the new ambulance base site and the greenway/underpass at Brookshire Park and Hwy 421;

Watauga County's Capital Assets, Net of Depreciation

Figure 4

	Governmental	Business	Total
	Activities	Activities	
	2017	2017	2017
Land	\$ 44,388,984	\$ 975,497	\$ 45,364,481
Buildings	80,371,276	2,950,388	83,321,664
Other improvements	2,740,828	119,247	2,860,075
Leasehold improvements	6,026,859	6,548	6,033,407
Equipment	1,234,071	224,601	1,458,672
Vehicles	1,092,916	394,247	1,487,163
Construction in progress	575,592	-	575,592
Intangible assets	15,600	-	15,600
Total	\$ 136,446,126	\$ 4,670,528	\$ 141,116,654

Additional information on the County's capital assets can be found in note 3.A.5 of this report.

Long-term Debt. As of June 30, 2017, Watauga County had no bonded debt outstanding or authorized.

Watauga County's Outstanding Debt

Figure 5

	Governmental Activities	
	2016	2017
Installment purchase	\$ 43,156,110	\$ 39,073,749

Watauga County's total debt decreased by \$4,082,361 or (9.46%) during the past fiscal year due to scheduled debt service payments. There is no debt associated with the business activities. No new debt was issued. The State of North Carolina limits the amount of debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries less outstanding debt principal. The legal debt margin for Watauga County as of June 30, 2017 is \$681,830,754. Additional information regarding Watauga County's long-term debt can be found in Note 3.B.7.b of this report.

Economic Factors

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

- The County continues to experience growth in tourism and has seen continued revenue increases for more than eight years related to tourism with revenues at just over \$1.5 million now;
- The County's unemployment rate of 4.1% as of August 2017 is consistent with the state average of 4.1% and slightly lower than the federal rate of 4.4% which is consistent with the trends seen before the economic recession;
- Appalachian State University provides continued stability to the local economy as a major employer and source of overall positive economic impact from the student population;
- Construction and real estate sales have continued to show increases, consistent with state and national trends.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental activities – The County's property tax rate is raised four cents to 35.3 cents per \$100 in property valuation. This is the first tax increase in twelve years. The increased tax revenues are budgeted to generate \$1.5 million annually for future school capital needs and funds to assist in completing the new recreation and community center and servicing potential debt on the project. Sales tax revenue is projected with a 3 percent increase based on state projections. Other revenues are expected to maintain current levels with minor increases.

Budgeted expenditures in the General Fund include increased school current expense and current capital funding of \$380,210, department budgets with other increases predominately due to personnel salary and benefit increases including a proposed pay plan adjustment. Capital purchases are allocated mainly for vehicle replacements with other projects still limited to primarily repairs and maintenance. A major project to replace the roof and HVAC units at the East Annex is planned at \$153,600. Funds are allocated to be set aside this year for future capital school projects of \$2,000,000 including the \$1,500,000 generated from the tax increase and \$2,923,475 for county projects-mainly funding \$2,477,075 to the recreation center project. A capital project fund will be started with \$10,000,000 from the county CIP.

Businesses-type activities – Budgeted revenues for solid waste fees are projected at current year amounts with property owners continuing to receive 2,000 pounds of disposal at the transfer station for \$80. Budgeted expenditures include funding for an increase in waste hauling expenses due to potential contracted increases in April 2018. Funds have also been budgeted for capital replacements of a salt spreader, pickup truck, interstate equipment trailer, roll off truck, track hoe and a replacement of the concrete floor in the recycling building estimated at \$488,140.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Watauga County, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	AppalCART	Watauga County District U Tourism Development Authority
ASSETS					
Cash and cash equivalents	\$ 36,910,007	\$ 6,117,124	\$ 43,027,131	\$ 2,695,851	\$ 2,019,918
Restricted cash and cash equivalents	555,262	-	555,262	392,196	-
Receivables (net)	1,265,598	362,794	1,628,392	15,995	-
Due from other governments	3,252,895	33,498	3,286,393	372,576	135,948
Inventory	-	-	-	185,135	-
Net pension asset - ROD	124,766	-	124,766	-	-
Intangible asset for OPEB NOO	1,202,068	130,217	1,332,285	-	-
Capital assets:					
Land, intangible, and construction in progress	44,980,176	975,497	45,955,673	1,181,992	-
Other capital assets, net of depreciation	91,465,950	3,695,031	95,160,981	9,684,037	-
Total capital assets	<u>136,446,126</u>	<u>4,670,528</u>	<u>141,116,654</u>	<u>10,866,029</u>	<u>-</u>
Total assets	<u>179,756,722</u>	<u>11,314,161</u>	<u>191,070,883</u>	<u>14,527,782</u>	<u>2,155,866</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	3,167,654	256,830	3,424,484	-	50,510
Total deferred outflows of resources	<u>3,167,654</u>	<u>256,830</u>	<u>3,424,484</u>	<u>-</u>	<u>50,510</u>
LIABILITIES					
Accounts payable and accrued expenses	1,409,174	178,014	1,587,188	342,789	3,110
Accrued interest payable	146,404	-	146,404	-	-
Due to other governments	144,474	-	144,474	-	-
Liabilities payable from restricted assets	37,930	-	37,930	-	-
Unamortized liability for bond premiums	3,577,634	-	3,577,634	-	-
Long-term liabilities:					
Net pension liability - LGERS	3,391,422	299,319	3,690,741	-	61,334
Net pension liability - LEOSSA	575,720	-	575,720	-	-
Debt service due within one year	4,077,361	-	4,077,361	-	-
Due in more than one year	35,986,169	118,097	36,104,266	-	8,584
Total liabilities	<u>49,346,288</u>	<u>595,430</u>	<u>49,941,718</u>	<u>342,789</u>	<u>73,028</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	154,878	10,489	165,367	-	10,612
Prepaid taxes	15,734	-	15,734	-	-
Total deferred inflows of resources	<u>170,612</u>	<u>10,489</u>	<u>181,101</u>	<u>-</u>	<u>10,612</u>
NET POSITION					
Net investment in capital assets	97,759,460	4,670,528	102,429,988	10,866,029	-
Restricted for:					
Stabilization by State Statute	4,291,856	-	4,291,856	-	135,948
Register of Deeds' pension plan	90,609	-	90,609	-	-
Public safety	293,824	-	293,824	-	-
Register of Deeds	39,814	-	39,814	-	-
Revaluation	224,015	-	224,015	-	-
Tourism promotion	-	-	-	-	1,986,788
Transportation	-	-	-	392,196	-
Unrestricted (deficit)	30,707,898	6,294,544	37,002,442	2,926,768	-
Total net position	<u>\$ 133,407,476</u>	<u>\$ 10,965,072</u>	<u>\$ 144,372,548</u>	<u>\$ 14,184,993</u>	<u>\$ 2,122,736</u>

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, 2017

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 10,673,241	\$ 1,163,756	\$ 153,314	\$ -
Public safety	12,753,441	727,779	491,684	279,990
Transportation	225,389	-	157,894	-
Economic and physical development	555,579	-	-	-
Environmental protection	349,278	-	28,967	-
Human services	7,371,576	12,509	4,094,852	-
Cultural and recreational	1,893,257	343,016	-	100,000
Education	14,871,985	-	86	329,257
Interest on long-term debt	1,575,990	-	-	-
Total governmental activities	50,269,736	2,247,060	4,926,797	709,247
Business-type activities:				
Solid waste	4,354,380	5,095,113	127,665	23,164
Total	\$ 54,624,116	\$ 7,342,173	\$ 5,054,462	\$ 732,411
Component units:				
AppalCART	\$ 3,976,925	\$ 1,906,569	\$ 2,074,702	\$ 540,599
Watauga County District U Tourism Development Authority	\$ 1,439,211	\$ -	\$ 250,376	\$ 30,000
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				
Total general revenues, special items, and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

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

Net (Expense) Revenues and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	AppalCART	Watauga County District U Tourism Development Authority
\$ (9,356,171)	\$ -	\$ (9,356,171)	\$	
(11,253,988)	-	(11,253,988)		
(67,495)	-	(67,495)		
(555,579)	-	(555,579)		
(320,311)	-	(320,311)		
(3,264,215)	-	(3,264,215)		
(1,450,241)	-	(1,450,241)		
(14,542,642)	-	(14,542,642)		
(1,575,990)	-	(1,575,990)		
<u>(42,386,632)</u>	<u>-</u>	<u>(42,386,632)</u>		
-	891,562	891,562		
<u>(42,386,632)</u>	<u>891,562</u>	<u>(41,495,070)</u>		
			544,945	
				<u>(1,158,835)</u>
31,550,915	-	31,550,915	-	-
11,642,604	-	11,642,604	-	-
2,525,621	-	2,525,621	-	1,479,008
3,519,960	-	3,519,960	-	-
238,633	35,735	274,368	7,241	7,910
59,547	10,050	69,597	-	-
<u>49,537,280</u>	<u>45,785</u>	<u>49,583,065</u>	<u>7,241</u>	<u>1,486,918</u>
7,150,648	937,347	8,087,995	552,186	328,083
126,256,828	10,027,725	136,284,553	13,632,807	1,794,653
<u>\$ 133,407,476</u>	<u>\$ 10,965,072</u>	<u>\$ 144,372,548</u>	<u>\$ 14,184,993</u>	<u>\$ 2,122,736</u>

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

Watauga County, North Carolina
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 24,555,240	\$ 12,354,767	\$ -	\$ 36,910,007
Restricted cash and cash equivalents	263,829	-	291,433	555,262
Taxes receivable, net	779,266	-	241,211	1,020,477
Due from other governments	3,209,639	-	43,255	3,252,894
Accounts receivable, net	62,194	-	-	62,194
Total assets	<u>\$ 28,870,168</u>	<u>\$ 12,354,767</u>	<u>\$ 575,899</u>	<u>\$ 41,800,834</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,409,174	\$ -	\$ -	\$ 1,409,174
Due to other governments	7,872	-	136,602	144,474
Liabilities to be paid from restricted assets	-	-	37,930	37,930
Total liabilities	<u>1,417,046</u>	<u>-</u>	<u>174,532</u>	<u>1,591,578</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes receivable	779,266	-	105,415	884,681
Prepaid taxes	13,606	-	2,128	15,734
Total deferred inflows of resources	<u>792,872</u>	<u>-</u>	<u>107,543</u>	<u>900,415</u>
FUND BALANCES				
Restricted for:				
Stabilization for State Statute	4,291,856	-	-	4,291,856
Public safety	-	-	293,824	293,824
Register of Deeds	39,814	-	-	39,814
Revaluation	224,015	-	-	224,015
Committed for:				
Capital projects	-	12,354,767	-	12,354,767
Unassigned	22,104,565	-	-	22,104,565
Total fund balances	<u>26,660,250</u>	<u>12,354,767</u>	<u>293,824</u>	<u>39,308,841</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,870,168</u>	<u>\$ 12,354,767</u>	<u>\$ 575,899</u>	<u>\$ 41,800,834</u>

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

Total Fund Balance, Governmental Funds	39,308,841
The intangible assets resulting from advance contributions to the OPEB NOO in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.	1,202,068
Net pension asset - ROD	124,766
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	136,446,126
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.	182,928
Deferred inflows of resources for taxes receivable	884,681
Pension related deferrals-all plans	3,012,776
Net pension liability - LGERS	(3,391,422)
Net pension liability - LEOSSA	(575,720)
Some liabilities, including debt related payables and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(43,787,568)</u>
Net position of governmental activities	<u>\$ 133,407,476</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, 2017

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 28,518,320	\$ -	\$ 3,198,226	\$ 31,716,546
Other taxes and licenses	12,639,826	-	1,528,399	14,168,225
Unrestricted intergovernmental	3,519,960	-	-	3,519,960
Restricted intergovernmental	5,215,639	-	329,495	5,545,134
Permits and fees	728,684	-	-	728,684
Sales and services	1,184,957	-	-	1,184,957
Investment earnings	172,619	66,014	1,501	240,134
Donations	36,486	-	-	36,486
Miscellaneous	386,342	-	-	386,342
Total revenues	<u>52,402,833</u>	<u>66,014</u>	<u>5,057,621</u>	<u>57,526,468</u>
EXPENDITURES				
Current:				
General government	7,935,657	-	1,504,048	9,439,705
Public safety	10,474,800	-	3,575,107	14,049,907
Transportation	225,389	-	-	225,389
Economic and physical development	531,932	-	-	531,932
Environmental protection	370,496	-	-	370,496
Human services	7,154,831	-	-	7,154,831
Cultural and recreational	1,544,500	-	-	1,544,500
Education	14,871,985	-	-	14,871,985
Capital outlay	-	-	29,870	29,870
Debt service:				
Principal	4,082,361	-	-	4,082,361
Interest	1,917,277	-	-	1,917,277
Total expenditures	<u>49,109,228</u>	<u>-</u>	<u>5,109,025</u>	<u>54,218,253</u>
Excess (deficiency) of revenues over expenditures	<u>3,293,605</u>	<u>66,014</u>	<u>(51,404)</u>	<u>3,308,215</u>
OTHER FINANCING SOURCES (USES)				
Gain/(loss) on disposal of assets	67,121	-	8,534	75,655
Transfers from other funds	826,750	3,935,370	-	4,762,120
Transfers to other funds	(3,935,370)	(826,750)	-	(4,762,120)
Total other financing sources and uses	<u>(3,041,499)</u>	<u>3,108,620</u>	<u>8,534</u>	<u>75,655</u>
Net change in fund balance	252,106	3,174,634	(42,870)	3,383,870
Fund balances, beginning of year	26,408,144	9,180,133	336,694	35,924,971
Fund balances, end of year	<u>\$ 26,660,250</u>	<u>\$ 12,354,767</u>	<u>\$ 293,824</u>	<u>\$ 39,308,841</u>

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

Watauga County, North Carolina
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds	\$	3,383,870
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 2,269,507	
Sale of assets not fully depreciated	(16,108)	
Depreciation expense for governmental assets	<u>(3,374,147)</u>	(1,120,748)

Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.		882,412
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	<u>(165,631)</u>	(165,631)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Other postemployment benefits	666,452	
Pension expense-LGERS and ROD	(930,324)	
Compensated absences	49,766	
Pension expense-LEOSSA	(38,797)	
Amortization of bond premiums	<u>325,239</u>	
Combined adjustment		72,336

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long term debt	4,082,361	
Decrease in accrued interest payable	<u>16,048</u>	<u>4,098,409</u>

Total changes in net position of governmental activities	\$	<u><u>7,150,648</u></u>
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Watauga County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2017

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 27,620,168	\$ 27,620,168	\$ 28,518,320	\$ 898,152
Other taxes and licenses	11,768,500	11,812,690	12,639,826	827,136
Unrestricted intergovernmental	2,692,271	3,152,271	3,519,960	367,689
Restricted intergovernmental	5,499,579	6,090,655	5,215,639	(875,016)
Permits and fees	670,163	670,163	728,684	58,521
Sales and services	1,068,101	1,068,101	1,184,957	116,856
Investment earnings	70,000	70,000	172,619	102,619
Donations	29,700	35,583	36,486	903
Miscellaneous	325,715	325,715	386,342	60,627
Total revenues	49,744,197	50,845,346	52,402,833	1,557,487
Expenditures:				
General government	7,440,147	9,449,230	7,935,657	1,513,573
Public safety	10,417,519	10,883,676	10,474,800	408,876
Transportation	67,495	225,389	225,389	-
Economic and Physical Development	498,648	552,327	531,932	20,395
Environmental Protection	384,005	419,693	370,496	49,197
Human Services	8,154,422	8,129,242	7,154,831	974,411
Cultural and Recreation	1,529,838	1,581,686	1,544,500	37,186
Education	14,459,360	15,383,352	14,871,985	511,367
Debt service:				
Principal retirement	4,082,361	4,082,361	4,082,361	-
Interest and other charges	1,917,277	1,917,277	1,917,277	-
Total expenditures	48,951,072	52,624,233	49,109,228	3,515,005
Revenues over (under) expenditures	793,125	(1,778,887)	3,293,605	5,072,492
Other financing sources (uses):				
Gain/(loss) on disposal of assets	35,000	35,000	67,121	32,121
Transfers from other funds	-	826,750	826,750	-
Transfers to other funds	(900,000)	(3,935,370)	(3,935,370)	-
Fund balance appropriated	71,875	4,852,507	-	(4,852,507)
Total other financing sources (uses)	(793,125)	1,778,887	(3,041,499)	(4,820,386)
Net change in fund balance	-	-	252,106	252,106
Fund balance, beginning of year			26,408,144	
Fund balance, end of year			\$ 26,660,250	

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

Watauga County, North Carolina
 Statement of Net Position
 Proprietary Fund
 June 30, 2017

	<u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,117,124
Receivables, net	362,794
Due from other governments	33,498
Total current assets	<u>6,513,416</u>
Non-current assets:	
Intangible asset for advance funding of OPEB NOO	130,217
Capital assets:	
Land and construction in progress	975,497
Other capital assets, net of depreciation	3,695,031
Subtotal capital assets	<u>4,670,528</u>
Total non-current assets	<u>4,800,745</u>
Total assets	<u>11,314,161</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	256,830
Total deferred outflows of resources	<u>256,830</u>
LIABILITIES	
Net pension liability	299,319
Accounts payable	178,014
Accrued compensated absences	118,097
Total liabilities	<u>595,430</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	10,489
Total deferred inflows of resources	<u>10,489</u>
NET POSITION	
Net investment in capital assets	4,670,528
Unrestricted	6,294,544
Total net position	<u>\$ 10,965,072</u>

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

Watauga County, North Carolina
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Fund
 For the Year Ended June 30, 2017

	Enterprise Fund
	Solid Waste Fund
OPERATING REVENUES:	
Charges for services	\$ 4,661,863
Sale of recycled materials	433,250
	5,095,113
Total operating revenues	5,095,113
 OPERATING EXPENSES:	
Landfill operations	4,016,333
Recycling operations	90,077
Depreciation	298,281
	4,404,691
Total operating expenses	4,404,691
Operating income (loss)	690,422
 NONOPERATING REVENUES (EXPENSES):	
Interest and investment revenue	35,735
Miscellaneous revenues	10,050
Gain/(loss) on disposal of assets	50,311
Restricted intergovernmental revenues	150,829
	246,925
Total nonoperating revenues (expenses)	246,925
Change in net position	937,347
Total net position, beginning	10,027,725
Total net position, ending	\$ 10,965,072

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

Watauga County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Enterprise Fund
	Solid Waste Fund
Cash flows from operating activities:	
Cash received from customers	\$ 5,192,747
Cash paid for goods and services	(2,759,648)
Cash paid to employees for services	(1,484,516)
Net cash provided by operating activities	948,583
Cash flows from noncapital financing activities:	
Restricted intergovernmental revenues	150,829
Miscellaneous revenues	10,050
Net cash provided by noncapital financing activities	160,879
Cash flows from capital and related financing activities:	
Proceeds received from sale of fixed assets	50,311
Acquisition and construction of capital assets	(375,491)
Net cash used by capital and related financing activities	(325,180)
Cash flows from investing activities:	
Interest on investments	35,735
Net cash provided by investing activities	35,735
Net increase (decrease) in cash and cash equivalents	820,017
Cash and cash equivalents, July 1	5,297,107
Cash and cash equivalents, June 30	\$ 6,117,124
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 690,422
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	298,281
Changes in assets, liabilities, deferred outflows and inflows of resources:	
Increase in deferred outflow of resources - pensions	(196,542)
Increase in net pension liability	235,505
Decrease in deferred inflow of resources - pensions	(22,679)
Decrease in accounts receivable	93,583
Decrease in due from other governments	4,051
Decrease in accounts payable	(104,470)
Increase in intangible asset for advance funding of OPEB NOO	(58,819)
Increase in accrued compensated absences	9,251
Total adjustments	258,161
Net cash provided by operating activities	\$ 948,583

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

Watauga County, North Carolina
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

	<u>Irrevocable Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 2,024,480	\$ 78,759
Accounts receivable	3,863	18,336
	<u>2,028,343</u>	<u>97,095</u>
Liabilities and Net Position		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 97,095
	<u>-</u>	<u>97,095</u>
Net position:		
Restricted for postemployment benefits other than pensions	\$ 1,628,735	\$ -
Restricted for law enforcement officer's special separation allowance benefits	399,608	-
	<u>2,028,343</u>	<u>-</u>

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

Watauga County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Irrevocable Trust Funds
	<u> </u>
Additions:	
Employer contributions	\$ 1,016,199
Interest earned	<u>11,466</u>
Total additions	<u>1,027,665</u>
 Deductions:	
Benefits	125,199
Administrative expense	<u>457</u>
Total deductions	<u>125,656</u>
Change in net position	902,009
 Net position restricted for other post employment benefits other than pensions and law enforcement officer's special separation allowance	
Beginning of year	<u>1,126,334</u>
End of year	<u>\$ <u>2,028,343</u></u>

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies:

The accounting policies of Watauga County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant account policies:

A. Reporting Entity:

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. The discretely presented component units presented below are reported in separate columns in the County's combined financial statements in order to emphasize that they are legally separate from the County.

AppalCART

AppalCART operates mainly in Watauga County in the northwest part of North Carolina, providing transportation services to the various areas and residents within Watauga County. Watauga County's Board of Commissioners appoints the eight member governing board of AppalCART and AppalCART operates within the County's boundaries for the benefit of the County's residents. The County provides some financial support to AppalCART but it is responsible for the debts of AppalCART except when such are expressly granted by statute or by the consent of the Board of Commissioners of Watauga County. The Board of Commissioners of Watauga County has the authority to terminate the existence of AppalCART at any time, provided a 60-day written notice is given to AppalCART, and all property and assets of AppalCART shall automatically become the property of Watauga County and the County shall succeed to all rights, obligations and liabilities of AppalCART. AppalCART designates its own management, approves its own budget, and maintains its own accounting system; however, AppalCART is fiscally accountable to Watauga County and the County has the authority to examine all records and accounts at any time. AppalCART, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements may be obtained from the entity's administrative offices at AppalCART, 305 Hwy 105 Bypass, Boone, NC 28607.

Watauga County District U Tourism Development Authority

The North Carolina General Legislation enacted a law which authorized Watauga County to levy a room occupancy tax; and the Watauga County Commissioners adopted a resolution levying this tax and created the Watauga County District U Tourism Development Authority. The Authority operates within Watauga County's boundaries for the promotion and development of tourism, and the County provides room occupancy tax proceeds as their main source of revenue to the Authority, but the County is not responsible for the debts and is not entitled to the surpluses of the Authority. The Watauga County's Board of Commissioners appoints the seven voting members of the Authority. The Watauga County District U Tourism Development Authority has a June 30 year end and is presented as if it is a governmental fund. Complete financial statements may be obtained from the entity's administrative offices at Watauga County District U Tourism Development Authority, 815 West King Street, Suite 10, Boone, NC 28607.

B. Basis of Presentation – Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The Statements of Net Position and the Statements of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – This is a capital projects fund. It accounts for the County's reserves set aside for future capital needs.

The County reports the following major enterprise fund:

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

The County reports the following other fund types:

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

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

Non-major Funds – The County maintains six legally budgeted non-major funds. The Federal Equitable Sharing Fund, the State Substance Abuse Tax Fund, the Emergency Telephone System Fund, two Fire Districts Funds, and the Occupancy Tax Fund are all reported as non-major special revenue funds.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Project Fund, the Federal Equitable Sharing, the State Substance Abuse Tax, the Emergency Telephone System, Fire Districts, Occupancy Tax Special Revenue Funds, and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The budget officer is authorized by the budget ordinance to transfer appropriation within a fund not to exceed 10% of the total departmental appropriation of the department whose allocation is reduced; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The County, AppalCART, and the Authority's investments are carried at fair value as determined by quoted market prices. The NCCMT Government Portfolio's securities, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The County pools money from several funds, except the OPEB Irrevocable Trust Fund, the LEOSSA Irrevocable Trust Fund, and DSS Trust Fund, and the Inmate Commissary Fund, to facilitate

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

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 or cash equivalents.

3. Restricted Cash

Money for Tax Revaluation is classified as restricted assets because its use is restricted per NC General Statute 153A-150. Money for the Register of Deeds Automation Enhancement Fund is restricted by NC General Statute 161-50 to pay for computer equipment and technology needs for the Register of Deeds' office. Federal regulations require equitable sharing funds be used for approved law enforcement needs. State substance abuse tax receipts are restricted to law enforcement needs. Emergency Telephone Systems funds are restricted per NC General Statute 62A-46. Occupancy tax revenues are restricted for disbursement to the Watauga District U Tourism Development Authority. Taxes collected on behalf of the fire districts are restricted as payable to the districts.

Watauga County Restricted Cash

Governmental Activities		
General Fund	Tax revaluation	\$ 224,015
	Register of Deeds	39,814
Federal Equitable Sharing Fund	Law enforcement	52,056
State Substance Abuse Tax Fund	Law enforcement	61,040
Emergency Telephone Fund	911 eligible expenditures	157,282
Occupancy Tax Fund	Tourism	806
Fire District Funds	Unexpended collections	20,249
Total Governmental Activities		\$ 555,262

4. Ad Valorem Taxes Receivable

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

5. 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.

6. Inventory

The inventories of AppalCart are maintained for fuel oil, tires, and vehicle parts; valuation is at last in first out (LIFO) basis. The cost of the inventory of AppalCart is recorded as an expense when consumed.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2016, are recorded at their estimated fair value at the date of donation. Donated capital assets received June 15, 2016, are recorded at their acquisition value. Minimum capitalization is \$2,000 for all governmental fund assets. On July 1, 1989, the County established the Solid Waste Fund to account for the operations of the landfill. At this time, all landfill assets were transferred to this fund at original cost less accumulated depreciation from date of purchase. Property, plant, and equipment acquired after July 1, 1989, are recorded at original cost at time of acquisition. After July 1, 2002, the Fund's minimum capitalization cost is \$2,000. Prior to July 1, 2002, the Fund did not have a minimum capitalization cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

The County holds title to a Watauga County Board of Education property that has not been included in capital assets. The property has been deeded to the County to permit installment purchase financing. Lease agreements between the County and the Board of Education give the Board of Education full use of Mabel School, full responsibility for maintenance of the facility, and stipulate the County will convey title back to the Board of Education once all restrictions of the financing agreements have been met. The property is reflected as a capital asset in the financial statements of the Watauga County Board of Education.

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

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has the following item that meets this criterion – pension related deferrals. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has the following items that meet the criterion for this category – prepaid taxes and pension related deferrals.

9. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

10. Compensated Absences

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

being fully vested when earned. On the Authority's government-wide statement, an expense and liability for compensated absences and salary-related payments are recorded as the leave is earned.

The sick leave policies of the County, the Authority, and AppalCART provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement with the County and the Authority may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made by the County or its component units.

11. Net Positions/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statutes.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

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

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

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

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

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

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

12. Defined Benefit Pension Plans

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

Note 2 -

Stewardship, Compliance, and Accountability

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

One instance of noncompliance with North Carolina Statutes was noted. Per NCGS 159-25(b), all checks or drafts on an official depository shall be signed by the finance officer or properly designated deputy finance officer and countersigned by another official of the local government designated for this purpose by the governing board. Checks totaling \$13,621 on the Inmate Commissary Account did not include the finance officer or deputy finance officer's signatures.

Note 3 -

Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, AppalCART's, and the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, AppalCART's, and the Authority's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, AppalCART, and the Authority, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, AppalCART, or the Authority. Because of the inability to measure the exact amount of collateral pledged for the County, AppalCART, or the Authority, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, AppalCART, and the Authority rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County, AppalCART, and the Authority have no formal policy regarding custodial credit risk for deposits.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

At June 30, 2017, the County's deposits had a carrying amount of \$14,480,207 and a bank balance of \$14,816,364. Of the bank balance, \$1,500,000 was covered by federal depository insurance, and \$8,883,895 in non-interest bearing deposits and \$5,596,312 in interest bearing deposits were covered by collateral held under the Pooling Method. At June 30, 2017, Watauga County had \$4,468 cash on hand.

At June 30, 2017, AppalCART's deposits had a carrying amount of \$1,072,229 and a bank balance of \$1,121,793. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$871,793 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2017, the Authority's deposits had a carrying amount of \$807,774 and a bank balance of \$809,222. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Authority had no cash on hand.

2. Investments

As of June 30, 2017, the County had the following investments and maturities:

Investments by Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months	1-5 Years
Certificates of Deposit	Cost	\$5,023,920	\$5,023,920	\$ -	\$ -
Commercial Paper	Fair Value Level 2	4,207,774	-	4,207,774	-
Government Agencies	Fair Value Level 2	6,017,037	200,000	448,300	5,368,737
NC Capital Management Trust – Government Portfolio	Amortized Cost	787,484	787,484	-	-
NC Capital Management Trust – Term Portfolio*	Fair Value Level 1	15,164,742	15,164,742	-	-
Total:		<u>\$31,200,957</u>	<u>\$21,176,146</u>	<u>\$4,656,074</u>	<u>\$5,368,737</u>

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Ratings are from Standard and Poor's scale.

Level of fair value hierarchy: Level 1: Debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

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

Credit Risk. The County has no formal policy regarding credit risk, but has internal management procedures that limits the County's investments to the provisions of G.S. 159-30 and restricts the

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the County's investments in commercial paper were rated A1 by Standard & Poor's and P1 by Moody's Investors Service. The County's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Agencies with Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation are rated AA+ by Standard & Poor's and AAA by Moody's Investors Service. The County does have an elevated credit risk due to safekeeping held in a third party arrangement.

At June 30, 2017, AppalCART's investment stated at fair value, consisted of \$2,015,818 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. AppalCART has no formal policy on interest rate risk or credit risk on its investments.

At June 30, 2017, the Authority's investments consisted of the following:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Government Portfolio	\$ 102,402	N/A	AAAm
NC Capital Management Trust – Term Portfolio	1,109,742	.09 years	Unrated
	<u>\$1,212,144</u>		

Interest Rate Risk. The Authority has not formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's internal investment policy limits at least half of the Authority's investment portfolio to maturities of less than 12 months. Also, the Authority's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit risk. The Authority has no formal policy regarding credit risk, but has internal management procedures that limits the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The Authority's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

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

Tax Year Levied	Tax	Interest	Total
2013	\$ 629,116	\$ 177,725	\$ 806,841
2014	673,162	129,584	802,746
2015	676,442	69,335	745,777
2016	670,349	-	670,349
Total	<u>\$ 2,649,069</u>	<u>\$ 376,644</u>	<u>\$ 3,025,713</u>

4. Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts	Taxes Receivable	Interest Receivable	Total
Governmental Activities:				
General	\$ 62,194	\$ 912,748	\$ 161,381	\$ 1,136,323
Other Governmental	-	254,556	21,546	276,102
Total receivables	62,194	1,167,304	182,927	1,412,425
Allowance for doubtful accounts	-	(146,827)	-	(146,827)
Total-governmental activities	<u>\$ 62,194</u>	<u>\$ 1,020,477</u>	<u>\$ 182,927</u>	<u>\$ 1,265,598</u>
Business-type Activities				
Solid Waste	\$ 436,174	\$ -	\$ -	\$ 436,174
Allowance for doubtful accounts	(73,380)	-	-	(73,380)
Total-business-type activities	<u>\$ 362,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,794</u>

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

High Country Council of Government	\$ 2,259
NC DOR	2,400,622
NC DOT	10,754
NC Courts	646
Avery County	1,330
Ashe County	330
Town of Blowing Rock ABC	372
Town of Blowing Rock	54,453
Town of Beech Mountain	66,322
Town of Boone	276
Town of Boone ABC	1,378
Medicaid	7,367
NC State Treasurer	122
NC EM	223,753
Watauga County Clerk of Court	27,327
NC DHHS	459,878
Emergency Telephone System	26,697
NC DENR	2,507
Total:	<u>\$ 3,286,393</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

5. Capital Assets**Primary Government:**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 44,213,150	190,858	15,024	\$ 44,388,984
Intangible	15,600	-	-	15,600
Construction in progress	1,096,702	1,128,873	1,649,983	575,592
Total capital assets not being depreciated	<u>45,325,452</u>	<u>1,319,731</u>	<u>1,665,007</u>	<u>44,980,176</u>
Capital assets being depreciated:				
Buildings	101,176,955	704,133	-	101,881,088
Other improvements	5,419,371	9,359	-	5,428,730
Leasehold improvements	6,609,106	771,062	-	7,380,168
Equipment	6,600,563	450,449	781,696	6,269,316
Vehicles and motorized equipment	2,045,003	664,756	426,886	2,282,873
Total capital assets being depreciated	<u>121,850,998</u>	<u>2,599,759</u>	<u>1,208,582</u>	<u>123,242,175</u>
Less accumulated depreciation for:				
Buildings	19,473,383	2,036,429	-	21,509,812
Other improvements	2,164,746	523,156	-	2,687,902
Leasehold improvements	1,180,836	172,473	-	1,353,309
Equipment	5,456,380	360,561	781,696	5,035,245
Vehicles and motorized equipment	1,334,231	281,528	425,802	1,189,957
Total accumulated depreciation	<u>29,609,576</u>	<u>3,374,147</u>	<u>1,207,498</u>	<u>31,776,225</u>
Total capital assets being depreciated, net	<u>92,241,422</u>			<u>91,465,950</u>
Governmental activity capital assets, net	<u>\$137,566,874</u>			<u>\$136,446,126</u>

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

General government	\$ 1,918,718
Public safety	595,488
Economic and physical development	23,647
Environmental protection	6,067
Human services	367,084
Cultural and recreational	463,143
Total depreciation expense	<u>\$ 3,374,147</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 975,497	-	-	\$ 975,497
Total capital assets not being depreciated	975,497	-	-	975,497
Capital assets being depreciated:				
Improvements	445,921	-	-	445,921
Leasehold improvements	319,960	-	-	319,960
Buildings	4,152,793	-	-	4,152,793
Equipment	1,550,840	44,147	18,970	1,576,017
Vehicles	1,339,336	331,344	210,529	1,460,151
Total capital assets being depreciated	7,808,850	375,491	229,499	7,954,842
Less accumulated depreciation for:				
Improvements	301,143	25,531	-	326,674
Leasehold improvements	313,165	247	-	313,412
Building	1,116,506	85,899	-	1,202,405
Equipment	1,277,127	93,259	18,970	1,351,416
Vehicles	1,183,089	93,344	210,529	1,065,904
Total accumulated depreciation	4,191,030	298,280	229,499	4,259,811
Total capital assets being depreciated, net	3,617,820			3,695,031
Business-type capital assets, net	\$ 4,593,317			\$ 4,670,528

Construction commitments

The County has four active construction projects as of June 30, 2017. The governmental projects include Winkler Creek (formerly Anderson) Building renovations, FEMA house demolition project, land transfer, and a new security system for the Human Services Building. At June 30, 2017, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Human Services security	\$ 31,598	\$ 1,800
FEMA project	223,753	22,700
Land Transfer	3,362	12,200
Winkler Creek building	316,879	157,122
Total	\$ 575,592	\$ 193,822

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

Discretely presented component units

Capital asset activity for the AppalCART for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,114,242	\$ -	\$ -	\$ 1,114,242
Construction in progress	99,150	-	31,400	67,750
Total capital assets not being depreciated	<u>1,213,392</u>	-	<u>31,400</u>	<u>1,181,992</u>
Capital assets being depreciated:				
Buildings	6,699,444	-	-	6,699,444
Land improvements	11,156	-	-	11,156
Office furniture and equipment	271,623	151,186	-	422,809
Shop equipment	347,384	-	-	347,384
Vehicles	8,030,577	180,734	128,496	8,030,577
Total capital assets being depreciated	<u>15,360,184</u>	<u>331,920</u>	<u>128,496</u>	<u>15,563,608</u>
Less accumulated depreciation for:				
Buildings	410,760	134,053	-	544,813
Land improvements	11,561	536	-	12,097
Office furniture and equipment	119,926	30,732	-	150,658
Shop equipment	227,078	36,572	-	263,650
Vehicles	4,561,701	473,427	126,775	4,908,353
Total accumulated depreciation	<u>5,331,026</u>	<u>675,320</u>	<u>126,775</u>	<u>5,879,571</u>
Total capital assets being depreciated, net	<u>10,029,158</u>			<u>9,684,037</u>
Business-type activities capital assets, net	<u>\$11,242,550</u>			<u>\$10,866,029</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2017, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental activities:			
General	\$ 840,872	\$ 568,302	\$ 1,409,174
Special Revenues	37,930	-	37,930
Total-governmental activities	<u>\$ 878,802</u>	<u>\$ 568,302</u>	<u>\$ 1,447,104</u>
Business-type activities:			
Solid Waste	<u>\$ 127,817</u>	<u>\$ 50,197</u>	<u>\$ 178,014</u>

Due to other governments that is owed by the County consists of the following:

Watauga County TDA, occupancy taxes for June	\$ 136,602
AppalCART, service fees	7,632
NC DOR, VTS overpayments	240
Total:	<u>\$ 144,474</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employees contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$798,115 for the year ended June 30, 2017.

Refunds of Contributions. County employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

WATAUGA COUNTY, NORTH CAROLINANotes to the Financial Statements
For the Year Ended June 30, 2017**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the County reported a liability of \$3,690,741 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was 0.1739%, which was a decrease of 0.00014% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,002,709. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,343	\$ 129,328
Changes of assumptions	252,783	-
Net difference between projected and actual earnings on pension plan investments	2,040,515	-
Changes in proportion and differences between County contributions and proportionate share of contributions	5,725	-
County contributions subsequent to the measurement date	798,115	-
Total	<u>\$ 3,166,481</u>	<u>\$ 129,328</u>

\$798,115 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 341,006
2019	341,284
2020	970,181
2021	586,572
2022	-
Thereafter	-
Total	<u>\$ 2,239,043</u>

At June 30, 2017, the Authority reported a liability of \$61,334 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Authority's proportion was 0.00289%, which was an increase of 0.00002% from its proportion measured as of June 30, 2015.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

For the year ended June 30, 2017, the Authority recognized pension expense of \$12,432. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,152	\$ 2,149
Changes of assumptions	4,201	-
Net difference between projected and actual earnings on pension plan investments	33,910	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	8,463
Authority contributions subsequent to the measurement date	11,247	-
Total	\$ 50,510	\$ 10,612

\$11,247 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	1,804
2019		1,841
2020		15,508
2021		9,498
2022		-
Thereafter		-
Total	\$	28,651

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent	
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor	
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation	

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

interpolated for multiple tenors and over multiple year horizons. Global public equity projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset to changes in the discount rate. The following presents the proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 8,759,849	\$ 3,690,741	\$ (543,356)
Authority's proportionate share of the net pension liability (asset)	\$ 145,578	\$ 61,334	\$ (9,030)

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Watauga County administers a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. In June of 2016, the County established an irrevocable trust, the Law Enforcement Officers' Special Separation Allowance (LEOSSA) Irrevocable Trust Fund, to account for the assets set aside for this purpose. For reporting purposes, the LEOSSA is presented as a pension trust fund as it meets the criteria for trust funds outlined in GASB Statement 68.

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

The data required regarding the membership of the Watauga County Law Enforcement Separation Allowance Plan was furnished by the County and the NC Local Governmental Employees' Retirement System. The following table summarizes the membership of the Plan as of June 30, 2016, the valuation date:

Retirees receiving benefits	1
Inactive members entitled to but not receiving benefits	0
Active plan members	<u>42</u>
Total	<u><u>43</u></u>

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 \$143,399, or 7.86% of covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

Refunds of Contributions. Because all funds are contributed by the County, no refunds are available to members of the plan.

Actuarial Assumptions. The total pension liability (TPL) in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Based on service, ranging from 3.50 to 7.35 percent, including inflation
Investment rate of return	2.85 percent, net of pension plan investment expense, including inflation
Mortality	Pre-retirement mortality rates based on the RP-2014 Employee tables, projected forward generationally using Scale MP-2015 Post-retirement rate based on the RP-2014 Healthy Annuitant tables, projected forward generationally using Scale MP-2015; rates loaded by 4% for males

Discount rate. The discount rate used to measure the total pension liability was 2.85%. Since the assets are held in short term investments, a discount rate equal to the 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate was used. The index used for this purpose is the Bond Buyer 20-Bond GO Index rate published closest to, but not later than, the measurement date of June 30, 2016.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

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

Long term rate of return. The long-term expected rate of return on pension plan investments is assumed to be 2.85% annually. Since the Separation Allowance assets are held in short term investments a discount rate equal to the 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate was used. The index used for this purpose is the Bond Buyer 20-Bond GO Index rate published closest to, but not later than, the measurement date of June 30, 2016.

Assumed Asset Allocation. The target asset allocation is 100% in governmental securities and best estimate of arithmetic real rates of return is 2.0%.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension liability calculated using the discount rate of 2.85 percent, as well as what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85 percent) or one percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Discount Rate (2.85%)	1% Increase (3.85%)
Net pension liability	\$666,401	\$575,720	\$492,818

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

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balance as of December 31, 2015	\$ 790,118	\$ 272,885	\$ 517,233
Changes for the year:			
Service cost	24,305	-	24,305
Interest	14,474	-	14,474
Benefit changes	-	-	-
Difference between expected and actual experience	(33,229)	-	(33,229)
Changes of assumptions or other inputs	60,466	-	60,466
Contributions – employer	-	7,101	(7,101)
Contributions – employee	-	-	-
Net investment income	-	428	(428)
Benefits paid	(7,101)	(7,101)	-
Plan administrative expenses	-	-	-
Net changes	\$ 58,915	\$ 428	\$ 58,487
Balance as of June 30, 2016	\$ 849,033	\$ 273,313	\$ 575,720

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

The assumed rate of return was decreased from 3.57% to 2.85% to reflect the change in the Municipal Bond Rate. There were no changes in the benefit terms that affected measurement of the total pension liability since the prior measurement period.

There were no changes between the measurement date of the net pension liability and the County's reporting date that are expected to have a significant effect on the net pension liability, and the amount of the expected resultant change in the net pension liability, if known. The County changed the valuation year-end from December 31 to June 30 to match the fiscal year.

WATAUGA COUNTY, NORTH CAROLINANotes to the Financial Statements
For the Year Ended June 30, 2017

For the year ended June 30, 2017, the County recognized pension expense of \$38,235. Since certain expense items are amortized over closed periods each year, the deferred portion of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of the June 30, 2016 measurement date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 30,541
Changes of assumptions	65,460	-
Net difference between projected and actual earnings on pension plan investments	9,489	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-
County contributions subsequent to the measurement date	143,399	-
Total	\$ <u>218,348</u>	\$ <u>30,541</u>

\$143,399 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 5,555
2019	5,555
2020	5,555
2021	4,708
2022	2,971
2023-2027	14,855
2028-2030	5,209
Total	\$ <u>44,408</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

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, 2017 were \$104,059, which consisted of \$93,520 from the County and \$10,539 from the law enforcement officers. No amounts were forfeited.

d. Supplemental Retirement Income Plans for General Employees

Employees, other than law enforcement, have the choice of participating in a 401(k) plan or a 457 deferred compensation plan. The County contributes five percent of each employee's salary to the plan of their choice. Employees may make elective deferrals to each plan. Contributions for the year ended June 30, 2017 to these plans were \$713,071 which consisted of \$520,989 from the County and \$192,082 from employees. No amounts were forfeited.

e. Register of Deeds' Supplemental Pension Fund

Plan Description. Watauga County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 28699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year, and for the foreseeable future, is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,653 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$124,766 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the

WATAUGA COUNTY, NORTH CAROLINANotes to the Financial Statements
For the Year Ended June 30, 2017

County's proportion was .66734%, which was a decrease of .00805% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$8,629. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133	\$ 1,615
Changes of assumptions	33,240	-
Net difference between projected and actual earnings on pension plan investments	214	-
Changes in proportion and differences between County contributions and proportionate share of contributions	415	3,883
County contributions subsequent to the measurement date	5,653	-
Total	\$ <u>39,655</u>	\$ <u>5,498</u>

\$5,653 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 11,109
2019	13,177
2020	5,616
2021	(1,397)
2022	-
Thereafter	-
Total	\$ <u>28,505</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers,

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$(100,602)	\$(124,766)	\$(145,066)

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

f. Other Postemployment Benefit for Health Insurance

Plan Description

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

County Contributions. Active and retiree premiums are calculated together. The retiree pays a portion of the premium, based on the retiree's service with the County. The difference between the claims and the premiums results in an inherent subsidy borne by the County.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

Plan Membership. At June 30, 2016, the HCB membership consisted of the following:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	18	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>203</u>	<u>42</u>
Total	<u>221</u>	<u>43</u>

Contributions. The Board of Commissioners established the contribution requirements of plan members and these requirements may be amended by the Board. Per a County resolution, the County is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. The County's contribution is dependent on the employee's number of years of creditable service with the County. Retirees pay the difference in the premium less their subsidy based on years of service in the chart below.

County contributions to HCB Plan based on creditable years of service

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

Investments

Investment policy. The HCB Plan's policy in regards to the allocation of invested assets is established by the County Financial Policy used by management. It is the policy of the County to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio and staggered maturities. The current asset allocation policy is in 100% fixed income investments with an expected long term rate of return of 2.85 percent.

Rate of return. For the year ended June 30, 2016, the annual money weighted rate of return on investments, net of investment expense, was .98 percent.

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2016 were as follows:

Total OPEB Liability	\$ 3,715,932
Plan fiduciary net position	<u>853,021</u>
County's net OPEB liability	<u>\$ 2,862,911</u>

Plan fiduciary net position as a percentage of Total OPEB Liability is 22.96%.

The net OPEB liability was measured as of June 30, 2016 and 2015. Plan Fiduciary Net Position (plan assets) was valued as of the measurement dates and the total OPEB liability was determined from an actuarial valuation as of June 30, 2016.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary increases	Based on service, ranging from 3.50 to 7.75 percent, including inflation
Discount rate	2.85 percent
Healthcare cost trend rates	7.0 percent grading down to 4.5 percent over 10 years
Healthy mortality rates	
Pre-retirement	RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015
Post-retirement	RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 115 percent (male) and 79 percent (female) for general employees and by 104 percent (male) for sworn law enforcement officers.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the NCLGERS assumption study for the five year period ended December 31, 2014.

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

Discount rate. The discount rate used to measure the total OPEB liability was 2.85 percent. The discount rate incorporates a municipal bond rate which is 2.85 percent as reported in the Bond Buyer for the 20 Year general obligation bonds as of June 30, 2016.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current discount rate:

	1% Decrease (1.85 percent)	Discount Rate (2.85 percent)	1% Increase (3.85 percent)
Net OPEB liability (asset)	\$ 3,166,969	\$ 2,862,911	\$ 2,584,594

Sensitivity of the net OPEB liability to changes in the healthcare trend rate. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were to calculate healthcare trend rates that are 1-percentage-point lower (3.9 percent) or 1-percentage-point higher (5.9 percent) than the current healthcare trend rate:

	1% Decrease in Trend Rates	Healthcare Cost Trend Rate (7.0 percent decreasing to 4.5 percent over 10 years)	1% Increase in Trend Rates
Net OPEB liability (asset)	\$ 2,617,583	\$ 2,862,911	\$ 3,154,483

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

(ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 179,656
Interest on net OPEB obligation	(24,281)
Adjustment to annual required contribution	<u>23,196</u>
Annual OPEB cost (expense)	178,571
Contributions made for fiscal year ending June 30, 2017*	<u>903,842</u>
Increase/(decrease) in net OPEB obligation	(725,271)
Net OPEB obligation, beginning of year	<u>(607,015)</u>
Net OPEB obligation, end of year	\$ <u>(1,332,286)</u>

**Under GASB Statements 43 and 45, the OPEB liability may include an implicit subsidy amount based upon age adjusted costs reflecting the higher cost of benefits associated with older participants. For the purpose of determining the Net OPEB Obligation (NOO), the portion of the annual OPEB contributions for medical and prescription drug costs that are determined on a combined basis for actives and retirees (in this case pre-65 retirees) has been increased to include the impact of the 34% subsidy. The total contribution of \$903,842 includes \$31,042 due to the impact of the 34% implicit subsidy and actual cash contributions of \$872,800 paid by the employer. Correspondingly, in the financial statements, the costs associated with active employee medical and prescription drug benefits may need to be decreased by the same dollar amount to reflect that portion of the active employee contribution subsidizing retiree costs.*

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2017 and the previous two years were as follows:

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$170,955	167.8%	\$ (524,158)
2016	\$170,748	148.5%	\$ (607,015)
2017	\$178,571	506.2%	\$(1,332,286)

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was 29.9% funded. The actuarial accrued liability for benefits was \$2,553,360, and the actuarial value of assets was \$762,628, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,790,732. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarially accrued liabilities for benefits.

In the December 31, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included a 3.00 percent inflation assumption. The medical cost trend rate varied between 7.75% and 5.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected unit credit on a level percent of pay, open basis. The remaining amortization period at December 31, 2015 was 30 years.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

g. Other Employment Benefits

Death Benefits

The County has elected to provide death benefits to all eligible employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan). a multiple-employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

For the fiscal year ended June 30, 2017, the County made contributions to the State for death benefits of \$9,817 for general employees and \$2,644 for law enforcement employees. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represents 0.11% and 0.14% of covered payroll, respectively.

The County has elected to provide additional death benefits for all eligible employees through a commercial insurance carrier in the amounts equal to an employee's salary rounded up to the next \$1,000. Coverage is provided at a maximum of \$80,000 with no minimum value. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

h. Retirement Plan – AppalCART

Please see the separately issued financial report of AppalCART for a complete description of their single employer pension plan.

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 approximate cost to date of the assessment and remedial cap is \$3,473,130. Groundwater testing continues, as required by NCDENR. Due to a NCDENR directive, in fiscal year 2004-2005, a methane collection system was installed to prevent the potential for offsite migration. Further remedial actions are not anticipated unless groundwater conditions change.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

4. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources as of June 30, 2017 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources Statement of Net Position	Governmental Funds Balance Sheet
Changes in assumptions	\$ 351,483	\$ -	\$ -
Pensions – difference between expected and actual experience	69,476	161,484	-
Pensions – difference between projected and actual investment earnings	2,050,218	-	-
Pensions – change in proportion and difference between employer contributions and proportionate share of contributions	6,140	3,883	-
Contributions to pension plans in current year	947,167		
Prepaid taxes not yet earned (General)	-	13,606	13,606
Prepaid taxes not yet earned (Special Revenue)	-	2,128	2,128
Taxes receivable, net (General)	-	-	779,266
Taxes Receivable, net (Special Revenue)	-	-	105,415
Total	<u>\$ 3,424,484</u>	<u>\$ 181,101</u>	<u>\$ 900,415</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administrated by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$73,660,296 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2,000,000 per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. The County provides employee health, dental and life insurance benefits through commercial carriers.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. Under this program, the County has purchased commercial flood insurance for \$1,180,900 for certain flood-prone structures. The County carries flood insurance to avoid possible significant loss.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are covered by a blanket bond for \$250,000. The Finance Officer, Tax Administrator, Register of Deeds, and County Manager (as Deputy Finance Director) are each individually bonded for \$50,000 each. The Sheriff is bonded for \$25,000.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2017

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

AppalCART is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. AppalCART is insured with the NC Association of County Commissioners Liability and Property and Worker's Compensation Pools that provides coverage for general liability in the amount of \$2,000,000 with an additional \$3,000,000 in vehicle liability purchased per NC DOT requirements and worker's comp insurance at the statutory limits. The County is a member of these same pools.

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

6. Long-term Obligations

a. Capital Leases

The County has no capital lease agreements as a lessee.

b. Installment Purchase

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

The first installment purchase was executed on April 30, 2004 in the amount of \$5,000,000 for the renovation of existing structures to house the County's Law Enforcement Center. This installment purchase requires 60 quarterly principal payments of \$83,333 plus interest at 3.24 percent. The outstanding balance at June 30, 2017 is \$666,666.

The second installment purchase was executed on August 15, 2008 in the amount of \$2,600,000 for the purchase of land for the Tweetsie Incentive Project. This installment purchase calls for 40 quarterly principal payments of \$65,000 plus interest at 5.942 percent. The outstanding balance at June 30, 2017 is \$325,000.

The third installment purchase was executed in the amount of \$1,290,274 for Qualified School Construction Bonds on June 14, 2010 for school renovations. This installment purchase calls for 10 annual principal payments of \$129,028 plus interest at 5.8 percent with a federal interest credit giving an effective rate of zero percent prior to federal sequestration reductions affecting the annual reimbursement of interest. The outstanding balance of June 30, 2017 is \$387,083.

The fourth and fifth installment purchase agreements were executed on June 28, 2012 to refinance the construction of the new high school. These installment purchases were refinanced June 28, 2012 into limited obligation bonds. The limited obligations bonds were issued in two series, A and B. Series A is for a principal amount of \$45,045,000 with terms ranging from 2016 to 2028. The Series A bonds have an outstanding balance at June 30, 2017 of \$37,695,000. Series B was for \$10 million with a term of three years and a set rate of 1.81 percent and this series paid out in fiscal year 2014-15.

WATAUGA COUNTY, NORTH CAROLINANotes to the Financial Statements
For the Year Ended June 30, 2017

For Watauga County, the future minimum payments as of June 30, 2017, including \$10,437,885 of interest, are:

Year Ending June 30	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2018	\$ 4,077,361	\$ 1,749,144	\$ -	\$ -
2019	3,882,361	1,584,107	-	-
2020	3,479,027	1,434,709	-	-
2021	3,370,000	1,269,375	-	-
2022	3,385,000	1,117,725	-	-
2023-2027	17,335,000	3,140,025	-	-
2028	3,545,000	142,800	-	-
Total payments	<u>\$ 39,073,749</u>	<u>\$ 10,437,885</u>	<u>\$ -</u>	<u>\$ -</u>

c. General Obligation Indebtedness

The County has no general obligation debt outstanding or authorized as of June 30, 2017. At June 30, 2017, Watauga County had a legal debt margin of \$681,830,754.

d. Advance Refunding

In June 2012, the County issued \$55,045,000 in limited obligation bonds to refinance the installment purchase loans for the land and construction of the 2010 high school. These funds refinanced the original debt remaining of \$61,000,000 plus interest and expenses. This resulted in premiums totaling \$5,206,201 to be amortized over the remaining sixteen year life of the new debt. A liability for the balance of the premium of \$3,577,634 and the annual amortization of \$325,239 expense are in the government-wide statements.

e. Debt Related to Capital Activities

Of the total Governmental Activities debt listed \$38,686,666 relates to assets the County holds title. There is no unspent restricted cash related to this debt. The Qualified School Construction Bond loan done in 2010 was for renovations to school property and the County does not report an asset balance for Mabel Elementary School, which is the collateral for this loan. The QSCB loan outstanding balance of \$387,083 is deducted from the total debt balance of \$39,073,749 leaving \$38,686,666 as debt related to capital activities.

f. 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, 2017:

	Balance			Current	
	July 1, 2016	Increases	Decreases	Balance	Portion of
<u>Governmental activities:</u>				June 30, 2017	Balance
Net pension liability (LGERS)	\$ 717,269	\$2,674,153	\$ -	\$ 3,391,422	\$ -
Net pension liability (LEOSSA)	517,233	58,487	-	575,720	-
Installment purchases	43,156,110	-	4,082,361	39,073,749	4,077,361
Compensated absences	1,039,547	997,146	1,046,912	989,781	-
Total governmental activities	<u>\$45,430,159</u>	<u>\$3,729,786</u>	<u>\$5,129,273</u>	<u>\$44,030,672</u>	<u>\$4,077,361</u>
<u>Business-type activities:</u>					
Net pension liability (LGERS)	\$ 63,814	\$ 235,505	\$ -	\$ 299,319	\$ -
Compensated absences	108,846	67,782	58,531	118,097	-
Total business-type activities	<u>\$ 172,660</u>	<u>\$ 303,287</u>	<u>\$ 58,531</u>	<u>\$ 417,416</u>	<u>\$ -</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

Discretely presented component units:**AppalCART**

Compensated absences	\$ 66,927	\$ 62,304	\$ 55,748	\$ 73,483	\$ 73,483
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Watauga County TDA

Net pension liability (LGERS)	\$ 12,880	\$ 48,454	\$ -	\$ 61,334	\$ -
Compensated absences	7,458	14,102	12,976	8,584	-
Total Watauga County TDA	\$ 20,338	\$ 62,556	\$ 12,976	\$ 69,918	\$ -

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

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017, consist of the following:

From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions	\$3,935,370
From the Capital Projects Fund to the General Fund for school capital projects	826,750
Total	<u>\$4,762,120</u>

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 136,446,126	\$ 4,670,528
Less long-term debt	38,686,666	-
Net investment in capital assets	<u>\$ 97,759,460</u>	<u>\$ 4,670,528</u>

E. Fund Balance

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

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

Total fund balance – General Fund	\$26,660,250
Less:	
Stabilization by State Statute	4,291,856
Register of Deeds Automation/Enhancement	39,814
Tax Revaluation	224,015
Remaining fund balance	<u>\$22,104,565</u>

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

Encumbrances:	General Fund - \$895,206	Non-Major funds - \$0
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WATAUGA COUNTY, NORTH CAROLINA**Notes to the Financial Statements
For the Year Ended June 30, 2017****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 of the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$540,308 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from their offices at 148 Library Drive, West Jefferson, NC 28694.

The County, in conjunction with Ashe and Alleghany Counties, participates in a joint venture to operate the Appalachian District Health Department. Each participating government appoints one board member to the Governing Board and they in turn appoint the other members of the Governing Board. None of the participating governments have any equity interest in the Health Department, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$585,228 to the Health Department to supplement its activities. Complete financial statements for the Health Department can be obtained from the Health Department's offices at 126 Poplar Grove Connector Road, Boone, NC 28607.

Note 5 -**Jointly Governed Organization**

The County communally governs Caldwell Community College and Technical Institute with one other government and the community college system of the State of North Carolina. The County appoints two members of its fourteen members Board of Trustees. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$916,960 to Caldwell Community College and Technical Institute to supplement its activities. Complete financial statements for the College can be obtained at 2855 Hickory Boulevard, Hudson, NC 28638.

The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$25,092, a grant match of \$2,730, and purchased services in the amount of \$3,626 with the Council during the fiscal year ended June 30, 2017. The County was the sub recipient of three grants totaling \$302,849. The first grant is for \$264,280 in Home and Community Care Block Grant funds and the second is for \$24,068 in Nutrition Programs for the Elderly funds. Both are from the US Department of Health and Human Services and the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council. The third grant is for \$14,501 from the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council. Complete financial statements for the Council can be obtained at 468 New Market Blvd., Boone, NC 28607.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 6 - Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 205,179	\$ -
Energy Assistance	88,700	-
Title IV-E Foster Care	243,345	58,190
Adoption Assistance	175,747	43,135
Medical Assistance Program	21,435,551	11,459,891
Child Health Insurance Program	800,043	5,464
Chafee Foster Care Independence	18,575	2,229
State/County Special Assistance for Adults	-	206,139
	<u>\$ 22,967,140</u>	<u>\$ 11,775,048</u>

Note 7 - Summary Disclosure of Significant Commitments and Contingencies**Federal and State Assisted Programs**

The County has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 8 - Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* for the Healthcare Benefits Plan. The implementation of this statement had no effect on net position in the current fiscal year.

Note 9 - Subsequent Events

For the year ended June 30, 2017, the County has evaluated subsequent events for potential recognition and disclosure through October 10, 2017 – the date the financial statements were available to be issued. No events were determined to require recognition or disclosure.

Required Supplemental Financial Data

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

Schedule

- 1 Schedule of Changes in the Net Pension Liability-Law Enforcement Officers' Special Separation Allowance Irrevocable Trust (LEOSSA)
- 2 Schedule of the Net Pension Liability (LEOSSA)
- 3 Schedule of County's Contributions (LEOSSA)
- 4 Schedule of Funding Progress for the Other Postemployment Benefits (OPEB)
- 5 Schedule of Changes in the Net Pension Liability (OPEB)
- 6 Schedule of County's Contributions (OPEB)
- 7 Schedule of Investment Returns (OPEB)
- 8 Schedule of County's Proportionate Share of Net Pension Liability (Asset) (LGERS)
- 9 Schedule of County's Contributions (LGERS)
- 10 Schedule of County's Proportionate Share of Net Pension Liability (Asset) (RODSPF)
- 11 Schedule of County's Contributions (RODSPF)

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

Schedule of the Changes in the Net Pension Liability (Asset)

	<u>2016*</u>	<u>2017**</u>
Total pension liability		
Service cost	\$ 49,129	\$ 24,305
Interest	26,460	14,474
Benefit changes	-	-
Difference between expected and actual experience	-	(33,229)
Changes of assumptions and other inputs	11,037	60,466
Benefit payments, including refunds of member contributions	<u>(23,302)</u>	<u>(7,101)</u>
Net change in total pension liability	\$ 63,324	\$ 58,915
Total pension liability-beginning	\$ 726,794	\$ 790,118
Total pension liability-ending (a)	<u>\$ 790,118</u>	<u>\$ 849,033</u>
 Plan net position		
Contributions-employer	\$ 71,302	\$ 7,101
Contributions-member	-	-
Net investment income	706	428
Benefit payments, including refunds of member contributions	(23,302)	(7,101)
Administrative expense	(236)	-
Refund of contributions	-	-
Other	-	-
Net change in plan net position	\$ 48,470	\$ 428
 Plan net position-beginning	\$ 224,415	\$ 272,885
Plan net position-ending (b)	<u>\$ 272,885</u>	<u>\$ 273,313</u>
 Net pension liability-ending (a) - (b)	<u>\$ 517,233</u>	<u>\$ 575,720</u>

**Information is as of the Measurement date of December 31, 2015.*

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

Notes to schedule:

- Benefit changes None
- Assumption changes The assumed rate of return was decreased from 3.57% to 2.85% to reflect a change in the Municipal Bond Rate.
- Plan year change The County has changed the valuation year-end from December 31 to June 30 to match the fiscal year.

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

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

Schedule of the Net Pension Liability (Asset)

	<u>2016*</u>	<u>2017**</u>
Total pension liability (TPL)	\$ 790,118	\$ 849,033
Plan net position	\$ <u>272,885</u>	\$ <u>273,313</u>
Net pension liability	\$ 517,233	\$ 575,720
Ratio of plan net position to total pension liability	34.54%	32.19%
Covered-employee payroll	1,837,735	1,883,580
Net pension liability as a percentage of covered-employee payroll	28.15%	30.57%

**Information is as of the Measurement date of December 31, 2015.*

***Information is as of the Measurement date of June 30, 2016.*

Notes to schedule:

The TPL was measured based on data as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Based on service, ranging from 3.50 - 7.35%, including inflation
Investment Rate of Return	2.85%, net of pension plan investment expense, including inflation
Mortality	
Pre-retirement	RP-2014 Employee tables, projected forward generationally with Scale MP-2015
Post-retirement	RP-2014 Healthy Annuitant tables, projected forward generationally with Scale MP-2015. Rates loaded by 4% for males.

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

Schedule of County Contributions

	<u>2016</u>	<u>2017</u>
Actuarially determined employer contribution	\$ 60,285	\$ 95,479
Contributions in relation to the contractually required contribution	39,727	143,399
Contribution deficiency (excess)	<u>\$ 20,558</u>	<u>\$ (47,920)</u>
County's covered employee payroll	\$ 1,883,580	\$ 1,823,288
Contributions as a percentage of covered employee payroll	2.11%	7.86%

Notes to schedule:

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

Methods and assumptions used to determine contribution rates for the year ended June 30, 2017:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Market value of assets
Investment Rate of Return	3.57%, including inflation, net of pension plan investment expense
Inflation	3.00%
Salary increases	Based on service, ranging from 3.50% to 7.35%, including inflation
Mortality	
Pre-retirement	RP-2014 Employee tables, projected forward generationally with Scale MP-2015
Post-retirement	RP-2014 Healthy Annuitant tables, projected forward generationally with Scale MP-2015. Rates loaded by 4% for males.

Watauga County, North Carolina
 Other Postemployment Benefits

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 % of Covered Payroll ((b-a) / c)
12/31/2007	\$ -	\$ 1,928,608	\$ 1,928,608	0.00%	\$ 9,979,587	19.30%
12/31/2009	\$ -	\$ 1,899,693	\$ 1,899,693	0.00%	\$ 10,936,838	17.40%
12/31/2011	\$ 476,515	\$ 2,648,536	\$ 2,172,021	17.99%	\$ 9,419,789	23.06%
12/31/2012	\$ 522,755	\$ 2,522,669	\$ 1,999,914	20.70%	\$ 10,011,037	20.00%
12/31/2014	\$ 701,855	\$ 2,516,822	\$ 1,814,967	27.90%	\$ 10,028,405	18.10%
12/31/2015	\$ 762,628	\$ 2,553,360	\$ 1,790,732	29.90%	\$ 10,512,790	17.00%

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2011	\$ 160,959	348.06%
2012	\$ 189,788	89.24%
2013	\$ 177,098	119.59%
2014	\$ 177,098	116.08%
2015	\$ 171,685	134.23%
2016	\$ 171,685	120.82%
2017	\$ 179,656	485.82%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at December 31, 2015. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.00%
Medical cost trend rate	7.75 - 5.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.00%

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

Schedule of the Changes in the Net OPEB Liability (Asset) and Related Ratios*

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 196,127
Interest	128,565
Benefit changes	-
Difference between expected and actual experience	-
Changes of assumptions and other inputs	264,995
Benefit payments, including refunds of member contributions	<u>(120,700)</u>
Net change in total OPEB liability	\$ 468,987
Total OPEB liability-beginning	\$ 3,246,945
Total OPEB liability-ending (a)	\$ 3,715,932
 Plan fiduciary net position	
Contributions-employer	\$ 207,436
Contributions-member	-
Net investment income	7,889
Benefit payments, including refunds of member contributions	(120,700)
Administrative expense	<u>(4,800)</u>
Net change in plan fiduciary net position	\$ 89,825
 Plan fiduciary net position-beginning	\$ 763,196
Plan fiduciary net position-ending (b)	\$ 853,021
 Net OPEB liability-ending (a) - (b)	\$ <u>2,862,911</u>
 Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	22.96%
Covered employee payroll	\$ 10,160,128
Plan Net OPEB Liability as percentage of covered employee payroll	28.18%

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

Notes to Schedule

Benefit changes	Not available. None assumed.
Changes of assumptions	The discount rate changed from 3.80% to 2.85%.

Watauga County, North Carolina
Other Post Employment Benefits Irrevocable Trust

Schedule of County Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 179,656	\$ 171,685	\$ 171,685	\$ 177,098	\$ 177,098	\$ 189,788	\$ 160,959	\$ 112,776	\$ 112,776	\$ 63,288
Contributions in relation to the actuarially determined contribution	872,800	207,436	230,450	205,575	211,783	169,359	160,959	112,776	126,576	93,126
Contribution deficiency (excess)	<u>\$ (693,144)</u>	<u>\$ (35,751)</u>	<u>\$ (58,765)</u>	<u>\$ (28,477)</u>	<u>\$ (34,685)</u>	<u>\$ 20,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,800)</u>	<u>\$ (29,838)</u>
Covered payroll	\$ 10,160,128	\$ 10,512,790	\$ 10,028,405	\$ 10,387,368	\$ 10,011,037	\$ 10,526,058	\$ 10,666,529	\$ 10,936,838	\$ 11,058,627	\$ 9,979,587
Contributions as a percentage of covered payroll	8.59%	1.97%	2.30%	1.98%	2.12%	1.61%	1.51%	1.03%	1.14%	0.93%

Notes to Schedule

Methods and assumptions used to establish "actuarially determined contribution" rates:

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

Measurement date: June 30, 2016

Actuarial cost method	Projected Unit Credit
Amortization method	Open 30-year level percent of pay as of June 30, 2016
Remaining amortization period	30-years
Asset valuation method	Market Value

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

Schedule of Investment Returns

2017

Annual money-weighted rate of return, net of investment expense

0.98%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.17390%	0.17404%	(0.17777)%	0.18070%
County's proportionate share of the net pension liability (asset) \$	\$ 3,690,741	\$ 781,083	\$ (1,048,391)	\$ 2,178,129
County's covered employee payroll	\$ 10,682,801	\$ 10,536,590	\$ 10,387,368	10,367,190
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	34.55%	7.41%	-10.09%	21.01%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

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

Local Governmental Employees' Retirement System
 Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 798,115	\$ 732,167	\$ 761,648	\$ 738,196
Contributions in relation to the contractually required contribution	798,115	732,167	761,648	738,196
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
County's covered employee payroll	\$ 10,813,081	\$ 10,682,801	\$ 10,536,590	\$ 10,387,368
Contributions as a percentage of covered employee payroll	7.38%	6.85%	7.23%	7.11%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.6673%	0.6593%	0.6297%	0.6609%
County's proportionate share of the net pension liability (asset) \$	\$ (124,766)	\$ (152,800)	\$ (142,737)	\$ (141,158)
County's covered employee payroll	\$ 51,253	\$ 65,250	\$ 66,840	\$ 65,529
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(243.43)%	(234.18)%	(213.55)%	(215.41)%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,653	\$ 5,452	\$ 5,276	\$ 5,142
Contributions in relation to the contractually required contribution	5,653	5,452	5,276	5,142
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered employee payroll	\$ 52,791	\$ 51,253	\$ 65,250	\$ 66,840
Contributions as a percentage of covered employee payroll	10.71%	10.64%	8.09%	7.69%

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

Watauga County, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes - ad valorem:			
Current year	\$	\$ 27,954,068	\$
Prior years		395,369	
Advertising and interest		168,883	
Total Taxes - ad valorem	<u>27,620,168</u>	<u>28,518,320</u>	<u>898,152</u>
Taxes - other:			
Local option sales taxes		11,642,604	
Real estate transfer tax		571,948	
ABC Bottle tax		21,748	
Heavy equipment rental tax		7,018	
Gross receipts tax		60,160	
Franchise tax		336,348	
Total Taxes - other	<u>11,812,690</u>	<u>12,639,826</u>	<u>827,136</u>
Unrestricted Intergovernmental:			
Miscellaneous revenues from Towns and TDA		1,646,998	
Medicaid hold harmless		1,705,771	
Tax collection fees		117,319	
Occupancy tax administrative fee		25,040	
Payments in lieu of taxes		24,832	
Total Unrestricted Intergovernmental	<u>3,152,271</u>	<u>3,519,960</u>	<u>367,689</u>
Restricted Intergovernmental:			
Grants-Federal and State		4,735,068	
Public School Building Capital Fund - Lottery		329,257	
Federal Interest Credit		27,869	
Court facilities fees		123,445	
Total Restricted Intergovernmental	<u>6,090,655</u>	<u>5,215,639</u>	<u>(875,016)</u>
Permits and Fees:			
Sheriff's office permits and fees		130,684	
Planning and inspection fees		242,949	
Register of deeds fees		306,845	
Fire inspection fees		4,235	
Child Support fees		43,971	
Total Permits and Fees	<u>670,163</u>	<u>728,684</u>	<u>58,521</u>
Sales and Service:			
POA services		12,053	
TDA Financial and other services		38,000	
Recreation fees		343,016	
Reimbursement for Inmates		31,326	
Rent		421,246	
DMV notary/passport processing fees		166,224	
Blowing Rock communication services		171,701	
Other sales and services		1,391	
Total Sales and Service	<u>1,068,101</u>	<u>1,184,957</u>	<u>116,856</u>
Investment earnings:	<u>70,000</u>	<u>172,619</u>	<u>102,619</u>
Miscellaneous:			
Other		386,342	
Donations		36,486	
Total Miscellaneous	<u>361,298</u>	<u>422,828</u>	<u>61,530</u>
TOTAL REVENUES	<u>50,845,346</u>	<u>52,402,833</u>	<u>1,557,487</u>

Watauga County, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance
EXPENDITURES:			
General Government			
Governing Body:			
Salaries and benefits	\$	\$ 54,489	\$
Operating expenses		3,814	
Total Governing Body	<u>62,082</u>	<u>58,303</u>	<u>3,779</u>
Administration:			
Salaries and benefits		344,700	
Operating expenses		10,682	
Total Administration	<u>361,020</u>	<u>355,382</u>	<u>5,638</u>
Finance:			
Salaries and benefits		344,700	
Operating expenses		44,502	
Total Finance	<u>392,240</u>	<u>389,202</u>	<u>3,038</u>
Tax Administration:			
Salaries and benefits		886,416	
Operating expenses		164,444	
Capital outlay		47,637	
Total Tax Administration	<u>1,133,280</u>	<u>1,098,497</u>	<u>34,783</u>
Tax Revaluation:			
Operating expenses		510	
Total Tax Revaluation	<u>45,000</u>	<u>510</u>	<u>44,490</u>
Tag Office:			
Salaries and benefits		170,178	
Operating expenses		5,150	
Total Tag Office	<u>191,965</u>	<u>175,328</u>	<u>16,637</u>
Legal Services:			
Operating expenses	<u>100,000</u>	<u>71,428</u>	<u>28,572</u>
Court facilities:			
Operating expenses	<u>7,132</u>	<u>7,072</u>	<u>60</u>
Board of Elections:			
Salaries and benefits		212,565	
Operating expenses		112,284	
Total Board of Elections	<u>335,955</u>	<u>324,849</u>	<u>11,106</u>
Register of Deeds:			
Salaries and benefits		402,715	
Operating expenses		90,365	
Capital outlay		6,676	
Total Register of Deeds	<u>505,840</u>	<u>499,756</u>	<u>6,084</u>
General Administration:			
Operating expenses		977,696	
Total General Administration	<u>1,418,729</u>	<u>977,696</u>	<u>441,033</u>
Information Technologies:			
Salaries and benefits		387,848	
Operating expenses		331,383	
Capital outlay		113,944	
Total Information Technologies	<u>950,890</u>	<u>833,175</u>	<u>117,715</u>

Watauga County, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance
Maintenance:			
Salaries and benefits	\$	\$ 1,022,519	\$
Operating expenses		28,641	
Capital outlay		58,840	
Total Maintenance	<u>1,163,557</u>	<u>1,110,000</u>	<u>53,557</u>
Public Buildings:			
Operating expenses		1,098,392	
Capital outlay		936,067	
Total Public Buildings	<u>2,781,540</u>	<u>2,034,459</u>	<u>747,081</u>
Total General Government	<u>9,449,230</u>	<u>7,935,657</u>	<u>1,513,573</u>
Public Safety			
Sheriff's Office:			
Salaries and benefits		3,063,729	
Operating expenses		329,878	
Capital outlay		543,423	
Total Sheriff's Office	<u>4,047,710</u>	<u>3,937,030</u>	<u>110,680</u>
Detention Center:			
Salaries and benefits		1,469,678	
Operating expenses		533,998	
Capital outlay		38,109	
Total Detention Center	<u>2,173,635</u>	<u>2,041,785</u>	<u>131,850</u>
Emergency Services:			
Salaries and benefits		767,058	
Operating expenses		27,573	
Total Emergency Services	<u>803,330</u>	<u>794,631</u>	<u>8,699</u>
Emergency Management and Fire Protection:			
Salaries and benefits		264,850	
Operating expenses		1,437,847	
Capital outlay		41,863	
Total Emergency Management and Fire Protection	<u>1,784,156</u>	<u>1,744,560</u>	<u>39,596</u>
Planning and Inspections:			
Salaries and benefits		526,173	
Operating expenses		14,804	
Capital outlay		47,875	
Total Planning and Inspections	<u>677,095</u>	<u>588,852</u>	<u>88,243</u>
Medical Examiner, Ambulance and Rescue Squad:	<u>1,210,900</u>	<u>1,189,222</u>	<u>21,678</u>
Animal Control:			
Salaries and benefits		111,161	
Operating expenses		10,240	
Total Animal Control	<u>129,000</u>	<u>121,401</u>	<u>7,599</u>
Forestry:	<u>57,850</u>	<u>57,319</u>	<u>531</u>
Total Public Safety	<u>10,883,676</u>	<u>10,474,800</u>	<u>408,876</u>
Transportation			
Transportation:	<u>225,389</u>	<u>225,389</u>	<u>-</u>
Economic and Physical Development			
Special Appropriations:	<u>455,488</u>	<u>454,219</u>	<u>1,269</u>
Economic Development:	<u>96,839</u>	<u>77,713</u>	<u>19,126</u>
Total Economic and Physical Development	<u>552,327</u>	<u>531,932</u>	<u>20,395</u>

Watauga County, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance
Environmental Protection			
Cooperative Extension:			
Salaries and benefits	\$	\$ 203,536	\$
Operating expenses		33,049	
Total Cooperative Extension	<u>271,325</u>	<u>236,585</u>	<u>34,740</u>
Soil and Water Conservation:			
Salaries and benefits		100,816	
Operating expenses		7,918	
Capital outlay		25,177	
Total Soil and Water Conservation	<u>148,368</u>	<u>133,911</u>	<u>14,457</u>
Total Environmental Protection	<u>419,693</u>	<u>370,496</u>	<u>49,197</u>
Human Services			
Public Health:	<u>585,228</u>	<u>585,228</u>	<u>-</u>
Mental Health:	<u>171,194</u>	<u>171,194</u>	<u>-</u>
Social Services:			
Salaries and benefits		2,744,862	
Operating expenses		378,925	
Capital outlay		3,091	
Beneficiary payments		1,976,865	
Total Social Services	<u>5,990,261</u>	<u>5,103,743</u>	<u>886,518</u>
Project on Aging:			
Salaries and benefits		991,675	
Operating expenses		193,386	
Total Project on Aging	<u>1,271,729</u>	<u>1,185,061</u>	<u>86,668</u>
Veterans Services:			
Salaries and benefits		107,071	
Operating expenses		2,534	
Total Veterans Services	<u>110,830</u>	<u>109,605</u>	<u>1,225</u>
Total Human Services	<u>8,129,242</u>	<u>7,154,831</u>	<u>974,411</u>
Education			
Public Schools - current		12,713,223	
Public Schools - capital outlay		1,241,802	
Community College - current		866,960	
Community College - capital outlay		50,000	
Total Education	<u>15,383,352</u>	<u>14,871,985</u>	<u>511,367</u>
Cultural and Recreational			
Library:	<u>540,308</u>	<u>540,308</u>	<u>-</u>
Recreation:			
Salaries and benefits		824,394	
Operating expenses		133,535	
Capital outlay		46,263	
Total Recreation	<u>1,041,378</u>	<u>1,004,192</u>	<u>37,186</u>
Total Cultural and Recreational	<u>1,581,686</u>	<u>1,544,500</u>	<u>37,186</u>
Debt Service			
Principal retirement		4,082,361	
Interest and fees		1,917,277	
Total Debt Service	<u>5,999,638</u>	<u>5,999,638</u>	<u>-</u>
TOTAL EXPENDITURES	<u>52,624,233</u>	<u>49,109,228</u>	<u>3,515,005</u>
Excess (deficiency) of revenues over expenditures	(1,778,887)	3,293,605	5,072,492

Watauga County, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES):			
Gain/(loss) on disposal of assets	\$ 35,000	\$ 67,121	\$ 32,121
Transfers to Capital Projects Fund	(3,935,370)	(3,935,370)	-
Transfers from Capital Projects Fund	826,750	826,750	-
Fund Balance Appropriated	<u>4,852,507</u>	<u>-</u>	<u>(4,852,507)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,778,887</u>	<u>(3,041,499)</u>	<u>(4,820,386)</u>
Net change in fund balance	\$ <u>-</u>	252,106	<u>252,106</u>
Fund balance, beginning of year		<u>26,408,144</u>	
Fund balance, end of year		\$ <u>26,660,250</u>	

Statement 2

Watauga County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Nonmajor Special Revenue Funds

	Federal Equitable Sharing Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Funds	Occupancy Tax Fund	Total Nonmajor Special Revenue Funds
ASSETS:						
Cash and cash equivalents	\$ 52,056	\$ 61,040	\$ 157,282	\$ 20,249	\$ 806	\$ 291,433
Due from other governments	-	-	26,697	16,558	-	43,255
Taxes receivable, net	-	-	-	105,415	135,796	241,211
Total assets	<u>\$ 52,056</u>	<u>\$ 61,040</u>	<u>\$ 183,979</u>	<u>\$ 142,222</u>	<u>\$ 136,602</u>	<u>\$ 575,899</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	-	1,344	1,907	34,679	-	37,930
Due to other governments	-	-	-	-	136,602	136,602
Total Liabilities	<u>-</u>	<u>1,344</u>	<u>1,907</u>	<u>34,679</u>	<u>136,602</u>	<u>174,532</u>
Deferred Inflows of Resources:						
Taxes paid in advance	-	-	-	2,128	-	2,128
Taxes receivable	-	-	-	105,415	-	105,415
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,543</u>	<u>-</u>	<u>107,543</u>
Fund Balances:						
Restricted for:						
Public Safety	52,056	59,696	182,072	-	-	293,824
Total fund balances	<u>52,056</u>	<u>59,696</u>	<u>182,072</u>	<u>-</u>	<u>-</u>	<u>293,824</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 52,056</u>	<u>\$ 61,040</u>	<u>\$ 183,979</u>	<u>\$ 142,222</u>	<u>\$ 136,602</u>	<u>\$ 575,899</u>

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, 2017

	Nonmajor Special Revenue Funds					
	Federal Equitable Sharing Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Fund	Occupancy Tax Fund	Total Nonmajor Special Revenue Funds
REVENUES						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 3,198,226	\$ -	\$ 3,198,226
Other taxes and licenses	-	24,351	-	-	1,504,048	1,528,399
Restricted intergovernmental	9,126	-	320,369	-	-	329,495
Investment earnings	281	461	759	-	-	1,501
Total revenues	<u>9,407</u>	<u>24,812</u>	<u>321,128</u>	<u>3,198,226</u>	<u>1,504,048</u>	<u>5,057,621</u>
EXPENDITURES						
General government	-	-	-	-	1,504,048	1,504,048
Public safety	3,320	25,827	347,734	3,198,226	-	3,575,107
Economic and physical development	-	-	-	-	-	-
Capital outlay	-	29,870	-	-	-	29,870
Total expenditures	<u>3,320</u>	<u>55,697</u>	<u>347,734</u>	<u>3,198,226</u>	<u>1,504,048</u>	<u>5,109,025</u>
OTHER FINANCING SOURCES/(USES)						
Gain on sale of fixed asset	8,534	-	-	-	-	8,534
Net change in fund balances	14,621	(30,885)	(26,606)	-	-	(42,870)
Fund balances, beginning of year	<u>37,435</u>	<u>90,581</u>	<u>208,678</u>	<u>-</u>	<u>-</u>	<u>336,694</u>
Fund balances, end of year	<u>\$ 52,056</u>	<u>\$ 59,696</u>	<u>\$ 182,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,824</u>

Watauga County, North Carolina
 Federal Equitable Sharing Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Restricted intergovernmental - Federal Investment Earnings	\$	\$ 9,126 281	\$
Total revenues	<u>3,990</u>	<u>9,407</u>	<u>5,417</u>
Expenditures:			
Public Safety	<u>3,990</u>	<u>3,320</u>	<u>670</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>6,087</u>	<u>6,087</u>
Other financing sources (uses):			
Gain on sale of fixed asset	<u>-</u>	<u>8,534</u>	<u>8,534</u>
Total Other Financing sources (uses):	<u>-</u>	<u>8,534</u>	<u>8,534</u>
Net change in fund balance	\$ <u><u>-</u></u>	14,621	\$ <u><u>14,621</u></u>
Fund balance, beginning of year		<u>37,435</u>	
Fund balance, end of year		\$ <u><u>52,056</u></u>	

Watauga County, North Carolina
 State Substance Abuse Tax Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental - State	\$	\$ 24,351	\$
Investment Earnings		461	
Total revenues	<u>24,580</u>	<u>24,812</u>	<u>232</u>
Expenditures:			
Public Safety	24,580	25,827	
Capital Outlay	<u>30,000</u>	<u>29,870</u>	
Total expenditures	<u>54,580</u>	<u>55,697</u>	<u>(1,117)</u>
Excess (deficiency) of revenues over expenditures	<u>(30,000)</u>	<u>(30,885)</u>	<u>(885)</u>
Other financing sources (uses):			
Appropriated fund balance	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(30,885)</u>	<u>\$ (30,885)</u>
Fund balance, beginning of year		<u>90,581</u>	
Fund balance, end of year		<u>\$ 59,696</u>	

Watauga County, North Carolina
 Emergency Telephone System Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental:			
Emergency Telephone Surcharge funds	\$	\$ 320,369	\$
Investment earnings		759	
Total revenues	<u>320,369</u>	<u>321,128</u>	<u>759</u>
Expenditures:			
Public safety:			
Implementation services	69,583	67,464	
Software	49,619	48,598	
Training	4,347	1,283	
Telephones	72,849	69,767	
Hardware	98,548	99,123	
Furniture	61,499	61,499	
Total expenditures	<u>356,445</u>	<u>347,734</u>	<u>8,711</u>
Other financing sources (uses):			
Appropriated fund balance	<u>36,076</u>	-	<u>(36,076)</u>
Total Other Financing sources (uses):	<u>36,076</u>	-	<u>(36,076)</u>
Net change in fund balance	<u>\$ -</u>	(26,606)	<u>\$ (26,606)</u>
Fund balance, beginning of year		<u>208,678</u>	
Fund balance, end of year		<u>\$ 182,072</u>	

Watauga County, North Carolina
 Fire Districts Funds
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes	\$ _____	\$ 3,198,226	\$ _____
Total revenues	<u>3,226,099</u>	<u>3,198,226</u>	<u>(27,873)</u>
Expenditures:			
Public safety:			
Beaver Dam Fire Department		111,178	
Beech Mountain Fire Department		1,447	
Blowing Rock Fire Department		484,890	
Boone Fire Department		934,677	
Cove Creek Fire Department		265,278	
Creston Fire Department		6,513	
Deep Gap Fire Department		201,537	
Fall Creek Fire Department		9,657	
Foscoe Fire Department		545,975	
Meat Camp Fire Department		216,753	
Shawneehaw Fire Department		106,267	
Stewart Simmons Fire Department		129,293	
Todd Fire Department		64,706	
Zionville Fire Department		120,055	
Total expenditures	<u>3,226,099</u>	<u>3,198,226</u>	<u>27,873</u>
Net change in fund balance	\$ <u> -</u>	-	\$ <u> -</u>
Fund balance, beginning of year		-	
Fund balance, end of year		\$ <u> -</u>	

Watauga County, North Carolina
 Occupancy Tax Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Other taxes and licenses	\$ _____	\$ 1,504,048	\$ _____
Total revenues	<u>1,525,000</u>	<u>1,504,048</u>	<u>(20,952)</u>
Expenditures:			
Tourism Development		1,479,008	
Administrative fee	_____	<u>25,040</u>	_____
Total expenditures	<u>1,525,000</u>	<u>1,504,048</u>	<u>20,952</u>
Net change in fund balance	\$ <u>_____</u> -	-	\$ <u>_____</u> -
Fund balance, beginning of year		_____	
Fund balance, end of year		\$ <u>_____</u> -	

Watauga County, North Carolina
 Capital Projects Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ <u> -</u>	\$ <u> 66,014</u>	\$ <u> 66,014</u>
Expenditures:			
General government	<u> 3,935,370</u>	<u> -</u>	<u> 3,935,370</u>
Excess (deficiency) of revenues over expenditures	<u> (3,935,370)</u>	<u> 66,014</u>	<u> 4,001,384</u>
Other financing sources (uses):			
Transfer from other funds	3,935,370	3,935,370	-
Transfer to other funds	(826,750)	(826,750)	-
Appropriated fund balance	<u> 826,750</u>	<u> -</u>	<u> (826,750)</u>
Total other financing sources (uses)	<u> 3,935,370</u>	<u> 3,108,620</u>	<u> (826,750)</u>
Net change in fund balance	\$ <u> -</u>	3,174,634	\$ <u> 3,174,634</u>
Fund balance, beginning of year		<u> 9,180,133</u>	
Fund balance, end of year		\$ <u> 12,354,767</u>	

Watauga County, North Carolina
Solid Waste Fund
Statement of Revenues and Expenditures Budget and Actual (NON-GAAP)
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services	\$	\$ 4,661,863	\$
Sale of recycled materials		433,250	
Total	<u>4,262,843</u>	<u>5,095,113</u>	<u>832,270</u>
Non-operating revenues:			
Miscellaneous revenue		10,050	
Investment earnings		35,735	
Restricted intergovernmental revenues		150,829	
Total	<u>150,471</u>	<u>196,614</u>	<u>46,143</u>
Total revenues	<u>4,413,314</u>	<u>5,291,727</u>	<u>878,413</u>
Expenditures:			
Landfill operations:			
Salaries and employee benefits		1,440,660	
Other operating expenditures		2,608,716	
Total landfill operations	<u>4,078,588</u>	<u>4,049,376</u>	<u>29,212</u>
Recycling operations:			
Salaries and employee benefits		43,856	
Other operating expenses		46,462	
Total recycling operations	<u>118,500</u>	<u>90,318</u>	<u>28,182</u>
Capital outlay:			
Capital outlay		375,491	
Total capital outlay	<u>381,250</u>	<u>375,491</u>	<u>5,759</u>
Total expenditures	<u>4,578,338</u>	<u>4,515,185</u>	<u>63,153</u>
Revenues under/(over) expenditures	<u>(165,024)</u>	<u>776,542</u>	<u>941,566</u>
Other financing sources (uses):			
Sale of fixed assets	50,000	50,311	311
Appropriated fund balance	115,024	-	(115,024)
Total other financing sources (uses)	<u>165,024</u>	<u>50,311</u>	<u>(114,713)</u>
Revenues over expenditures and other sources (uses)	\$ <u>-</u>	826,853	\$ <u>826,853</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in deferred outflow of resources - pensions		196,542	
Increase in net pension liability		(235,505)	
Decrease in deferred inflow of resources - pensions		22,679	
Increase in intangible asset for advance funding of OPEB NOO		58,819	
Capital outlay		375,491	
Depreciation		(298,281)	
Increase in accrued compensated absences		(9,251)	
Total reconciling items		<u>110,494</u>	
Change in net position		\$ <u>937,347</u>	

Watauga County, North Carolina
 Combining Statement of Fiduciary Net Position
 Irrevocable Trust Funds
 For the Year Ended June 30, 2017

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ 399,608	\$ 1,624,872	\$ 2,024,480
Accounts receivable	-	3,863	3,863
	<u>\$ 399,608</u>	<u>\$ 1,628,735</u>	<u>\$ 2,028,343</u>
Liabilities and Net Position			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Net position:			
Assets held in trust for retirement benefits	<u>\$ 399,608</u>	<u>\$ 1,628,735</u>	<u>\$ 2,028,343</u>

Statement 12

Watauga County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Irrevocable Trust Funds
For the Year Ended June 30, 2017

	<u>LEO Special Separation Allowance</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
Additions:			
Employer contributions	\$ 143,399	\$ 872,800	\$ 1,016,199
Interest	<u>752</u>	<u>10,714</u>	<u>11,466</u>
Total additions	<u>144,151</u>	<u>883,514</u>	<u>1,027,665</u>
Deductions:			
Benefits	17,399	107,800	125,199
Administrative expense	<u>457</u>	<u>-</u>	<u>457</u>
Total deductions	<u>17,856</u>	<u>107,800</u>	<u>125,656</u>
Change in net position	126,295	775,714	902,009
Net position, beginning	273,313	853,021	1,126,334
Net position, ending	<u>\$ 399,608</u>	<u>\$ 1,628,735</u>	<u>\$ 2,028,343</u>

Watauga County, North Carolina
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>July 1, 2017</u>
Social Services Trust:				
Assets:	\$ <u>31,659</u>	\$ <u>194,510</u>	\$ <u>182,928</u>	\$ <u>43,241</u>
Liabilities:	\$ <u>31,659</u>	\$ <u>194,510</u>	\$ <u>182,928</u>	\$ <u>43,241</u>
Vehicle Tax-Towns:				
Assets:	\$ <u>17</u>	\$ <u>132,158</u>	<u>132,175</u>	\$ <u>-</u>
Liabilities:	\$ <u>17</u>	\$ <u>132,158</u>	\$ <u>132,175</u>	\$ <u>-</u>
Town of Boone Taxes:				
Assets:	\$ <u>32,937</u>	\$ <u>6,096,685</u>	\$ <u>6,115,220</u>	\$ <u>14,402</u>
Liabilities:	\$ <u>32,937</u>	\$ <u>6,096,685</u>	\$ <u>6,115,220</u>	\$ <u>14,402</u>
Inmate Commissary:				
Assets:	\$ <u>20,970</u>	\$ <u>166,446</u>	\$ <u>171,415</u>	\$ <u>16,001</u>
Liabilities:	\$ <u>20,970</u>	\$ <u>166,446</u>	\$ <u>171,415</u>	\$ <u>16,001</u>
Fines and Forfeitures:				
Assets:	\$ <u>18,481</u>	\$ <u>365,289</u>	\$ <u>365,434</u>	\$ <u>18,336</u>
Liabilities:	\$ <u>18,481</u>	\$ <u>365,289</u>	\$ <u>365,434</u>	\$ <u>18,336</u>
Deed of Trust Fee:				
Assets:	\$ <u>4,625</u>	\$ <u>49,774</u>	\$ <u>49,284</u>	\$ <u>5,115</u>
Liabilities:	\$ <u>4,625</u>	\$ <u>49,774</u>	\$ <u>49,284</u>	\$ <u>5,115</u>
Total - All Agency Funds				
Assets:	\$ <u>108,689</u>	\$ <u>7,004,862</u>	\$ <u>7,016,456</u>	\$ <u>97,095</u>
Liabilities:	\$ <u>108,689</u>	\$ <u>7,004,862</u>	\$ <u>7,016,456</u>	\$ <u>97,095</u>

Statement 14

Watauga County, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 For the Year Ended June 30, 2017

<u>Fiscal year:</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016 - 2017	\$ -	\$ 28,257,342	\$ 27,957,297	\$ 300,045
2015 - 2016	332,664	-	192,365	140,299
2014 - 2015	221,668	-	78,262	143,406
2013 - 2014	156,894	-	61,544	95,350
2012 - 2013	110,645	-	44,375	66,270
2011 - 2012	84,056	-	31,781	52,275
2010 - 2011	69,281	-	31,967	37,314
2009 - 2010	48,862	-	26,317	22,545
2008 - 2009	47,987	-	28,563	19,424
2007 - 2008	39,960	-	25,679	14,281
2006 - 2007	34,806	-	34,806	-
	<u>\$ 1,146,823</u>	<u>\$ 28,257,342</u>	<u>\$ 28,512,956</u>	<u>891,209</u>
Plus: 2017 - 2018 receivable				21,539
Less: Allowance for uncollectible accounts General Fund				<u>(133,482)</u>
Ad valorem taxes receivable - net General Fund				<u>\$ 779,266</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund		\$ 28,518,320
Reconciling items:		
Advertising and interest collected	(168,883)	
Taxes written off	150,098	
Penalties payable to WCS	7,011	
Prior year releases	6,410	
Total reconciling items	<u>(5,364)</u>	
Total collections and credits		<u>\$ 28,512,956</u>

Watauga County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2017

	Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 8,435,108,248	\$ 0.313	\$ 26,401,913	\$ 26,401,913	\$ -
Motor vehicles	439,293,639	0.313	1,374,989	-	1,374,989
Penalties	-		1,394	1,394	-
Total	<u>8,874,401,887</u>		<u>27,778,296</u>	<u>26,403,307</u>	<u>1,374,989</u>
Discoveries:					
Property taxed at current year's rate	154,103,990	0.313	530,793	530,793	-
Penalties	-		2,162	2,162	-
Total	<u>154,103,990</u>		<u>532,955</u>	<u>532,955</u>	<u>-</u>
Abatements:	<u>(17,199,585)</u>		<u>(53,909)</u>	<u>(53,909)</u>	<u>-</u>
Total property valuation	\$ <u>9,011,306,292</u>				
			Net levy	28,257,342	1,374,989
			Uncollected taxes at June 30, 2017	300,045	4,393
			Current year's taxes collected	\$ <u>27,957,297</u>	\$ <u>1,370,596</u>
			Current levy collection percentage	<u>98.94%</u>	<u>99.68%</u>

Statement 16-A

Watauga County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Year Ended June 30, 2017

Secondary Market Disclosures:

Assessed Valuation:		
Assessment Ratio		100%
Real Property	\$ 8,760,394,840	
Personal Property		153,192,752
Public Service Companies		<u>97,718,700</u>
Total Assessed Valuation	\$ 9,011,306,292	
Tax Rate per \$100		0.313
Net Levy (Includes penalties, discoveries, releases and abatements)	\$ <u>28,257,342</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, 2017:

Fire Protection District	Tax Rate per \$100	Net Levy
Beech Mountain Rural	0.05	\$ 1,470
Blowing Rock	0.05	479,613
Boone Rural	0.06	929,119
Cove Creek	0.05	248,431
Cove Creek Rural	0.05	13,630
Deep Gap	0.05	196,366
Foscoe	0.05	470,576
Foscoe Rural	0.05	71,476
Meat Camp	0.05	223,482
Northwest Watauga	0.05	117,343
Shawneehaw	0.05	97,968
Shawneehaw Rural	0.05	6,226
Stewart Simmons	0.05	127,983
Todd	0.07	64,507
Zionville	0.05	<u>118,565</u>
Total Net Fire Protection District Levies		\$ <u>3,166,755</u>

Watauga County, North Carolina
 Ten Largest Taxpayers
 For the Year Ended June 30, 2017

Taxpayer	Type of Business	2016 Assessed Valuation	Percentage of Total Assessed Valuation	
Blue Ridge Electric Membership Coop	Electric Utility	\$ 67,638,750	0.75	%
CCC Boone LLC	Rental Properties	46,499,000	0.52	
Dugger Valley Inv Group LLC	Real Estate Development	34,366,500	0.38	
Mountaineer Village LLC	Rental Properties	23,537,200	0.26	
BR Development Group LLC	Real Estate Development	21,031,700	0.23	
Horizon Acquisition #2 LLC	Rental Properties	17,906,700	0.20	
Blue Ridge Preservation Inc	Real Estate Development	16,684,100	0.19	
Templeton Properties LP	Commercial Rental Properties	15,904,570	0.18	
Highland Crossing-B, LLC	Real Estate Development	15,727,420	0.17	
Wm Land Boone LTD Ptnrp	Real Estate Development	13,689,900	0.15	
		<u>\$ 272,985,840</u>	<u>3.04</u>	<u>%</u>

Watauga County, North Carolina
Analysis of Current Tax Levy
Fire Districts
For the Year Ended June 30, 2017

	Northwest Watauga Fire District	Beech Mtn. Rural Fire Service District	Blowing Rock Rural Fire District	Boone Rural Fire District	Cove Creek Fire District
Tax rate	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.06</u>	<u>0.05</u>
Net levy	\$ 117,343	\$ 1,470	\$ 479,613	\$ 929,119	\$ 248,431
Uncollected taxes at June 30, 2017	<u>1,806</u>	<u>27</u>	<u>4,775</u>	<u>9,532</u>	<u>4,590</u>
Current year's taxes collected	<u>\$ 115,537</u>	<u>\$ 1,443</u>	<u>\$ 474,838</u>	<u>\$ 919,587</u>	<u>\$ 243,841</u>
Current levy collection percentage	<u>98.46%</u>	<u>98.16%</u>	<u>99.00%</u>	<u>98.97%</u>	<u>98.15%</u>

	Cove Creek Rural Fire Service District	Deep Gap Fire District	Foscoe Fire District	Foscoe Rural Fire Service District	Meat Camp Fire District
Tax rate	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
Net levy	\$ 13,630	\$ 196,366	\$ 470,576	\$ 71,476	\$ 223,482
Uncollected taxes at June 30, 2017	<u>57</u>	<u>2,616</u>	<u>4,573</u>	<u>476</u>	<u>6,927</u>
Current year's taxes collected	<u>\$ 13,573</u>	<u>\$ 193,750</u>	<u>\$ 466,003</u>	<u>\$ 71,000</u>	<u>\$ 216,555</u>
Current levy collection percentage	<u>99.58%</u>	<u>98.67%</u>	<u>99.03%</u>	<u>99.33%</u>	<u>96.90%</u>

	Shawnheehaw Fire District	Shawnheehaw Rural Fire Service District	Stewart Simmons Fire District	Todd Fire District	Zionville Fire District
Tax rate	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.07</u>	<u>0.05</u>
Net levy	\$ 97,968	\$ 6,226	\$ 127,983	\$ 64,507	\$ 118,565
Uncollected taxes at June 30, 2017	<u>650</u>	<u>374</u>	<u>1,415</u>	<u>600</u>	<u>2,864</u>
Current year's taxes collected	<u>\$ 97,318</u>	<u>\$ 5,852</u>	<u>\$ 126,568</u>	<u>\$ 63,907</u>	<u>\$ 115,701</u>
Current levy collection percentage	<u>99.34%</u>	<u>93.99%</u>	<u>98.89%</u>	<u>99.07%</u>	<u>97.58%</u>

STATISTICAL SECTION

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

Table

Financial Trends	1-4
<p>These schedules contain trend information to help the reader understand how the government's financial performance and well-being has changed over time.</p>	
Revenue Capacity	5-9
<p>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</p>	
Debt Capacity	10-11
<p>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	12-13
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
Operating Information	14
<p>This schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</p>	

Watauga County
Net Position by Component
Last Ten Fiscal Years (accrual basis of accounting)

Table 1

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 37,391,945	\$ 39,070,022	\$ 76,419,417	\$ 80,730,959	\$ 89,000,011	\$ 91,969,492	\$ 88,452,149	\$ 92,898,978	\$ 94,926,875	\$ 97,759,460
Restricted	1,027,269	1,073,284	1,111,551	4,894,785	3,492,687	5,133,954	4,894,743	6,383,437	5,136,888	4,940,118
Unrestricted	19,848,918	21,471,730	24,440,985	16,957,873	13,040,628	13,073,927	18,460,429	20,439,976	26,193,065	30,707,898
Total governmental activities net position	<u>\$ 58,268,132</u>	<u>\$ 61,615,036</u>	<u>\$ 101,971,953</u>	<u>\$ 102,583,617</u>	<u>\$ 105,533,326</u>	<u>\$ 110,177,373</u>	<u>\$ 111,807,321</u>	<u>\$ 119,722,391</u>	<u>\$ 126,256,828</u>	<u>\$ 133,407,476</u>
Business-type activities										
Net investment in capital assets	\$ 4,942,169	\$ 5,314,853	\$ 5,117,430	\$ 5,184,890	\$ 5,272,997	\$ 5,057,803	\$ 4,997,665	\$ 4,658,480	\$ 4,593,317	\$ 4,670,528
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,704,928	2,041,773	2,540,369	3,038,419	3,352,748	3,593,807	3,736,924	4,477,319	5,434,408	6,294,544
Total business-type activities net assets	<u>\$ 7,647,097</u>	<u>\$ 7,356,626</u>	<u>\$ 7,657,799</u>	<u>\$ 8,223,309</u>	<u>\$ 8,625,745</u>	<u>\$ 8,651,610</u>	<u>\$ 8,734,589</u>	<u>\$ 9,135,799</u>	<u>\$ 10,027,725</u>	<u>\$ 10,965,072</u>
Primary government										
Net investment in capital assets	\$ 42,334,114	\$ 44,384,875	\$ 81,536,847	\$ 85,915,849	\$ 94,273,008	\$ 97,027,295	\$ 93,449,814	\$ 97,557,458	\$ 99,520,192	\$ 102,429,988
Restricted	1,027,269	1,073,284	1,111,551	4,894,785	3,492,687	5,133,954	4,894,743	6,383,437	5,136,888	4,940,118
Unrestricted	22,553,846	23,513,503	26,981,354	19,996,292	16,393,376	16,667,734	22,197,353	24,917,295	31,627,473	37,002,442
Total primary government net assets	<u>\$ 65,915,229</u>	<u>\$ 68,971,662</u>	<u>\$ 109,629,752</u>	<u>\$ 110,806,926</u>	<u>\$ 114,159,071</u>	<u>\$ 118,828,983</u>	<u>\$ 120,541,910</u>	<u>\$ 128,858,190</u>	<u>\$ 136,284,553</u>	<u>\$ 144,372,548</u>

Source: Watauga County Audited Financial Statements
Statement of Net Position

Watauga County
Changes in Net Position
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 7,607,070	\$ 8,103,706	\$ 8,115,419	\$ 13,637,404	\$ 9,080,312	\$ 8,687,043	\$ 9,067,437	\$ 9,442,939	\$ 10,139,596	\$ 10,673,241
Public safety	10,430,270	11,318,382	10,788,233	10,718,270	11,511,254	11,953,270	12,850,289	12,784,669	12,944,370	12,753,441
Transportation	136,368	197,872	161,698	147,646	151,539	147,325	165,742	167,182	209,838	225,389
Economic and physical development	222,302	572,936	732,338	1,447,972	747,055	521,911	548,323	353,870	664,986	555,579
Environmental Protection	334,099	331,755	423,288	251,799	366,422	354,039	337,553	355,573	331,923	349,278
Human Service	8,271,220	8,091,300	141,030	7,432,718	7,602,785	7,479,761	7,822,521	7,536,917	7,735,723	7,371,576
Culture and recreation	1,499,287	1,321,470	7,510,996	1,199,593	1,612,304	1,343,391	1,441,150	1,142,379	1,293,315	1,893,257
Education	13,041,822	14,206,909	1,513,275	13,082,464	13,238,159	13,653,331	13,553,377	13,307,102	14,425,668	14,871,985
Interest on long-term debt	1,937,294	3,635,985	12,902,066	2,767,163	2,663,252	2,137,400	2,028,373	1,881,412	1,734,413	1,575,990
Total governmental activities expenses	\$ 43,479,732	\$ 47,780,315	\$ 42,288,343	\$ 50,685,029	\$ 46,973,082	\$ 46,277,471	\$ 47,814,765	\$ 46,972,043	\$ 49,479,832	\$ 50,269,736
Business-type activities:										
Solid waste	\$ 4,357,664	\$ 4,241,753	\$ 3,799,545	\$ 3,882,603	\$ 3,812,981	\$ 4,095,099	\$ 4,323,410	\$ 4,081,333	\$ 3,913,589	\$ 4,354,380
Total business-type activities expenses	\$ 4,357,664	\$ 4,241,753	\$ 3,799,545	\$ 3,882,603	\$ 3,812,981	\$ 4,095,099	\$ 4,323,410	\$ 4,081,333	\$ 3,913,589	\$ 4,354,380
Total primary government expenses	\$ 47,837,396	\$ 52,022,068	\$ 46,087,888	\$ 54,567,632	\$ 50,786,063	\$ 50,372,570	\$ 52,138,175	\$ 51,053,376	\$ 53,393,421	\$ 54,624,116
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 785,833	\$ 699,218	\$ 545,117	\$ 513,459	\$ 591,876	\$ 587,564	\$ 606,379	\$ 650,314	\$ 848,431	\$ 1,163,756
Public Safety	578,025	452,002	613,609	481,862	327,639	478,303	526,653	516,135	661,585	727,779
Economic and physical development	-	-	730,718	-	750	-	-	-	-	-
Human Services	15,339	15,339	14,719	45,045	37,122	48,509	74,651	30,452	74,858	12,509
Cultural and recreation	343,669	298,786	278,675	285,410	271,888	283,380	319,729	335,905	306,302	343,016
Operating Grants and Contributions	5,470,889	5,534,212	6,228,031	5,149,321	5,000,932	4,737,368	4,772,517	-	5,694,785	4,926,797
Capital Grants and Contributions	-	-	-	2,610,110	382,903	967,309	987,886	-	1,087,312	709,247
Total governmental activities program revenues	\$ 7,193,755	\$ 6,999,557	\$ 8,410,869	\$ 9,085,207	\$ 6,613,110	\$ 7,102,433	\$ 7,287,815	\$ 1,532,806	\$ 8,673,273	\$ 7,883,104
Business-type activities:										
Charges for services:										
Solid waste	\$ 4,145,551	\$ 3,895,892	\$ 4,067,836	\$ 4,067,836	\$ 4,047,422	\$ 4,030,200	\$ 4,269,233	\$ 4,346,485	\$ 4,628,031	\$ 5,095,113
Operating Grants and Contributions	80,064	106,340	100,822	116,621	156,484	119,216	107,109	-	153,795	150,829
Total business-type activities program revenues	\$ 4,225,615	\$ 4,002,232	\$ 4,168,658	\$ 4,184,457	\$ 4,203,906	\$ 4,149,416	\$ 4,376,342	\$ 4,346,485	\$ 4,781,826	\$ 5,245,942
Total primary government program revenues	\$ 11,419,370	\$ 11,001,789	\$ 12,579,527	\$ 13,269,664	\$ 10,817,016	\$ 11,251,849	\$ 11,664,157	\$ 5,879,291	\$ 13,455,099	\$ 13,129,046
Net (Expense)/Revenue										
Governmental activities	\$ (36,285,977)	\$ (40,780,758)	\$ (33,877,474)	\$ (41,599,822)	\$ (40,359,972)	\$ (39,175,038)	\$ (40,526,950)	\$ (45,439,237)	\$ (40,806,559)	\$ (42,386,632)
Business-type activities	(132,049)	(239,521)	369,113	301,854	390,925	54,317	52,932	265,152	868,237	891,562
Total primary government net expense	\$ (36,418,026)	\$ (41,020,279)	\$ (33,508,361)	\$ (41,297,968)	\$ (39,969,047)	\$ (39,120,721)	\$ (40,474,018)	\$ (45,174,085)	\$ (39,938,322)	\$ (41,495,070)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Ad valorem taxes	\$ 26,215,391	\$ 29,561,074	\$ 30,044,889	\$ 30,432,819	\$ 30,571,565	\$ 30,805,481	\$ 31,592,278	\$ 30,935,535	\$ 30,972,900	\$ 31,550,915
Local option sales tax	14,466,477	11,006,833	9,695,504	9,476,943	11,751,071	10,725,494	11,566,922	12,260,357	11,166,662	11,642,604
Other taxes and licenses	1,971,534	1,501,699	777,309	1,563,352	813,299	1,792,373	1,782,065	1,961,409	2,279,156	2,525,621
Grant and contributions not restricted	13,182	30,040	22,538	22,719	22,986	21,957	1,226,554	1,334,311	3,278,098	3,519,960
Investment earnings	1,195,175	699,388	94,808	80,312	51,880	55,829	49,317	78,805	114,946	238,633
Miscellaneous, unrestricted	145,702	1,041,997	911,935	567,806	450,881	370,078	475,203	620,998	21,656	59,547
Gain on sales of assets	3,083	-	30,493,628	-	4,720	14,410	31,795	-	-	-
Transfers	81,948	78,470	75,413	67,535	60,410	57,653	54,381	40,392	-	-
Total governmental activities	\$ 44,092,492	\$ 43,919,501	\$ 72,116,024	\$ 42,211,486	\$ 43,726,812	\$ 43,843,275	\$ 46,778,515	\$ 47,231,807	\$ 47,833,418	\$ 49,537,280
Business-type activities:										
Investment earnings	\$ 96,492	\$ 27,980	\$ 6,086	\$ 8,300	\$ 6,387	\$ 7,295	\$ 6,023	\$ 10,784	\$ 15,785	\$ 35,735
Other revenues	-	(460)	1,387	31,605	65,534	21,906	78,405	11,380	7,904	10,050
Transfers	(81,948)	(78,470)	(75,413)	(67,535)	(60,410)	(57,653)	(54,381)	(40,392)	-	-
Total business-type activities	\$ 14,544	\$ (50,950)	\$ (67,940)	\$ (27,630)	\$ 11,511	\$ (28,452)	\$ 30,047	\$ (18,228)	\$ 23,689	\$ 45,785
Total primary government	\$ 44,107,036	\$ 43,868,551	\$ 72,048,084	\$ 42,183,856	\$ 43,738,323	\$ 43,814,823	\$ 46,808,562	\$ 47,213,579	\$ 47,857,107	\$ 49,583,065
Change in Net Position										
Governmental activities	\$ 7,806,515	\$ 3,138,743	\$ 38,238,550	\$ 611,664	\$ 3,366,840	\$ 4,668,237	\$ 6,251,565	\$ 1,792,570	\$ 7,026,859	\$ 7,150,648
Business-type activities	(117,505)	(290,471)	301,173	274,224	402,436	25,865	82,979	246,924	891,926	937,347
Total primary government	\$ 7,689,010	\$ 2,848,272	\$ 38,539,723	\$ 885,888	\$ 3,769,276	\$ 4,694,102	\$ 6,334,544	\$ 2,039,494	\$ 7,918,785	\$ 8,087,995

Source: Watauga County Audited Financial Statements, Statement of Activities

Watauga County
Fund Balance of Governmental Funds

Table 3

Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 7,595,147	\$ 6,004,843	\$ 6,197,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	13,177,566	17,467,729	16,861,411	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	3,866,127	3,096,698	4,708,363	4,452,272	5,838,930	4,800,194	4,555,685
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	6,347,420	713,485	-	517,000	-	-	-
Unassigned	-	-	-	11,880,356	13,483,680	14,653,916	16,748,511	18,192,063	21,607,950	22,104,565
Total general fund	\$ 20,772,713	\$ 23,472,572	\$ 23,058,989	\$ 22,093,903	\$ 17,293,863	\$ 19,362,279	\$ 21,717,783	\$ 24,030,993	\$ 26,408,144	\$ 26,660,250
All Other Governmental Funds										
Reserved	\$ 102,281	\$ 33,183	\$ 32,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated										
Special revenue funds	683,746	763,121	848,094	-	-	-	-	-	-	-
Capital projects funds	65,180,546	27,709,409	10,138,991	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	1,028,658	395,989	425,591	442,471	544,507	336,694	293,824
Committed	-	-	-	4,257,881	7,717,409	5,865,250	5,842,981	6,885,847	9,180,133	12,354,767
Assigned	-	-	-	-	25,000	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 65,966,573	\$ 28,505,713	\$ 11,019,436	\$ 5,286,539	\$ 8,138,398	\$ 6,290,841	\$ 6,285,452	\$ 7,430,354	\$ 9,516,827	\$ 12,648,591

Note: The change in the classifications of fund balance amounts in 2011 is due to implementation of GASB Statement 54. Prior year amounts have not been restated for the implementation of GASB Statement 54.

Source: Watauga County Audited Financial Statements

Watauga County
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)

Table 4

Revenues	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ad valorem taxes	\$ 28,042,916	\$ 29,249,856	\$ 30,079,886	\$ 30,066,272	\$ 30,667,184	\$ 30,837,738	\$ 31,578,048	\$ 30,887,755	\$ 31,139,163	\$ 31,716,546
Local option sales taxes	12,424,192	11,006,833	9,695,504	9,476,943	10,824,231	10,725,494	11,566,922	12,260,357	13,445,818	14,168,225
Other taxes and licenses	1,971,534	1,501,699	1,508,027	1,563,352	1,740,139	1,792,373	1,782,065	1,961,409	3,278,098	3,519,960
Unrestricted intergovernmental	13,182	30,040	22,538	22,719	22,986	21,957	1,226,554	1,334,311	6,454,094	5,545,134
Restricted intergovernmental	5,470,889	5,534,212	6,206,497	7,301,244	5,245,771	5,241,679	5,485,881	5,560,759	762,959	728,684
Permits and fees	887,490	726,079	619,442	647,229	680,703	853,042	711,559	700,646	1,042,046	1,184,957
Sales and services	823,732	730,809	832,678	676,295	595,780	731,204	847,648	1,056,281	116,009	240,134
Investment earnings	1,206,819	707,845	96,331	82,562	53,272	56,520	49,839	80,010	103,366	36,486
Miscellaneous	135,255	981,466	884,371	956,805	540,345	647,894	717,450	490,718	309,745	386,342
Total revenues	\$ 50,976,009	\$ 50,468,839	\$ 49,945,274	\$ 50,793,421	\$ 50,370,411	\$ 50,907,901	\$ 53,965,966	\$ 54,332,246	\$ 56,651,298	\$ 57,526,468
Expenditures										
General government	\$ 10,222,189	\$ 8,595,451	\$ 8,679,540	\$ 8,696,919	\$ 8,405,710	\$ 7,613,169	\$ 7,802,206	\$ 8,049,619	\$ 8,371,781	\$ 9,439,705
Public Safety	10,131,746	10,821,441	10,787,386	10,576,249	11,788,085	11,415,553	12,571,858	12,897,322	13,165,153	14,049,907
Transportation	136,368	197,872	161,698	147,646	151,539	147,325	165,742	167,182	209,838	225,389
Economic & physical development	595,314	540,177	479,084	1,055,568	733,929	516,551	565,472	336,709	646,534	531,932
Environmental protection	334,099	331,755	423,288	609,951	364,453	352,070	335,831	369,609	353,323	370,496
Human services	7,657,453	7,584,279	7,129,120	7,145,599	7,415,850	7,062,601	7,431,615	7,322,189	7,425,331	7,154,831
Cultural and recreational	1,363,444	1,408,677	1,383,532	1,404,866	1,388,531	1,368,829	1,358,137	1,437,048	1,443,902	1,544,500
Education	13,041,225	14,206,728	12,902,066	13,081,673	13,238,159	13,653,331	13,553,377	13,307,102	14,425,668	14,871,985
Capital outlay	11,545,989	36,351,718	19,846,246	6,606,661	161,722	486,928	113,899	17,933	27,937	29,870
Debt service: Principal	9,351,076	4,778,137	4,751,325	5,340,354	65,336,035	5,866,473	5,463,318	5,002,291	4,117,361	4,082,361
Interest	1,242,881	3,372,801	3,222,531	2,962,641	3,426,246	2,281,219	2,340,853	2,193,359	2,052,859	1,917,277
Total expenditures	\$ 65,621,784	\$ 88,189,036	\$ 69,765,816	\$ 57,628,127	\$ 112,410,259	\$ 50,764,049	\$ 51,702,308	\$ 51,100,363	\$ 52,239,687	\$ 54,218,253
Other Financing Sources (Uses)										
Gain/(Loss) on Disposal of Assets	21,827	28,850	59,995	69,188	47,209	19,634	31,795	185,838	\$ 52,013	\$ 75,655
Proceeds from loans	70,000,000	2,600,000	1,785,274	-	60,251,201	-	-	-	-	-
Transfers from other funds	37,311,728	16,895,709	15,187,695	901,582	4,874,084	1,709,738	3,131,265	3,802,717	2,272,652	4,762,120
Transfers to other funds	(37,219,333)	(16,773,524)	(15,112,282)	(834,047)	(4,813,674)	(1,652,085)	(3,076,884)	(3,762,325)	(2,272,652)	(4,762,120)
Total other financing sources (uses)	\$ 70,114,222	\$ 2,751,035	\$ 1,920,682	\$ 136,723	\$ 60,358,820	\$ 77,287	\$ 86,176	\$ 226,230	\$ 52,013	\$ 75,655
Net change in fund balances	\$ 55,468,447	\$ (34,969,162)	\$ (17,899,860)	\$ (6,697,983)	\$ (1,681,028)	\$ 221,139	\$ 2,349,834	\$ 3,458,113	\$ 4,463,624	\$ 3,383,870

Source: Watauga County Audited Financial Statements

Watauga County
Governmental Activities, Tax Revenues by Source
Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Property tax	\$ 26,215,391	\$ 29,561,074	\$ 30,044,889	\$ 30,432,819	\$ 30,571,565	\$ 30,805,481	\$ 31,592,278	\$ 30,935,535	\$ 30,972,900	\$ 31,550,915
Local option sales tax	14,466,477	11,006,833	9,695,504	9,476,943	11,751,071	10,725,494	11,566,922	12,260,357	11,166,662	11,642,604
Other taxes and licenses	1,971,534	1,501,699	777,309	1,563,352	813,299	1,792,373	1,782,065	1,961,409	2,279,156	2,525,621
Total	\$ 42,653,402	\$ 42,069,606	\$ 40,517,702	\$ 41,473,114	\$ 43,135,935	\$ 43,323,348	\$ 44,941,265	\$ 45,157,301	\$ 44,418,718	\$ 45,719,140

Source: Watauga County Audited Financial Statements, Statement of Activities

Watauga County
Assessed Value of Taxable Property
Last Ten Fiscal Years

Table 6

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies (Utilities)</u>	<u>Taxable Value*</u>	<u>Tax Rate</u>
2008	\$7,672,731,214	\$581,122,162	\$72,823,155	\$8,326,676,531	0.313
2009	\$7,971,079,604	\$571,358,646	\$75,488,845	\$8,617,927,095	0.313
2010	\$8,111,236,265	\$570,484,501	\$77,714,513	\$8,759,435,279	0.313
2011	\$8,180,630,847	\$514,266,562	\$79,396,689	\$8,774,294,098	0.313
2012	\$8,220,513,858	\$534,764,802	\$80,711,280	\$8,835,989,940	0.313
2013	\$8,477,817,607	\$335,530,744	\$79,411,220	\$8,892,759,571	0.313
2014	\$8,814,648,473	\$173,164,688	\$78,341,777	\$9,066,154,938	0.313
2015	\$8,569,132,383	\$170,584,443	\$79,938,900	\$8,819,655,726	0.313
2016	\$8,700,983,675	\$149,426,941	\$94,224,150	\$8,944,634,766	0.313
2017	\$8,760,394,840	\$153,192,752	\$97,718,700	\$9,011,306,292	0.313

*Taxable value equals fair market value.

Source: Watauga County Tax Office

Table 7

Watauga County
Countywide Tax Rates
Last Ten Fiscal Years
 (rate per \$100 of assessed value)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
County Direct Rate										
County-wide Rate	0.313	0.313	0.313	0.313	0.313	0.313	0.313	0.313	0.313	0.313
Municipality Rates										
Town of Boone	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.41	0.41	0.41
Town of Boone, MSD	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21
Town of Blowing Rock	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.31	0.33	0.34
Town of Seven Devils	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
Town of Beech Mountain	0.55	0.64	0.64	0.64	0.64	0.64	0.64	0.732	0.732	0.732
Fire Protection Districts										
Beech Mountain Rural	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Blowing Rock	0.03	0.03	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Boone Rural	0.02	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.05	0.06
Cove Creek	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Cove Creek Rural	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Deep Gap	0.03	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Foscoe	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Foscoe Rural	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Meat Camp	0.03	0.03	0.03	0.03	0.03	0.05	0.05	0.05	0.05	0.05
Northwest Watauga	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Shawneehaw	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Shawneehaw Rural	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Stewart Simmons	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Todd	0.05	0.05	0.05	0.05	0.07	0.07	0.07	0.07	0.07	0.07
Zionville	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Source: Watauga County Tax Office

**Watauga County
Principal Property Tax Payers
Current Year and Nine Years Ago**

Table 8

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Blue Ridge Electric Membership Cooperative	\$ 67,638,750	1	0.75%	\$ 50,022,978	2	0.60%
CCC Boone LLC	46,499,000	2	0.52%			
Dugger Valley Inv Group LLC	34,366,500	3	0.38%			
Mountaineer Village LLC	23,537,200	4	0.26%			
BR Development Group LLC	21,031,700	5	0.23%	25,769,700	4	0.35%
Horizon Acquisition #2 LLC	17,906,700	6	0.20%			
Blue Ridge Preservation Inc	16,684,100	7	0.19%			
Templeton Properties, LP	15,904,570	8	0.18%			
Highland Crossing-B, LLC	15,727,420	9	0.17%			
Wm Land Boone LTD Ptnrp	13,689,900	10	0.15%			
Ginn LA Laurel Creek LTD				249,009,100	1	2.99%
Spiritual Center of America				27,925,800	3	0.34%
Village at Meadowview of Boone LTD				21,250,100	5	0.26%
Lowe's Home Centers				21,559,300	6	0.26%
Appalachian South				20,297,100	7	0.24%
BellSouth				17,529,432	8	0.21%
Maharishi Spiritual Center of America				15,974,000	9	0.19%
Heavenly Mountain Resort Inc				15,398,620	10	0.18%

Source: Watauga County Tax Office

**Watauga County
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$26,097,637	\$25,540,936	97.87%	\$542,420	\$26,083,356	99.95%
2009	\$27,009,982	\$26,202,804	97.01%	\$787,754	\$26,990,558	99.93%
2010	\$27,309,634	\$26,606,340	97.42%	\$680,749	\$27,287,089	99.92%
2011	\$27,484,010	\$26,717,729	97.21%	\$728,967	\$27,446,696	99.86%
2012	\$27,718,458	\$27,093,503	97.75%	\$572,680	\$27,666,183	99.81%
2013	\$27,834,337	\$27,234,590	97.85%	\$533,477	\$27,768,067	99.76%
2014	\$28,414,548	\$27,850,685	98.02%	\$468,513	\$28,319,198	99.66%
2015	\$27,610,405	\$27,159,975	98.37%	\$310,131	\$27,470,106	99.49%
2016	\$27,880,718	\$27,548,054	98.81%	\$189,258	\$27,737,312	99.49%
2017	\$28,257,342	\$27,957,297	98.94%	-	\$27,957,297	98.94%

Source: Watauga County Finance Office

**Watauga County
Outstanding Debt by Type and Per Capita
Last Ten Fiscal Years**

Table 10

Fiscal Year	Governmental Activities			Total Governmental Activities	Business-Type Activities	Total Primary Government	County Debt Per Capita	Average NC County Debt Per Capita
	General Obligation Bonds	Limited Obligation Bonds	Installment Purchases		Installment Loans			
2008	\$ 8,755,000	\$ -	\$ 75,626,407	\$ 84,381,407	\$ 137,708	\$ 84,519,115	\$ 1,681	\$ 1,300
2009	\$ 7,405,000	\$ -	\$ 74,798,271	\$ 82,203,271	\$ 189,778	\$ 82,393,049	\$ 1,625	\$ 1,377
2010	\$ 6,070,000	\$ -	\$ 71,876,946	\$ 77,946,946	\$ 178,223	\$ 78,125,169	\$ 1,532	\$ 1,420
2011	\$ 4,795,000	\$ -	\$ 67,940,334	\$ 72,735,334	\$ 45,616	\$ 72,780,950	\$ 1,411	\$ 1,419
2012	\$ 3,570,000	\$ 55,045,000	\$ 4,990,549	\$ 63,605,549	\$ -	\$ 63,605,549	\$ 1,222	\$ 1,366
2013	\$ 2,355,000	\$ 51,115,887	\$ 4,268,193	\$ 57,739,080	\$ -	\$ 57,739,080	\$ 1,104	\$ 1,340
2014	\$ 1,155,000	\$ 47,574,930	\$ 3,545,832	\$ 52,275,762	\$ -	\$ 52,275,762	\$ 998	\$ 1,313
2015	\$ -	\$ 44,450,000	\$ 2,823,471	\$ 47,273,471	\$ -	\$ 47,273,471	\$ 894	\$ 1,299
2016	\$ -	\$ 41,055,000	\$ 2,101,110	\$ 43,156,110	\$ -	\$ 43,156,110	\$ 815	\$ 1,247
2017	\$ -	\$ 37,695,000	\$ 1,378,749	\$ 39,073,749	\$ -	\$ 39,073,749	\$ 727	*

*Debt information not available for 2017.

Source: Watauga County Audited Financial Statements, NC State Treasurer Debt Analysis Reports

**Watauga County
Legal Debt Limit
Last Ten Fiscal Years**

Table 11

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed Value of Property	\$ 8,326,676,531	\$ 8,617,927,095	\$ 8,759,435,279	\$ 8,774,294,098	\$ 8,835,989,940	\$ 8,892,759,571	\$ 9,066,154,938	\$ 8,819,655,726	\$ 8,944,634,766	\$ 9,011,306,292
8% Debt Limit per State	666,134,122	689,434,168	700,754,822	701,943,528	706,879,195	711,420,766	725,292,395	705,572,458	715,570,781	720,904,503
Total Debt Applicable to Debt Limit	84,519,115	82,393,049	78,125,169	72,780,950	63,605,549	57,739,080	52,275,762	47,373,471	43,156,110	39,073,749
Legal Debt Limit	581,615,007	607,041,119	622,629,653	629,162,578	643,273,646	653,681,686	673,016,633	658,198,987	672,414,671	681,830,754
Total Debt Applicable to Debt Limit as a Percentage of Debt Limit	12.688%	11.951%	11.149%	10.368%	8.998%	8.116%	7.208%	6.714%	6.031%	5.420%

Note: NC General Statute 159-55 limits the County's outstanding debt to 8% of the appraised value of property subject to taxation. The legal debt margin is the difference between the 8% of appraised value (debt limit) and the County's outstanding debt principal and represents the County's legal borrowing authority.

Source: Watauga County Finance Office

Table 12

**Watauga County
Demographic and Economic Statistics
Last Ten Years**

<u>Year</u>	<u>Population Estimates</u>	<u>Estimated Median Annual Wages</u>	<u>Personal Income (\$1,000s)*</u>	<u>Per Capita Personal Income*</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployment Rate</u>
2008	50,266	\$25,192	\$1,527,800	\$30,394	23,423	22,303	4.8%
2009	50,706	\$25,830	\$1,489,838	\$29,382	23,158	21,209	8.4%
2010	50,981	\$25,635	\$1,486,069	\$29,149	26,961	24,864	7.8%
2011	51,563	\$26,733	\$1,523,298	\$29,542	27,186	24,899	8.4%
2012	52,050	\$27,697	\$1,574,916	\$30,258	27,309	25,184	7.8%
2013	52,293	\$27,291	\$1,587,153	\$30,351	26,843	24,986	6.9%
2014	52,388	\$27,203	\$1,672,804	\$31,931	26,938	25,527	5.2%
2015	52,906	\$26,945	\$1,751,371	\$33,103	27,579	26,143	5.2%
2016	52,923	\$27,755	*	*	28,076	26,710	4.9%
2017	53,737	\$28,573	*	*	28,681	27,555	3.9%

*Information not yet available from US Dept of Commerce for 2016 and 2017 on income.

Sources: NC Dept of Commerce, US Dept of Commerce

Table 13

**Watauga County
Tourism Economic Statistics
Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Expenditures \$(millions)</u>	<u>Change from Previous</u>	<u>Payroll \$(millions)</u>	<u>Employment (thousands)</u>	<u>State Tax Receipts \$(millions)</u>	<u>Local Tax Receipts \$(millions)</u>	<u>Tax Savings per Resident</u>
2016	\$248.26	7.27%	\$56.54	2.81	\$12.53	\$9.71	\$409.19
2015	\$231.44	2.51%	\$52.24	2.64	\$11.61	\$9.03	\$384.04
2014	\$225.77	4.17%	\$48.90	2.57	\$10.90	\$8.73	\$370.95
2013	\$216.72	2.71%	\$46.45	2.52	\$10.64	\$8.32	\$359.90
2012	\$211.00	6.80%	\$44.87	2.50	\$10.32	\$8.08	\$350.36
2011	\$197.56	4.11%	\$42.17	2.40	\$10.35	\$7.81	\$353.77
2010	\$189.77	5.86%	\$41.13	2.39	\$10.49	\$7.77	\$355.77
2009	\$179.27	-7.79%	\$41.26	2.44	\$9.60	\$7.47	\$376.12
2008	\$189.76	-0.73%	\$43.84	2.51	\$9.43	\$7.82	\$380.58
2007	\$191.15	6.70%	\$43.56	2.58	\$9.38	\$7.82	\$386.16

Source: Visit NC

Watauga County
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Table 14

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
General government	76.85	73.85	67.00	64.50	62.75	62.75	62.90	63.40	63.40	63.40
Public safety	100.40	103.40	102.00	101.00	100.00	102.00	102.00	102.00	102.00	103.00
Human services	72.55	72.65	72.65	71.55	69.05	68.05	66.55	66.55	68.05	68.05
Environmental protection	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Cultural and recreation	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Total Governmental	260.80	260.90	252.65	248.05	242.80	243.80	242.45	242.95	244.45	245.45
Business-Type Activities										
Solid Waste	27.35	27.35	28.75	28.75	28.75	28.75	28.75	27.75	27.75	27.75
Total Business-Type	27.35	27.35	28.75	28.75	28.75	28.75	28.75	27.75	27.75	27.75
Total All Activities	288.15	288.25	281.40	276.80	271.55	272.55	271.20	270.70	272.20	273.20

Source: Watauga County Finance Office

Note: This schedule does not include seasonal recreation positions.

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***

Independent Auditor's Report

To the Board of Commissioners
Watauga County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Watauga County's basic financial statements, and have issued our report thereon dated October 10, 2017. My report includes a reference to other auditors who audited the financial statements of AppalCART, as described in my report on the County's financial statements. This report does not include the results of other auditors testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Watauga County District U Tourism Development Authority were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watauga County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Watauga County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as item 2017-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watauga County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an

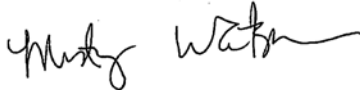
opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs item 2017-1.

Watauga County's Response to Findings

Watauga County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Boone, NC
October 10, 2017

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Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
 Watauga County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Watauga County, North Carolina, compliance with the types of compliance requirements described in the OMB *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 the Watauga County's major federal programs for the year ended June 30, 2017. Watauga County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Watauga County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Watauga County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Watauga County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters.

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-2, 2017-3, 2017-4 and 2017-5. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

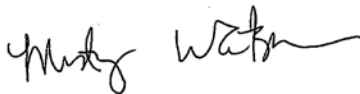
Management of Watauga County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Watauga County's internal control over compliance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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-2, 2017-3, 2017-4 and 2017-5 that we consider to be significant deficiencies.

Watauga County's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questions Costs. Watauga County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Boone, NC
October 10, 2017

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

**Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In
accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Board of Commissioners
Watauga County, North Carolina

Report on Compliance for Each Major State Program

We have audited Watauga County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Watauga County's major state programs for the year ended June 30, 2017. Watauga County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Watauga County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Watauga County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Watauga County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

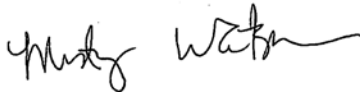
Report on Internal Control Over Compliance

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

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

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

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



Misty D. Watson, CPA, PA
Boone, NC 28607
October 10, 2017

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

I. Summary of Auditor's Results

Financial Statements

Internal control over financial reporting:

Material weakness identified? _____ Yes X No

Significant deficiency identified that is not considered to be material weaknesses X Yes _____ No

Noncompliance material to financial statements noted _____ Yes X No

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

Federal Awards

Internal control over major Federal programs:

Material weakness identified? _____ Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with X Yes _____ No

Identification of major Federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Subsidized Childcare Cluster	93.596
	93.575
	93.558
	93.658
State Children's Insurance Program - NC Health Choice	93.767
Title XIX Medicaid	93.778

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 779,297

Auditee qualified as low-risk auditee X Yes _____ No

State Awards

Internal control over major State programs:

Material weakness identified? _____ Yes X No

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

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

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

Identification of major State programs:

Title XIX Medicaid

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2017

II. Financial Statement Findings

Finding 2017-1

Criteria: N.C. General Statutes requires all checks written to contain the Finance Officer's or Deputy Finance Officer's signature. The County did not have the Finance Officer's or Deputy Finance Officer's signature on all checks written on the Inmate Commissary Account.

Condition: In the current year, there was a violation of the N.C. General Statute 159-25(b) with the Finance Officer's or Deputy Finance Officer's signature being omitted. Checks were written containing two authorized check signers' signatures, however neither was the Finance Officer's or Deputy Finance Officer's signature.

Context: While performing internal control procedures, we noted the condition.

Effect: Several checks cleared the bank without the Finance Officer's or Deputy Finance Officer's signature as required under N.C. General Statute 159-25(b).

Cause: The Sheriff's office was not aware checks required the Finance Officer's or Deputy Finance Officer's signature.

Recommendation: Checks should be signed by the Finance Officer or Deputy Finance Officer as required by the State Statute.

Name of Contact Person: Margaret Pierce, Finance Director

Corrective Action/Management's Response: Management concurs. Management has since put into place internal controls to ensure all checks are signed by the Finance Officer or a dually appointed Deputy Finance Officer.

III. Federal Award Findings and Questioned Costs

Finding 2017-2

US Department of Health and Human Services
 Passed Through the NC Department of Health and Human Services
 Program Name: Medicaid Cluster
 CFDA # 93.778

Significant Deficiency

Verification of Liquid Assets

Criteria: Liquid assets include cash, bank accounts, certificates of deposits or any other asset which can be converted to cash. The record should contain verification of liquid assets for determining eligibility.

Condition: Six cases did not verify liquid assets properly.

Context: Two of the six cases did not run the AVS as required. Two of the six cases did not contain verification of a life insurance policy. The fifth case had an amount in NC Fast that did not match the bank account balance verified. A sixth case had a different amount for the cash surrender value of a life insurance policy entered into NC Fast versus the amount verified.

Effect: The caseworker did not calculate liquid assets correctly. It is possible that these errors could lead to incorrectly approving or denying an applicant's benefits.

Cause: The caseworker did not retain the appropriate documentation for verification of liquid assets on six of the 128 cases tested. Accordingly, the County's system of review did not detect these errors in a timely manner.

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2017

Recommendation: The County should strengthen its review process to ensure that the appropriate documentation is being observed and retained. In addition, the County should provide additional training to caseworkers regarding the importance of proper documentation to support eligibility determinations.

Name of Contact Person: Tom Hughes, DSS Director

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate

Finding 2017-3

US Department of Health and Human Services
 Passed Through the NC Department of Health and Human Services
 Program Name: Medicaid Cluster
 CFDA # 93.778

Significant Deficiency

Verification of Vehicles and Other Personal Property

Criteria: Vehicles and other personal property should include the value of vehicles, motor homes, trailers and other personal property.

Condition: Three cases did not verify vehicles and other personal property properly.

Context: One case contained two trailers that were verified, contained no rebuttal in the file but not included in total countable resources. The same case contained a vehicle that was not tagged, contained no rebuttal in the file, and was not included in total countable resources. In the second case, no DMV was ran at the time of recertification. A third case contained verification of a second vehicle however no amount was included in total countable income.

Effect: The caseworker did not calculate vehicles and other personal property correctly. It is possible that these errors could lead to incorrectly approving or denying an applicant's benefits.

Cause: The caseworker did not retain the appropriate documentation for verification of vehicles or other personal property on three of the 128 cases tested. Accordingly, the County's system of review did not detect these errors in a timely manner.

Recommendation: The County should strengthen its review process to ensure that the appropriate documentation is being observed and retained. In addition, the County should provide additional training to caseworkers regarding the importance of proper documentation to support eligibility determinations.

Name of Contact Person: Tom Hughes, DSS Director

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate checks and balances to ensure this problem does not recur.

Finding 2017-4

US Department of Health and Human Services
 Passed Through the NC Department of Health and Human Services
 Program Name: Medicaid Cluster
 CFDA # 93.778

Significant Deficiency

Verification of Real Property

Criteria: Real property should include the value of homes and other real property.

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Condition: Three cases did not verify real property properly.

Context: One case file contained in NC Fast a different amount versus what was verified with the Register of Deeds. Two case files contained no verification with the Register of Deeds.

Effect: The caseworker did not calculate real property correctly. It is possible that these errors could lead to incorrectly approving or denying an applicant's benefits.

Cause: The caseworker did not retain the appropriate documentation for verification of real property on three of the 128 cases tested. Accordingly, the County's system of review did not detect these errors in a timely manner.

Recommendation: The County should strengthen its review process to ensure that the appropriate documentation is being observed and retained. In addition, the County should provide additional training to caseworkers regarding the importance of proper documentation to support eligibility determinations.

Name of Contact Person: Tom Hughes, DSS Director

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate checks and balances to ensure this problem does not recur.

Finding 2017-5

US Department of Health and Human Services

Passed Through the NC Department of Health and Human Services

Program Name: Medicaid Cluster

CFDA # 93.778

Significant Deficiency

Total countable income and countable resources

Criteria: Total countable income and total countable resources should contain all amounts that are to be included as countable in determining eligibility.

Condition: Five cases did not calculate total countable income or total countable resources properly.

Context: Two case files contained a different amount for income when verified with OVS and the amount entered into NC Fast. The third case file contained unearned income that was not included in total countable income. The fourth case file contained a different amount verified as total countable income versus the amount calculated as total countable income in NC Fast. A fifth case file contained a different amount verified as total countable resources versus the amount calculated as total countable resources in NC Fast.

Effect: The caseworker did not calculate total countable resources or total countable income correctly. It is possible that these errors could lead to incorrectly approving or denying an applicant's benefits.

Cause: The caseworker did not calculate the total countable income or total countable resources correctly on five of the 128 cases tested. Accordingly, the County's system of review did not detect these errors in a timely manner.

Recommendation: The County should strengthen its review process to ensure that the appropriate eligibility is being observed and retained. In addition, the County should provide additional training to caseworkers regarding the importance of proper documentation to support eligibility determinations.

Name of Contact Person: Tom Hughes, DSS Director

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate checks and balances to ensure this problem does not recur.

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017
Corrective Action Plan

Finding 2017-1

Name of Contact Persons: Margaret Pierce, Watauga County Finance Director

Corrective Action: Staff will request the Board of Commissioners appoint additional Deputy Finance Officers to assist in signature compliance on the Inmate Commissary Account. A copy of checks not signed by the Finance Director or County Manager as Deputy Finance Director will be forwarded to the Finance Director for review and approval.

Proposed Completion Date: November 7, 2017

Finding 2017-2

Name of Contact Persons: Tom Hughes, Watauga County Department of Social Services Director
Melissa McCurry, Income Case Maintenance Supervisor

Corrective Action: The DSS Director will review the case files with errors with the Income Case Maintenance Supervisor to ensure clear understanding of findings. The Supervisor will conduct periodic reviews on a selection of case files to ensure all required procedures are followed in a timely basis.

Proposed Completion Date: November 1, 2017

Finding 2017-3

Name of Contact Persons: Tom Hughes, Watauga County Department of Social Services Director
Melissa McCurry, Income Case Maintenance Supervisor

Corrective Action: The DSS Director will review the case files with errors with the Income Case Maintenance Supervisor to ensure clear understanding of findings. The Supervisor will conduct periodic reviews on a selection of case files to ensure all required procedures are followed in a timely basis.

Proposed Completion Date: November 1, 2017

Finding 2017-4

Name of Contact Persons: Tom Hughes, Watauga County Department of Social Services Director
Melissa McCurry, Income Case Maintenance Supervisor

Corrective Action: The DSS Director will review the case files with errors with the Income Case Maintenance Supervisor to ensure clear understanding of findings. The Supervisor will conduct periodic reviews on a selection of case files to ensure all required procedures are followed in a timely basis.

Proposed Completion Date: November 1, 2017

Finding 2017-5

Name of Contact Persons: Tom Hughes, Watauga County Department of Social Services Director
Melissa McCurry, Income Case Maintenance Supervisor

Corrective Action: The DSS Director will review the case files with errors with the Income Case Maintenance Supervisor to ensure clear understanding of findings. The Supervisor will conduct periodic reviews on a selection of case files to ensure all required procedures are followed in a timely basis.

Proposed Completion Date: November 1, 2017

Watauga County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program/Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Awards:						
U.S. Department of Agriculture						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
State Administrative Matching Grants for the						
Supplemental Nutrition Assistance Program						
	10.561	175NC406S2514	\$ 198,597	\$ -	\$ -	\$ 198,597
Total U.S. Department of Agriculture			<u>198,597</u>	<u>-</u>	<u>-</u>	<u>198,597</u>
U.S. Federal Emergency Management Agency						
Passed-through the N.C. Department of Public Safety:						
Hazardous Mitigation Grant Program						
	97.039	HMGP 4153-0006	167,815	55,938	-	-
Total U.S. Federal Emergency Management Agency			<u>167,815</u>	<u>55,938</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security						
Passed-through the N.C. Department of Public Safety:						
Emergency Management Performance Grant						
	97.042	EMA-2016-EP-00002-S01	38,584	-	-	38,584
Total U.S. Department of Homeland Security			<u>38,584</u>	<u>-</u>	<u>-</u>	<u>38,584</u>
U.S. Department of Justice						
Bulletproof Vest Partnership Program						
	16.607	1121-0235	3,205	-	-	3,205
State Criminal Alien Assistance Program						
	16.606	2016-AP-BX-0620	4,613	-	-	-
Passed-through the N.C. Department of Public Safety:						
Body Camera Grant						
	16.738	2015DJBX1076	14,491	-	-	15,077
Equipment Grant						
	16.738	2016DJBX1052	22,800	-	-	-
Total U.S. Department of Justice			<u>45,109</u>	<u>-</u>	<u>-</u>	<u>18,282</u>
U.S. Department of Health & Human Services						
Administration on Aging						
Aging Cluster:						
Passed-through High Country Council of Governments:						
Home and Community Care Block Grant (HCCBG) -						
Title III B - Access Services						
	93.044	16/17 AANCT3SS	14,918	877	-	1,755
90% State Funds						
				124,722	-	13,858
Title III C1 - Congregate Nutrition						
	93.045	16/17 AANCT3CM	41,975	2,469	-	4,938
Title III C2 - Home Delivered Meals						
	93.045	16/17 AANCT3HD	74,912	4,407	-	8,813
Senior Center						
			-	14,501	-	-
Nutrition Services Incentive Program (NSIP)						
	93.053	16/17 AANCNSIP	24,068	-	-	-
Total Aging Cluster						
			<u>155,873</u>	<u>146,976</u>	<u>-</u>	<u>29,364</u>
Passed-through N.C. Department of Insurance:						
Seniors Health Insurance Information Program						
	93.779	16001636g6	2,596	-	-	-
Medicare Improvements for Patients and Providers Act						
	93.779	14AANCMSHI	1,792	-	-	-
Administration for Children and Families						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
Family Reunification						
	93.556	1701NCFPSS	10,238	-	-	-
Temporary Assistance for Needy Families						
Administration						
	93.558	1701NCTANF	37,143	-	-	37,059
Direct Benefit Payments						
	93.558	1701NCTANF	205,179	-	-	159,971
Child Support Enforcement						
	93.563	1704NC4005	214,358	-	-	110,427
Low-Income Home Energy Assistance Block Grant						
Administration						
	93.568	G17B1NCLIEA	29,187	-	-	-
Direct Benefit Payments						
	93.568	G17B1NCLIEA	88,700	-	-	-
Crisis Intervention Payments						
	93.568	G17B1NCLIEA	173,889	-	-	-
Permanency Planning						
	93.645	G1701NCCWSS	14,172	-	-	4,724
Social Services Block Grant						
	93.667	G1701NCSOSR	152,676	12,651	-	53,046
Total Division of Social Services						
			<u>925,542</u>	<u>12,651</u>	<u>-</u>	<u>365,227</u>
Foster Care and Adoption Cluster (Note 3)						
Title IV-E Foster Care						
	93.658	1701NCFOST	159,553	9,449	-	141,226
Foster Care - Direct Benefit Payments						
	93.658	1701NCFOST	243,345	58,190	-	63,653
Adoption Assistance - Direct Benefit Payments						
	93.659	1701NCADPT	175,747	43,135	-	45,368
Adoption/Foster Care Special Provision						
	93.658	1701NCFOST	17,488	-	-	18,839
Total Foster Care and Adoption Cluster (Note 3)						
			<u>596,133</u>	<u>110,774</u>	<u>-</u>	<u>269,086</u>
Subsidized Child Care (Note 3)						
Child Care Development Fund Cluster						
Division of Social Services						
Child Care Development Fund - Administration						
	93.596		80,000	-	-	-
Child Care and Development Fund - Discretionary						
	93.575	G1701NCCCDF	145,042	-	-	-
Child Care and Development Fund - Mandatory						
	93.596		64,728	-	-	-
Child Care and Development Fund - Match						
	93.596		190,832	85,616	-	-
Total Child Care Development Fund Cluster						
			<u>480,602</u>	<u>85,616</u>	<u>-</u>	<u>-</u>

Watauga County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program/Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Temporary Assistance for Needy Families (TANF)	93.558	1701NCTANF	54,730		-	-
Foster Care Title IV-E	93.658	1701NCFOST	5,473	2,732	-	-
Smart Start State Maintenance of Effort			-	95,858	-	-
TANF - Contingency	93.575	G1701NCCCDF	36,605	-	-	-
TANF - Maintenance of Effort			-	34,214	-	-
Total Subsidized Child Care (Note 3)			<u>577,410</u>	<u>218,420</u>	-	-
Health Care Financing Administration						
Passed-through the N.C. Department of Health and Human Services:						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778	XIX-MAP17	21,435,551	11,459,891	-	-
State Children's Insurance Program - NC Health Choice	93.767	CHIP17	800,043	5,464	-	-
Division of Social Services:						
Medical Assistance Program						
Administration	93.778	XIX-MAP17	951,925	1,401	-	362,690
Health Choice	93.767	CHIP17	61,011	46	-	94
Chafee Foster Care Independence - Direct Benefit Payment	93.674	1701NC1420	18,575	2,229	-	-
Total Division of Medical Assistance			<u>23,267,105</u>	<u>11,469,031</u>	-	<u>362,784</u>
Total U.S. Department of Health & Human Services			<u>25,526,451</u>	<u>11,957,852</u>	-	<u>1,026,461</u>
Total Federal Awards			<u>25,976,556</u>	<u>12,013,790</u>	-	<u>1,281,924</u>
State Awards:						
N.C. Department of Health and Human Services						
Division of Social Services						
Adoption Subsidy			-	150,332	-	50,902
State/County Special Assistance for Adults - Direct Benefit Payments			-	206,139	-	206,139
State Foster Care Benefits Program			-	118,080	-	96,986
Total N.C. Department of Health and Human Services			<u>-</u>	<u>474,551</u>	<u>-</u>	<u>354,027</u>
N.C. Department of Public Safety						
Division of Administration, Community Programs						
Juvenile Crime Prevention Council Programs		295-XXXX	-	114,285	114,285	33,181
Total N.C. Department of Public Safety			<u>-</u>	<u>114,285</u>	<u>114,285</u>	<u>33,181</u>
N.C. Department of Public Instruction						
NC Public School Building Capital-Lottery Proceeds						
Public School National Forest Service		94-Watauga FY 2016 SRS	-	329,257	329,257	-
Total N.C. Department of Public Instruction			<u>-</u>	<u>329,343</u>	<u>329,343</u>	<u>-</u>
N.C. Department of Transportation						
Watauga Emergency Response Base						
Employment Transportation Operating Assistance		DOT-18	-	18,946	-	-
Elderly and Disabled Transportation Assistance		DOT-16CL	-	13,551	13,551	-
Rural General Public Program		DOT-16CL	-	61,135	17,894	-
Total N.C. Department of Transportation			<u>-</u>	<u>176,840</u>	<u>114,653</u>	<u>9,245</u>
N.C. Department of Agriculture and Consumer Services						
Soil Conservation Assistance						
Soil Conservation Technician Cost Sharing		G40100296015SWC	-	3,600	-	80,177
Total N.C. Department of Agriculture and Consumer Services			<u>-</u>	<u>25,067</u>	<u>-</u>	<u>25,067</u>
N.C. Department of Environmental Quality						
Division of Environmental Assistance and Customer Service						
Community Waste Reduction and Recycling - Bins for Schools		Contract #6875	-	19,304	-	4,175
Community Waste Reduction and Recycling - Mercury Collection		Contract #6447	-	1,650	-	-
Total N.C. Department of Environmental Quality			<u>-</u>	<u>20,954</u>	<u>-</u>	<u>4,175</u>
N.C. Office of State Budget and Management						
Middle Fork Greenway Grant						
		Contract #2017.45.2	-	100,000	160,000	60,000
N.C. Division of Veteran's Affairs						
Veteran's Service Program						
		143B-1211C4	-	2,000	-	107,605
Total State Awards			<u>-</u>	<u>1,246,640</u>	<u>718,281</u>	<u>673,477</u>
Total Federal and State Awards			<u>\$ 25,976,556</u>	<u>13,260,430</u>	<u>718,281</u>	<u>1,955,401</u>

Watauga County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program/Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
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Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State award activity of Watauga County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Watauga County, it is not intended to and does not present the financial position, changes in net position or cash flows of Watauga County.

2. Summary of Significant Account Policies:

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

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

- Subsidized Child Care
- Foster Care and Adoption

AGENDA ITEM 6:

COMMUNITY CARE CLINIC REPORT

MANAGER'S COMMENTS:

Ms. Lisa Bottomley, the new Executive Director for the Community Care Clinic, will introduce herself and give a brief overview of her vision for the clinic.

The report is for information only; therefore no action is required.

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AGENDA ITEM 7:**CONSIDERATION OF PROPOSED AMENDMENTS TO THE ORDINANCE TO REGULATE SUBDIVISIONS AND MULTI-UNIT STRUCTURES****MANAGER'S COMMENTS:**

In January of 2017 the Board requested the Planning Board review the Ordinance to Govern Subdivisions and Multi-Unit Structures. The Planning Board presented the recommended changes to the Commissioners and a public hearing was conducted on May 16, 2017. After completion of the public hearing the Board recommended the Planning Board further consider the amendments and the questions raised during the public hearing.

The Planning Board's revised proposal was presented for Board consideration and the decision was made to conduct another public hearing to consider the additional changes. The proposed amendments as presented in May are in red ink and strikethrough and the subsequent revised amendments are in blue ink.

Board direction is sought in adopting the changes as presented, remand the ordinance back to the Planning Board for further consideration, or schedule a work session with the Planning Board.



WATAUGA COUNTY

331 Queen Street Suite A • Boone, North Carolina 28607

Department of
Planning & Inspections

Phone (828) 265-8043

TTY 1-800-735-2962

Voice 1-800-735-8262

or 711

FAX (828) 265-8080

Memorandum

Date: November 30, 2017

To: Board of Commissioners

From: Joe Furman

RE: Ordinance to Govern Subdivisions and Multi-Unit Structures

In January, 2017, the Board of Commissioners requested the Planning Board to review the Ordinance To Govern Subdivisions and Multi-Unit Structures, particularly the PUD chapter, in the wake of the Supreme Court ruling regarding the Town of Boone ETJ. Subsequently, the Planning Board presented recommendations of proposed amendments to the Commissioners. Following the May 16, 2017 public hearing on the proposal, the Board referred the subject ordinance back to the Planning Board for further consideration of proposed amendments as well as questions raised at the hearing. The Planning Board's revised proposal is attached along with several other documents. The proposed amendments as they appeared May 16th are indicated in red ink and line-through. Subsequent proposed amendments are indicated in blue ink, and are found on pages 9, 17, 26, 27, 31 and 39. The page 9 proposed amendment results from a change in the General Statutes, included in Session Law 2017-10 that took effect in May. Discussion is included in the attached documents.

Attachments:

- The ordinance
- Planning Board June and July meeting minutes
- June memorandum to Planning Board
- Responses to questions raised during May 16 public hearing
- Green space provision summary
- Slope discussion
- Slope diagram



Ordinance to Govern Subdivisions and Multi-Unit Structures

PROPOSED AMENDMENTS

Adopted April 17, 1985
~~Amended June 17, 2014~~
As Amended _____, 2017

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Appendix A:	Guide for Subdivision Development
Appendix B:	Guidelines for Developing Erosion and Sedimentation Control Plans
Appendix C:	Sedimentation and Erosion Control Plan Checklist
Appendix D:	Ownership/Responsibility Form
Appendix E:	Preliminary Plat Checklist
Appendix F:	Final Plat Checklist
Appendix G:	Subdivision Specifications Checklist
Appendix H:	Method of Defining Slope
Appendix I:	Minor Maintenance Checklist
Appendix J:	Buffering and Screening
Appendix K:	Fire Apparatus Access Roads
Appendix L:	Affordable Workforce Housing Policy
Appendix M:	Developer Authorization Form

**ORDINANCE TO GOVERN SUBDIVISIONS
AND MULTI-UNIT STRUCTURES**

WATAUGA COUNTY, NORTH CAROLINA

AN ORDINANCE ESTABLISHING COMPREHENSIVE SUBDIVISION REGULATIONS AND REGULATIONS FOR MULTI-UNIT STRUCTURES FOR WATAUGA COUNTY, NORTH CAROLINA, AND PROVISION FOR THE ADMINISTRATION, ENFORCEMENT AND AMENDMENT THEREOF.

ARTICLE I - TITLE

This ordinance shall be known and may be cited as the Ordinance to Govern Subdivisions and Multi-Unit Structures for Watauga County, North Carolina

ARTICLE II - AUTHORITY AND ENACTMENT CLAUSE

The County Commissioners of the County of Watauga, pursuant to the authority conferred by Chapter 153A, Article 18, of the General Statutes of the State of North Carolina, do hereby ordain and enact into law these Articles and Sections.

ARTICLE III - JURISDICTION AND PURPOSE

SECTION 30. Jurisdiction

On and after the date of adoption, these regulations shall govern each and every subdivision of land and/or multi-unit structure within Watauga County (hereinafter referred to as the "County") and outside the jurisdiction of any incorporated municipality. However, this ordinance may also regulate territory within the subdivision regulation jurisdiction of any municipality whose governing body by resolution agrees to such regulation provided, however, that any such municipal governing body may, upon one year's written notice, withdraw its approval of these County Regulations, and those regulations shall not have further effect within the municipality's jurisdiction.

SECTION 31. Purpose

The purpose of these subdivision regulations is to guide and regulate the subdivision of land and/or multi-unit structures within the county in order to preserve the public health, safety, and welfare. The regulations included herein are designed to insure an adequately planned street system and to avoid hazardous conditions; to avoid overcrowding of the land and extreme concentration of population; to secure safety from fire, panic, and other dangers; to provide for adequate water and sewage systems, schools, parks and playgrounds; to insure against flood damage and soil erosion; to facilitate an orderly system for the design, layout, and use of the land; to insure the proper legal description and monumenting of subdivided land; and to provide for the re-subdivision of large land parcels.

ARTICLE IV - INTERPRETATION AND DEFINITIONS

SECTION 40. Word Interpretations

For the purpose of this ordinance, certain words shall be interpreted as follows:

- 40.01 The word "County" shall mean Watauga County, North Carolina.
- 40.02 The words "County Commissioners" shall mean the Board of Commissioners of Watauga County, North Carolina.
- 40.03 The words "Planning Board" shall mean the Planning Board of Watauga County, North Carolina.
- 40.04 The words "Planning Staff" shall mean the staff of Planning and Inspections Department of Watauga County, North Carolina.
- 40.05 The words "Register of Deeds" shall mean the Register of Deeds for Watauga County, North Carolina.
- 40.06 The words "ordinance", "regulations" and "subdivision regulations" shall mean the Ordinance to Govern Subdivisions and Multi-Unit Structures for Watauga County, North Carolina.
- 40.07 The word "may" is permissive.
- 40.08 The word "shall" is mandatory.
- 40.09 The word "lot" includes the words "plot", "parcel", "tract", or "site".
- 40.10 The word "building" includes the word "structure".
- 40.11 The word "street" includes the words "roads and "highway".

SECTION 41. Definitions

For the purpose of this ordinance, certain words or terms used herein shall be defined as follows:

- 41.01 BUILDING LINES. Lines tangent to the exterior surface of a building and parallel to front, side and rear property lines.
- 41.02 BUILDING SETBACK LINE (MINIMUM). A line parallel with the property line designating an area bordering the property lines on which no building shall be placed.
- 41.03 CUL-DE-SAC. A short subdivision street having but one end open to traffic and the other end being permanently terminated and a vehicular turn-around provided.
- 41.04 DOUBLE FRONTAGE LOT. A continuous (through) lot which borders two or more streets.
- 41.05 EASEMENT. A strip of land designated by the property owner for a specified purpose and use by the public, a corporation, or persons.

- 41.06 LOT. A portion of a subdivision, or any other parcel of land, intended as a unit for transfer of ownership or for development or both.
- 41.07 OFFICIAL MAPS OR PLANS. Any maps or plans officially adopted by the County Commissioners as a guide to the development of the County.
- 41.08 PLANNED UNIT DEVELOPMENT. (PUD)The planned unit development is a permitted use designed to provide for developments incorporating a single type or a variety of related uses which are planned and developed as a unit. Such development may consist of individual lots or common building sites. Common land must be an element of the plan related to affecting the long-term value of the entire development.
- 41.09 PLAT. A map or plan of a parcel of land which is to be, or has been, subdivided.
- 41.10 PRIVATE DRIVEWAY. A roadway serving three (3) or fewer lots, building sites or other divisions of land and not intended to be public ingress or egress.
- 41.11 ROAD, COUNTY STANDARD. A road constructed and dedicated in accordance with provisions as set forth in Article VII, Section 71, with provisions for private maintenance.
- 41.12 ROAD, STATE STANDARD. A dedicated and accepted public right-of-way for vehicular traffic on which is constructed a road which meets the specifications of North Carolina Department of Transportation, (See Article VII, Section 71).
- 41.13 RIGHT OF WAY. A strip of land designated by the owner or other authority or acquired by other over which other person may legally pass, and on which may be constructed a road or utilities.
- 41.14 SEWAGE TREATMENT SYSTEMS.
- 41.141 Individual Systems. Sewage treatment and disposal systems designed to serve a single connection utilizing the soil for the subsurface disposal of partially treated or treated sewage effluent. Individual systems with a design capacity of less than 3,000 gallons per day will be designed and approved by the Appalachian District Health Department. Individual systems with a design capacity of 3,000 gallons per day or more will be designed by a professional engineer and approved by the designated state agency or the Appalachian District Health Department, whichever is applicable. Individual systems may be shared upon approval of the appropriate agency.
- 41.142 Non-Discharge Systems. Sewage treatment and disposal systems designed to serve multiple connections utilizing the soil for the subsurface disposal of partially treated or treated sewage effluent. Non-Discharge systems will be approved by the designated state agency.
- 41.143 NPDES Systems. Sewage treatment and disposal systems designed to serve multiple connections discharging into surface waters of the state and subject to the National Pollutant Discharge Elimination System (NPDES) permit program. NPDES systems include those that are owned and operated by the County, a municipality, a sanitary district, a property owners association, utility company and any connections thereto. NPDES Systems will be approved by the designated state agency.
- 41.15 SUBDIVIDER. Any person, firm, or corporation who subdivides or develops any land deemed to be a subdivision.
- 41.16 SUBDIVISION. A "subdivision" shall include all divisions of a tract of land into two or more lots, building sites, (including buildings constructed for rental purposes) or other divisions when any one or more of those divisions are created for the purpose whether immediate or future, of sale or building development, and shall include all divisions of land involving the dedication of a new

street or a change in existing streets; provided, however, that the following shall not be included within this definition nor be subject to the regulations prescribed by this ordinance:

41.161 The combination or recombination of portions of previously platted lots where the total number of lots is not increased and the resultant lots are equal to or exceed the standards of the county as shown in this ordinance, and documented with a recorded plat or a map attached to recorded deed(s).

41.162 The division of land into parcels greater than (10) acres where no street right-of-way dedication is involved.

41.163 The public acquisition by purchase of strips of land for the widening or opening of streets.

41.164 The division of a tract in single ownership whose entire area is no greater than two (2) acres into not more than three (3) lots, where no street right-of-way dedication is involved, and where the resultant lots are equal to or exceed the standards of the county as shown in this ordinance.

41.165 The division of land solely among members of the same family, which shall include all lineal descendants or ancestors plus brothers, sisters, aunts, uncles, fathers-in-law, mothers-in-law, brothers-in-law, sisters-in-law, nieces, nephews and stepchildren by any method of transfer except where the parties contemplate development for resale, and where the resultant lots are equal to or exceed the standards of the county as shown in this ordinance.

41.166 The division of land by court ordered/approved division except where the parties contemplate development for resale.

41.17 UNIT. A structure or portion of a structure which is a single, habitable dwelling or single place of business.

41.18 WATER SUPPLY SYSTEMS.

41.181 Individual Systems. A well, spring, stream or other source used to supply a single connection.

41.182 Community Systems. A water system serving two (2) or more connections and not qualifying as a public water supply (PWS) under North Carolina regulations.

41.183 Public Systems. A water system owned and/or operated by the county, any municipality, water district, property owner's association, or utility company that qualifies as a public water supply (PWS) under North Carolina regulations.

41.19 WORKING DAYS. Days the Watauga County Administrative offices are open for business.

ARTICLE V - PLANNING BOARD REVIEW AND LEGAL STATUS PROVISIONS

SECTION 50 PLANNING BOARD REVIEW AND APPROVAL.

Pursuant to N.C.G.S. 153A-332 unless otherwise noted, no real property within the jurisdiction of this ordinance shall be subdivided and offered for sale or a plat thereof recorded until a preliminary and final plat have been reviewed and approved by the Watauga County Planning Board as provided hereinafter. Plans of group developments for housing, commercial, industrial, or other uses, or for any combination of uses shall be submitted in the same manner as other plats for review by the Planning Board.

SECTION 51 BUILDING PERMITS.

Approval of the final plat by the Planning Board shall be required before issuance of any building permit for a structure to be erected in a subdivision, except in Planned Unit Developments, or up to two (2) may be issued in any subdivision to the owner/developer only, when the owner is also the developer.

SECTION 52 RECORDING OF PLATS.

No subdivision plat of land within the County's jurisdiction shall be filed or recorded until it has been submitted to and approved by the Watauga County Planning Board or Staff, and until this approval is entered in writing on the face of the plat by the designated representative of the County Planning Board.

SECTION 53 DUTY OF REGISTER OF DEEDS.

The Register of Deeds shall not file or record a plat of a subdivision of land located within the territorial jurisdiction of the County that has not been approved in accordance with these provisions, nor shall the Clerk of Superior Court order or direct the recording of a plat if the recording would be in conflict with this section. No subdivision plat of land within a Public Water Supply Watershed shall be filed or recorded by the Register of Deeds until it has been approved in accordance with the provisions of Watauga County's Watershed Protection Ordinances. Likewise, the Clerk of Superior Court shall not order or direct the recording of a plat if the recording of such plat would be in conflict with the watershed protection ordinances.

SECTION 54 SEVERABILITY.

Should any section or provision of this ordinance be decided by the courts to be unconstitutional or invalid, such decision shall not affect the validity of the ordinance as a whole or any part thereof other than the part so declared to be unconstitutional or invalid.

SECTION 55 EFFECTIVE DATE.

This ordinance shall take effect and be in force from and after its enactment the 17th day of April, 1985.

SECTION 56 RELATIONSHIP TO EFFECTIVE CHANGES IN THE ORDINANCE.

It is not intended that this ordinance will in any way repeal, annul, or interfere with any valid permits or approvals which were legally issued under previous ordinances for the use or development of land or structures. In addition, future changes in this ordinance shall not repeal, annul, or interfere with any valid permits or approvals issued pursuant to this ordinance prior to said changes. This provision shall include approved master plans for phased developments. If the density in the approved master plan is not increased, any plats and extensions thereof shall be subject to the ordinance under which the original master plan was approved.

ARTICLE VI - PROCEDURES FOR REVIEW AND APPROVAL OF SUBDIVISIONS

SECTION 60. Plat Required on Any Subdivision of Land.

Pursuant to N.C.G.S. 153A-330, a final plat shall be prepared, approved, and recorded pursuant to the provisions of this ordinance whenever any subdivision of land takes place. Prior to recording, such plat shall be approved pursuant to Article V. To secure such approval, the subdivider shall follow the procedures established in this Article as applicable.

SECTION 61. Submission of Preliminary Plat.

A preliminary plat meeting the requirements of this ordinance shall be submitted for review and shall be approved by the Planning Board before any improvements or land disturbing activities are made in a subdivision. One(1) copy of this plat shall be submitted to the Planning Staff at least two (2) weeks before the meeting of the Planning Board at which time it is to be reviewed. Prior to the meeting and subsequent to staff review, eight (8) copies along with the plat fee as specified in Section 61.01 shall be submitted.

A Developer Authorization Form (Appendix M) must accompany the Preliminary Plat application when the application is made by person(s) other than the land owner(s).

The Planning Staff shall provide that the following agencies be given an opportunity to make recommendations concerning an individual subdivision plat before the plat is approved: Appalachian District Health Department, Department of Transportation, County School District. The Planning Staff shall transmit copies of the plat to those agencies and others upon their request.

The Planning Board shall review the preliminary plat and ~~negotiate with the subdivider for~~ identify any changes required in order that the subdivision may comply with the provisions of this ordinance. ~~and for such other changes as may be found desirable.~~ The Planning Board shall take formal action on the preliminary plat at the first regular meeting date (Normally the 3rd Monday evening of each month) after receipt of the plat. Within five (5) days after its action on the plat, the Staff shall notify the subdivider by letter indicating the action taken.

After receiving approval of the preliminary plat by the Planning Board and the erosion control plan by the staff (and not before that time), the subdivider may proceed to construct the proposed road and other improvements in accordance with the requirements of this ordinance and as shown on the approved preliminary plat.

61.01 Fees. The developer shall pay an inspection fee of an amount specified from time to time by the Watauga County Commissioners. Half of said fee shall be paid at the time of submission of the preliminary plat (the fee shall be paid before the plat will be placed on the Planning Board meeting agenda); the remainder shall be paid at submission of the final plat.

For a planned unit development the developer shall pay an inspection fee at the rate provided above for each structure in the development. No fees are required for master plan review.

SECTION 62. Specifications for Preliminary Plat.

The preliminary plat shall be at a scale of one-hundred (100)feet to one (1) inch or larger and shall be on a sheet, 18" x 24". However, if the size and shape of the property is such that a sheet 18" x 24" will not accommodate the entire tract, a sheet not larger than 24" x 36" may be used, and in unusual circumstances may be at a scale of no smaller than 1"=200'. In addition, the developer shall provide one (1) reproducible 11"x 17" or smaller copy of the plat.

The following information shall be required as applicable:

- 62.01 A sketch vicinity map showing the relationship of the proposed subdivision with the surrounding area.
- 62.02 The location of existing property lines, streets, buildings, water courses, transmission lines, sewers, bridges, and water mains, city and county lines (if adjoining) and any public utility easements.
- 62.03 Boundaries of the tract shown with distances and approximate acreage.
- 62.04 Evidence of access right-of-way from state road.
- 62.05 Names of adjoining property owners and/or subdivisions.
- 62.06 Zoning classification, if any, both on the land to be subdivided and on adjoining land.
- 62.07 Proposed streets, street names, rights-of-way, roadway widths, approximate grades, curve radiuses, and proposed drainage facilities.
- 62.08 Other proposed rights-of-way or easements showing locations, widths and purposes.
- 62.09 Proposed lot lines, lot numbers, and approximate area. Statement that all lots will comply with the Subdivision Regulations.
- 62.10 Proposed minimum building set back lines.
- 62.11 Proposed utility layouts (sewer, water, electricity) showing connections to existing systems or plans for central water system or package sewage system, or designation for individual water and sewage.
- 62.12 Proposed parks, open spaces, or any other public areas.
- 62.13 Name of owner, developer, engineer and registered surveyor.
- 62.14 Title, date, north point, and graphic scale.
- 62.15 Statement of intended use of the lots (single or multi-family).
- 62.16 Evidence of N.C.D.O.T. driveway connection permit, ~~if applicable,~~ shall be submitted prior to ~~preliminary plat approval.~~ commencement of construction.
- 62.17 When an area covered in the plan includes or abuts a water area (stream, river or lake) the following additional information is required:
 - 62.171 Relationship with floodway and flood plain as delineated by the county floodway boundary and flood insurance rate maps.
 - 62.172 Any proposed dock lines beyond which no dock structure may be constructed.
 - 62.173 Methods of providing ingress and egress from uplands to water area.
 - 62.174 Names of the owners of the water area.
- 62.18 A soil erosion control plan (3 copies) shall be submitted to the Planning Staff. Grading shall not commence until the erosion control plan is reviewed and approved by the Planning Staff and the

Soil and Water Conservation District and a grading permit is issued. See appendix B - D for further detail.

- 62.19 If road (s) are to be "county standard", the developer shall maintain the road(s) until such time as a property owners association assumes maintenance. Prior to final plat approval, the developer shall comply with Section 71.011 concerning recording of property owners association road maintenance provisions.

SECTION 63. Minor Subdivisions

- 63.01 Procedures set forth here for handling applications for approval of minor subdivisions are intended to simplify processing of routine small subdivisions with due regard to protection of the public interest.
- 63.02 For the purpose of these regulations, a minor subdivision is defined as any subdivision requiring no variances and consisting of not more than ten (10) lots. One phase of a phased development cannot be considered a minor subdivision unless the entire development is not more than 10 lots.
- 63.03 After January 1, 2006, all new divisions of land shall comply with all of the requirements of this ordinance, with the exception of the following: The division of one (1) lot or tract out of a larger tract will be allowed provided 1) the new lots meet the size, dimensional, and setback requirements of this or any applicable ordinance; 2) no public street or road dedication or change in existing public streets or road is involved; 3) the original lot or tract was created prior to January 1, 2006 and is over ten (10) acres in size; or 4) if the original tract is less than ten (10) acres, it shall have been created prior to June 15, 1973, or be otherwise exempt from this ordinance; 5) only one (1) such division shall be allowed from the original tract without total compliance with this ordinance.
- 63.04 The Watauga County Planning Staff shall review the preliminary plat of each minor subdivision and shall find that it either is or is not a minor subdivision and shall find that it either does or does not meet the requirements of this ordinance. Said findings shall be stated in writing and recorded in the records of the Planning Board. Based upon said findings the Staff shall either approve, not approve, or approve conditionally the proposed minor subdivision.
- 63.05 A decision by the Planning Staff shall be made within fifteen days of submission of the proposed minor subdivision to the Staff and the decision of the Staff is subject to appeal by the subdivider to the Planning Board which must act on appeals at its next regular meeting.
- 63.06 A final plat shall be submitted to the Watauga County Planning Staff for consideration and approval before the conveyance of any of the property or the recording of the plat.
- 63.07 The County may require only a plat for recordation for the division of a tract or parcel of land in single ownership if all of the following criteria are met:
- (1) The tract or parcel to be divided is not exempted under Section 41.162 of this ordinance.
 - (2) No part of the tract or parcel to be divided has been divided under this subsection in the 10 years prior to division.
 - (3) The entire area of the tract or parcel to be divided is greater than five acres.
 - (4) After division, no more than three lots results from the division.
 - (5) After the division, all resultant lots comply with all of the following:
 - a. Any lot dimension size requirements of the applicable land-use regulations, if any.
 - b. The use of the lots is in conformity with the applicable zoning requirements, if any.
 - c. A permanent means of ingress and egress is recorded for each lot.

SECTION 64. Phased Developments.

If a developer proposes that a subdivision (including PUD's) will be constructed in phases, the following procedure shall apply.

- 64.01 A master plan showing the entire proposed subdivision and the phases of development, proposed density, proposed type and location of utilities, and proposed development timetable shall be submitted to the Planning Board for approval.
- 64.02 Each phase of development shall be preceded by submission and approval of a preliminary plat as outlined in Section 62 unless such plat submission is waived by the Planning Board. The master plan may be submitted prior to or simultaneously to submission of the preliminary plat for the first phase of development.
- 64.03 As each phase is completed, a final plat must be submitted and approved for that phase as outlined in Sections 65 and 66.
- 64.04 Approval of the master plan need not be renewed unless density increases are proposed.

SECTION 65. Submission of Final Plat.

Unless a final plat is submitted to the Planning Board within eighteen (18) months from the date on which the preliminary plat was approved, such action on the preliminary plat shall become void and of no effect, and will necessitate the resubmission of the preliminary to the Planning Board for consideration, except in the case of preliminary plats for Planned Unit Developments, which do not expire. One (1) copy of this plat shall be submitted to the Planning Staff at least two (2) weeks before the meeting of the Planning Board at which time it is to be reviewed. Prior to the meeting and subsequent to staff review, eight (8) copies along with the plat fee as specified in Section 61.01 shall be submitted. Roads and lots shall be clearly marked in the field upon submission of the final plat.

- 65.01 Final Plat. The final plat shall be drawn on reproducible mylar. The final plat shall constitute only that portion of the approved preliminary sketch plan which the subdivider proposes to record provided that such portion conforms to all requirements of this ordinance. All final plats shall be on sheets with overall measurements of 18" x 24" and shall be on a scale no smaller than 1" = 100'. In addition, the developer shall provide one (1) reproducible 11"x 17" or smaller copy of the plat.

The final plat shall show as applicable:

- 65.011 A sketch vicinity map showing the location of the subdivision in relation to the surrounding area.
- 65.012 The right-of-way lines and easements of all streets and roads, and access right-of-way to state road.
- 65.013 Lot lines and lot numbers showing bearings and distances, and lot sizes. All dimensions should be to the nearest one-hundredth (0.01) of a foot and angles to the nearest minute.
- 65.014 Minimum building setback lines. (Show typical lot setback; not required of all lots.)
- 65.015 Relationship with floodway and flood plain as delineated by the county floodway boundary and flood insurance maps.

65.016 Sufficient data to determine readily and reproduce on the ground the location, bearing and length of every street line, lot line, boundary line, and block line whether curved or straight.

65.017 Accurate location and description of all monuments and markers and block tie lines.

65.018 The names and locations of adjoining subdivisions and streets, and the location and ownership of adjoining un-subdivided property, including water areas.

65.019 Title, date, name, and location of subdivision, graphic scale, and true north point.

65.020 Name of owner, developer, surveyor, engineer and land planner.

65.021 Reservations for easements, and areas to be dedicated to public use or sites for other than residential use shall be shown on the plat with notes stating their purposes.

65.022 One of the following statements:

Drinking water source to be individual or shared wells (not a community or public water supply). Wastewater disposal method to be septic tanks. Individual lots have/have not been approved by Appalachian District Health Department for septic system.

OR

Drinking water source to be a public water supply (name system if to be connected to existing system, or indicate proposed new supply). Wastewater disposal method to be septic tanks. Individual lots have/have not been approved by Appalachian District Health department for septic system.

OR

Drinking water source to be a community water system (name system if to be connected to existing system, or indicate proposed new supply). Wastewater disposal method to be septic tanks. Individual lots have/have not been approved by Appalachian District Health Department for septic system.

OR

Drinking water source to be individual or shared wells (not a community or public water system). Wastewater disposal method to be NPDES sewer (name system if to be connected to existing system, or indicate proposed new system).

OR

Drinking water source to be a public water supply (name system if to be connected to existing system, or indicate proposed new supply). Wastewater disposal method to be NPDES sewer (name system if to be connected to existing system, or indicate proposed new system).

OR

Drinking water source to be a community water supply (name system if to be connected to existing system, or indicate proposed new supply). Wastewater disposal method to be NPDES sewer (name system if to be connected to existing system, or indicate proposed new system).

65.023 Location and size of culverts/ drainage facilities.

65.024 Density in units per acre if PUD.

65.025 Variances granted, if any.

65.026 Reference shall be made on final plat to deed book and page number of recorded Restrictive Covenants and/or Road Maintenance Agreement.

65.03 The following certificates shall be shown on the final plat as applicable:

65.031 Certificate of Ownership and Dedication

I (We) hereby certify that I am (we are) the owner(s) of the property shown and described here on, that the property is within the regulatory jurisdiction of Watauga County, and that I (we) hereby adopt this plan of subdivision with my (our) free consent, establish all lots, and dedicate all streets, alleys, walks, parks, easements, right-of way, and other open spaces to public or private use as noted.

DATE

OWNER

65.032 Certificate of Accuracy

"The undersigned surveyor, being duly sworn, deposes and says that the plat upon which this certificate appears was prepared in accordance with N.C.G.S.47-30 as amended, is in all respects correct according to the best of his knowledge and belief, and was prepared from an actual survey made by him on the _____ day of _____ 20____, with maximum linear error of closure of _____ and a maximum field error of angular closure of _____.

65.0321 (may be combined with 65.032)

Pursuant to N.C.G.S. 47-30, the surveyor shall certify to one of the following.

- a. That this survey creates a subdivision of land within the area of a county or municipality that has an ordinance that regulates parcels of land;
- b. That this survey is located in a portion of a county or municipality that is unregulated as to an ordinance that regulates parcels of land;
- c. Any one of the following:
 1. That the survey is of an existing parcel or parcels of land and does not create a new street or change an existing street;
 2. That the survey is of an existing building or other structure, or natural feature, such as a watercourse; or
 3. That the survey is a control survey.
- d. That this survey is of another category, such as the recombination of existing parcels, a court ordered survey, or other exception to the definition of subdivision;
- e. That the information available to the surveyor is such that the surveyor is unable to make a determination to the best of the surveyor's professional ability as to provisions contained in (a) through (d) above.

65.033 Certificate of the Approval of Water and Sewage System

I hereby certify that the water supply and sewage disposal utility system installed, or proposed for installation, in each lot of the subdivision entitled _____ fully meets the requirements of the undersigned agency(ies), and are hereby approved as shown.

DATE APPALACHIAN DISTRICT HEALTH DEPARTMENT

NC PUBLIC WATER SUPPLY SECTION

NC DEPT. OF ENVIRONMENT AND NATURAL RESOURCES

65.034 Certification of the Approval of Streets and Utilities

I hereby certify: (1) that streets, utilities and other improvements have been installed in an acceptable manner and according to County specifications in the subdivision entitled _____ or (2) that a security guarantee in the amount of \$ _____ or cash in the amount of \$ _____ has been posted with the county to assure completion of all required improvements in case of default.

DATE WATAUGA COUNTY AUTHORIZED REPRESENTATIVE

65.035 Certificate of Approval of Recording.

I hereby certify that the subdivision plat shown hereon has been found to comply with the Subdivision Regulations of Watauga County, North Carolina, with the exception of such variances, if any, as are noted in the Minutes of the Planning Board and are recorded on the plat and that it has been approved by the Watauga County Planning Board at their regular meeting of _____ for recording in the office of the County Register of Deeds.

DATE WATAUGA COUNTY AUTHORIZED REPRESENTATIVE

65.036 Certificate of Approval of Recording.
(watershed; can be combined with 65.035 or 65.040)

I certify that the plat shown here on complies with the Watershed Protection Ordinance and is approved by the Watauga County Planning Board or Staff (choose which is applicable) for recording in the Register of Deeds Office.

DATE WATAUGA COUNTY AUTHORIZED REPRESENTATIVE

NOTICE: This property is located within a Public Water Supply Watershed – development restrictions may apply.

65.037 Certificate of Approval and Acceptance of Dedications

I, _____, the Authorized Representative of Watauga County, North Carolina, do certify that Watauga County approved of this plat or map and has accepted the dedication of the streets, easements, right-of-way, and public parks shown

thereon, but assume no responsibility to open or maintain the same until, in the opinion of the governing body of Watauga County it is in the public interest to do so.

DATE WATAUGA COUNTY AUTHORIZED REPRESENTATIVE

65.038 Certification of Approval of N.C.D.O.T Division of Highways

NCDOT DIVISION OF HIGHWAYS
PROPOSED SUBDIVISION ROAD
CONSTRUCTION STANDARDS CERTIFICATION

APPROVED _____
DISTRICT ENGINEER

DATE _____
(or as otherwise specified by D.O.T.)

65.039 Certificate of Exemption

I hereby certify that the plat shown here on is exempt from the Watauga County Ordinance to Govern Subdivisions and Multi Unit Structures pursuant to Section _____ of the ordinance. No approval is required.

DATE WATAUGA COUNTY AUTHORIZED REPRESENTATIVE

65.040 Certificate of Approval of Minor Subdivision

I hereby certify that the subdivision plat shown hereon has been found to comply with the Subdivision Regulations of Watauga County, North Carolina. It has been approved as a minor subdivision as defined in Section 63 of the Subdivision Regulations for recording in the office of the County Register of Deeds.

DATE WATAUGA COUNTY AUTHORIZED REPRESENTATIVE

(NOTE: Authorized representatives shall be the Director of Planning and Inspections and the Property Development Coordinator II, and in their absence, the Chairman and Vice Chairman of the Planning Board.)

SECTION 66. APPROVAL OF FINAL PLAT.

Upon receipt of the final plat, the Planning Board and Staff shall review it for compliance with the provisions of the ordinance. The Planning Board may approve the plat in whole or in part, or subject to modifications. Failure of the Planning Board to take formal action on the final plat after receipt of the plat at least two (2) weeks prior to the regular meeting date(3rd Monday evening of each month) shall be deemed approval of submitted plat. (The regular meeting may be postponed, but for no more than one (1) week.)The approval of the final plat by the Planning Board shall be on the condition that such plat be recorded in the office of the Register of Deeds within one (1) year after such approval. The original tracing of the final shall be made available by the subdivider for authentication when the Planning Board takes final action approving the plat.

- 66.01 The developer shall pay an inspection fee of an amount specified from time to time by the Watauga County Commissioners. Half of said fee shall be paid at the time of submission of the preliminary plat; the remainder shall be paid at submission of the final plat. Fees shall be paid before the plat will be placed on the Planning Board meeting agenda.
- 66.02 For a planned unit development the developer shall pay an inspection fee at the rate provided above for each structure in the development. No fees are required for master plan review.

SECTION 67. Appeals

~~If either a preliminary or final plat is not approved by the Planning Board, the subdivider may appeal his case to the Watauga County Board of Commissioners within 30 days, by submitting written notice of appeal to the County Manager's Office. The notice of appeal shall state the grounds for the appeal. The County Manager shall schedule a hearing for the next regular Board of County Commissioners' meeting (provided the appeal is received prior to the meeting agenda deadline) and notify the appellant of this meeting. The Board of Commissioners shall render a decision affirming, reversing, or modifying the decision of the Planning Board.~~

~~A decision of the Board of Commissioners on an application for Appeal may be appealed to the Watauga County Superior Court by an aggrieved party. Such appeal shall be in the nature of certiorari and must be filed within thirty (30) days of the filing of the decision with the Clerk to the Board.~~

SECTION 68. Advisory Opinion.

A subdivider is encouraged to submit a sketch to the Planning Staff prior to submission of a preliminary plat if s/he wishes to ascertain the feasibility of development of his property.

ARTICLE VII - GENERAL REQUIREMENTS AND MINIMUM STANDARDS OF DESIGN

SECTION 70. General Requirements.

The subdivider shall observe the following general requirements and principles of land subdivision.

- 70.01 Suitability of Land. Land which has been determined by the Watauga County Planning Board on the basis of engineering and/or other studies prepared by licensed professionals to pose an ascertainable danger to life or property by reason of its unsuitability for the use proposed shall not be platted for that purpose, unless and until the subdivider has taken the necessary measures to correct said conditions and to eliminate said dangers.

70.011 Land subject to flooding may be considered unsuitable for building development. The decision by the Planning Board shall be based on flooding history of the area and survey information furnished by Federal Emergency Management Agency (FEMA) as delineated on the Watauga County Floodway Boundary and Flood Rate Insurance Maps. Subdivision developments shall comply with the Watauga County Flood Damage Prevention Ordinance.

70.012 Generally, property which has a natural cross slope of fifty (50) percent or more is considered unfeasible for subdivision development. Any variance beyond a fifty (50) percent slope shall require the approval of the Planning Board. See Appendix H for method of defining average cross slope

- 70.02 Conformity to Existing Plans. All proposed subdivisions shall conform to any adopted plans for the county and to any applicable regulations of any existing County Zoning Ordinance. Whenever a tract to be subdivided embraces any part of a state maintained road, as designated on any officially adopted plan, such part of such public right-of-way shall be platted by the subdivider in the location and at the width indicated by said plan and provisions of this ordinance.

- 70.03 Driveway Connection Permit. A driveway connection permit issued by NC Department of Transportation shall be obtained. A Traffic Impact Analysis shall be required from the applicant under the following circumstances, unless the Planning Staff and NCDOT concur that one is unnecessary:
- (1) The development proposes to have access to any public road at a location where sight distance in any direction along the road is less than 500 feet; or
 - (2) The development proposes access onto a public road that does not have a paved width of at least 18 feet; or
 - (3) The development proposes access to a public road with current NCDOT traffic counts that are 85% of capacity shown in the most recent Watauga County Comprehensive Transportation Plan and based upon ITE trip generation rates is projected to generate 1,500 or more weekday trips; or
 - (4) The Planning Staff determines that the proposed project will have a potential negative impact on the public road system due to the size of the project or existing transportation system or determines that there are safety concerns with the driveway location and design. If a traffic impact analysis is performed and that analysis concludes that improvements are required to the transportation system, the applicant may be required to complete those improvements in connection with the project as a condition of issuing a permit. Unless an agreement is executed by the County in which the time for the improvement is specified, the improvement shall be completed prior to issuance of final plat approval.
- 70.04 Coordination and Continuation of Streets. The proposed street layout within a subdivision shall be coordinated with the existing street system of the surrounding area and where possible, existing principle streets shall be extended.
- 70.05 Access to Adjacent Properties. Where, in the opinion of the Planning Board it is necessary to provide for street access to an adjoining property, proposed streets shall be extended by dedication to the boundary of such property and a temporary turnaround shall be provided. This provision shall apply only to roads which will be state maintained (dedicated to the public).
- 70.06 Access Right-of-Way. Where a right-of-way, less than forty-five (45) feet, which provides access to property proposed for subdivision had been granted prior to June 15, 1973, and the developer presents proof in writing that s/he cannot feasibly obtain a forty-five (45) foot right-of-way to the property then s/he may be permitted to develop the property provided s/he secure at least a thirty (30) foot right-of-way into the property proposed for subdivision. If the right-of-way is less than thirty (30) feet, the Planning Board may grant a variance for development provided that the road width will meet county standards. Less-than-county-standard-width may be permitted under extreme circumstances in the judgment of the Planning Board, provided the access right-of-way is no greater than 300 feet in length and there are no view obstructions from either end of the access. Roads providing access to subdivisions shall meet the same standard as the roads

within the subdivision unless a variance specifying otherwise is granted by the Planning Board. In all cases where less than a forty-five (45) foot right of-way is used for access to a subdivision, this fact shall be contained in the disclosure statement and shown on the final plat as specified in Subsection 65.012. For purposes of this section, access road shall not include any state-maintained road. When an access road passes by an existing structure, the subdivision developer shall make efforts to protect the structure(s) from visual, noise, stormwater and other impacts potentially caused by the access road.

- 70.07 Large Tracts or Parcels. Where land is subdivided into larger parcels than ordinary building lots, such parcels should be arranged so as to allow for the opening of future streets and logical further re-subdivisions.
- 70.08 Marginal Access Streets. Where a tract of land to be subdivided adjoins a principal arterial street or a major arterial street, the subdivider may be required to provide a marginal access street parallel to the arterial street or reverse frontage on a minor street for the lots to be developed adjacent to the arterial. Where reverse frontage is established, private driveways shall be prevented from having direct access to the expressway.
- 70.09 Lots. All lots shall front, except as provided in Section 72.016, with a minimum of forty (40) feet on a dedicated through street; thirty (30) feet on cul-de-sacs. Double frontage lots shall be encouraged where terrain necessitates double frontage for reasonable access to property.
- 70.010 Street Names. Proposed streets which are obviously in alignment with existing streets shall be given the same name. In assigning new names, the provisions of the Ordinance Establishing Names For Public And Private Roads In Watauga County shall apply. Street names shall be subject to the approval of the Planning Staff.
- 70.10 Name of Subdivision. The name of a subdivision shall not duplicate nor closely approximate the name of an existing subdivision within the county.
- 70.11 Natural Assets. In any subdivision due consideration will be given to preserving natural features such as trees, ponds, streams, rivers, lakes and for any historical sites which are of value not only to the subdivision but to the county as a whole.
- 70.12 Erosion Control. In order to prevent soil erosion and sedimentation of streams, springs, flat water bodies, or other drainage networks, the subdivider shall retain the natural vegetation cover wherever possible. Further, land cleared of the natural vegetation shall be reseeded or replanted with an appropriate vegetative cover which shall be approved by the Planning Staff and Soil and Water Conservation District. In all cases of street construction, or land disturbing activity of one half (1/2) acre or more, the subdivider shall comply with the Watauga County Soil Erosion Control Ordinance. **In addition, the grading plan and specifications controlling execution of land-disturbing activities shall adhere to the following standards:**
- A. **Maximum cut slopes shall be 2H: 1V.**
 - B. **Maximum fill slopes shall be 2H: 1V.**
Innovative designs exceeding the slope standards specified herein may be approved when accompanied by a site-specific subsurface investigation, report and recommendation performed by a registered professional engineer competent in geotechnical engineering. ~~In any event, a~~ All grades shall be sloped to drain surface water away from buildings, pavements, slopes and structures, as applicable.

Also see appendix B-D for further detail.

70.13 Storm Water Drainage. The subdivider shall provide an adequate drainage system for the proper drainage of all surface water. The design of such a system shall be subject to the approval of the Planning Staff.

70.131 No surface water shall be channeled or directed into a sanitary sewer.

70.132 Where feasible, the subdivider shall connect to an existing storm drainage system.

70.133 Where an existing storm drainage system cannot feasibly be extended to the subdivision, a surface drainage system shall be designed to protect the proposed development and adjoining property from water damage.

70.14 Proposed Water and Sewage Systems. The preliminary subdivision plat must be accompanied by satisfactory evidence as to the proposed method and system of water supply and sanitary sewage collection and disposal.

70.141 Where the system is to be connected to the system owned and operated by the Towns of Boone, Blowing Rock, Beech Mountain, Seven Devils, or any associated sanitary district, or any sanitary facility of Watauga County, but not constructed by the municipalities or county, the preliminary subdivision plat shall be accompanied by a letter of approval from the proper official representing the owner of the existing system to which the proposed system is to be connected. After preliminary approval but prior to installation of a public water or sewer system, the developer shall present to the Planning Board plans for the proposed system, prepared by a registered engineer and approved by the proper official representing the owner of the system to which the proposed system is to be connected, and by the designated state agency.

70.142 Where community water/sewer systems are proposed, the preliminary plat shall be accompanied by a letter of approval from the proper official of the designated state agency or the Appalachian District Health Department, whichever is applicable. The developer shall note the type of systems to be utilized on the preliminary and final plat and shall record with the Watauga County Register of Deeds an instrument setting forth provisions for the establishment of a property owner's association for the purpose of assessing dues for maintenance of the community systems by purchasers of property which will be served within the development. The developer shall maintain community systems at least until such time that the property owner's association assumes maintenance.

70.143 Where the proposed system does not contemplate the use of facilities owned and operated by any of the above, the developer shall note on the preliminary and final plat that each lot shall have an individual water supply and sewage disposal facility to be approved by the Appalachian District Health Department. The developer shall note further which lot(s) have or have not received prior approval for septic tank use by the Appalachian District Health Department.

70.15 Cemeteries: Where a subdivision plat encompasses an existing cemetery - whether active or abandoned - the subdivider shall provide permanent access to the cemetery.

SECTION 71. Design Standards for Streets

The design standards for subdivision streets shall meet either the minimum construction standards for secondary roads as required by the N.C. Department of Transportation or the minimum construction requirements for county standard roads. When state standards are to be met, the developer shall submit proposed road specifications for the approval of the local Department of Transportation office prior to submitting a preliminary plat. It is recommended that subdivision roads be constructed to meet D.O.T. requirements in all areas where terrain is suitable for D.O.T. approval.

71.01 County Standard Roads. County standards may be utilized under the following conditions:

71.011 Prior to the recording of the final plat, the developer shall record a Declaration of Restrictions and/or approved Road Maintenance Agreement having provisions for the establishment of a property owner's association for the purpose of assessing dues for road maintenance. The developer shall maintain the road at least until such time that the property owner's association assumes maintenance.

71.012 County standard roads shall be maintained to the original graveled or paved width.

71.013 The Planning Staff may perform periodic inspections to insure that the roads are being maintained to the required width.

71.02 Design Requirements for County Standard Roads.

71.021 Right-of-Way Width. Right of way width for County standard roads shall be not less than forty-five (45) feet.

71.022 Width of Road. Graded width of road bed including ditch and shoulder areas shall have a minimum width of twenty five (25) feet. This amount may be reduced pursuant to Section 71.024.

71.023 Stoned or Paved Area. Road travel area may be either stoned or paved, and shall have a minimum width of twenty (20) feet.

71.0231 Where stone is used, it shall be "crusher-run" or DOT approved "ABC" stone compacted to a minimum of four (4) inches. In locations where soil conditions require additional stone to attain a stable road bed, the developer shall add the required amount of stone before attaining approval of the final plat.

71.0232 If the developer elects to pave county standard roads, s/he shall meet requirements of the State Department of Transportation pertaining to stone base and top surface.

71.0233 In the case of roads which were approved and for which construction began prior to the adoption of the 20-foot width requirement on May 15, 2012 the Planning Board may allow 18-foot road width provided the Board determines the following:

- a) the subject road received a preliminary plat approval prior to May 15, 2012, and
- b) the road was substantially completed to the formerly-required 18 foot width, and
- c) it is impractical from an engineering or environmental perspective to increase the width to 20 feet. Examples include, but are not limited to : 1)underground utilities have been placed in the road right-of-way, 2) cut and fill slopes have been stabilized and additional grading would unnecessarily affect the slopes, and 3) the subject road segment is the final segment of an existing road.

71.024 Shoulder Areas and Ditches. Shoulder area on cut side shall be a minimum of four (4) feet in width and shall provide a drainage ditch of adequate size to accommodate storm water run-off based on terrain and location. Shoulder width on fill side shall be a minimum width of three (3) feet. In locations where cuts are required on both sides of the road, drainage ditches and shoulders shall occupy approximately three and one-half (3 1/2) feet wide on each side. The Planning Staff may recommend shoulder design which differs from the above during site inspection and depending upon terrain and cut and fill. In addition, the staff may approve a reduction in shoulder area on the ditch side of up to one and one-half (1 1/2) feet where the road is paved and "roll type" curb and gutter is used. The total reduction in shoulder area could be three (3) feet if there is a ditch on both sides. This reduction is dependent upon adequacy of this design to handle runoff as calculated by the erosion control plan.

71.025 Road Grades. Maximum grade shall be fifteen (15) percent. A variance up to eighteen (18) percent may be granted by the Planning Board in extreme cases where terrain prohibits a lesser grade to attain access to a nearby area, if in the opinion of the Planning Board such variance will not create a hazardous or destructive condition. In no case shall a variance be granted for road grades exceeding eighteen (18) percent.

In addition, for any road containing grade(s) exceeding fifteen (15) percent, the entire road network shall be paved unless deemed unnecessary by the Planning Board in considering the variance. The Planning Board may require the placement of safety barriers on curves of such roads. The Planning Board shall also require a slope stake road profile for roads (or portions of roads where practical) with grade(s) fourteen (14) to eighteen (18) percent subsequent to preliminary plat approval. Certification of road grade by a NC licensed surveyor shall be required when deemed necessary by the Planning Board or Staff.

71.026 Culverts and Drainage. Culverts shall be of adequate size to discharge storm water from any given area depending upon terrain and location. Minimum culvert size shall be eighteen (18) inches (may be reduced at the discretion of the Planning Staff) inside diameter and shall be located and installed as recommended by the project engineer or as recommended by the Planning Staff.

71.0261 Culverts may be made of any NCDOT approved material and design and shall be installed on a constant grade of a sufficient degree to insure proper drainage and a minimum danger of becoming clogged with debris or mud.

71.0262 All culverts shall have a minimum cover of twelve (12) inches of well compacted earth. The first six (6) inches of earth surrounding the culvert shall be free of stones larger than two (2) inches square.

71.027 Curve Radius. All curves in county standard roads shall have a radius of no less than thirty five (35) feet.

71.028 Bridges. Proposed bridges which will be part of a county standard road or bridges used by more than one house, townhouse or duplex shall be constructed and maintained in accordance with AASHTO HB-17 and designed to accommodate two (2) lanes of traffic unless a variance for a one (1) lane bridge is granted by the Planning Board. Factors to be considered by the Board in deciding upon such variances are: (1) environmental impact of a one (1) lane bridge as opposed to a two (2) lane bridge; (2) density (number of houses to be served by bridge); (3) traffic flow (one lane bridges should not be placed so as to cause traffic to back up onto a major thoroughfare).

In any event, bridges serving more than one house, townhouse or duplex shall be permitted and constructed to meet NC Department of Transportation specifications, except that the width may be reduced to twenty (20) feet. Confirmation that bridges meet such specifications may be provided by either Department of Transportation engineer or a registered private engineer. In addition, one-lane bridges shall include gravel or paved turnouts on each side of the bridge(s) to provide access to the water body for fire-fighting equipment where feasible. Developers proposing bridges should request an advisory opinion from the Planning Staff to assist in designing appropriate and adequate bridges. Private bridges shall be maintained by the developer or property owners association. Suggested maintenance procedures are found in Appendix I. It is recommended that these or similar procedures be adopted as an annual procedure.

71.029 Cul-de-sacs. Turn-around right-of-way width shall be a minimum of one hundred (100) feet in diameter for round-design cul-de-sacs; the travel surface shall be a minimum of seventy (70) feet in diameter. Provided, however, that if terrain prevents construction of a round-

design cul-de-sac, "tee" and "y" types of turn-arounds may be constructed; right-of-way shall be forty-five (45) feet in width; travel surface shall be eighteen (18) feet. See Appendix K for drawings.

71.030 Turnarounds. County standard roads shall be provided with turnarounds located as near as practical to the first 1000 foot point and each 1000 foot point thereafter, but not to vary by more than 100 feet longer. Road right-of-way shall be established so as to encompass turnarounds.

71.031 Property Lines - - Concerning County Standard Roads. Roads which are to have a forty-five (45) foot right-of-way may also have the property line located along and with the centerline of the road with a twenty-two and one-half (22 1/2) foot road right-of-way measured from the centerline to each side of the road. If this method is used it shall be clearly indicated on the plats and incorporated in all deed conveyances. If the developer elects, s/he may place property line(s) twenty-two and one-half (22 1/2) feet from the centerline of the road(s) thereby providing a forty-five (45) foot right-of-way.

71.0311 Property line markers (iron rod, granite, or concrete monument) shall be placed on the side property lines at a point measured twenty-two and one-half (22 1/2) feet from the center of the road where a forty-five (45) foot right-of-way is provided.

71.0312 The minimum building set-back distance from the road abutting the front of the property shall be forty (40) feet from the center of a forty-five (45) foot right-of-way. This will place the structure 17 1/2 feet behind the right-of-way line.

71.032 Designation of Road Status. All roads shown on the preliminary and final plats shall be clearly noted as to which roads are county standard and which are constructed to meet N.C. Department of Transportation requirements.

71.0321 It is permissible to have both county standard and state approved roads within a subdivision. It is suggested that for a subdivision of substantial size with a main entrance road entering from an existing state road which will have a length of one thousand (1000) feet or more and may be extended in the foreseeable future, the entrance road should be constructed to meet N.C. Department of Transportation standards. This plan is suggested in order to insure mail delivery, state road maintenance and school bus service to a closer proximity of property owners located on county standard roads which may intersect the new public road.

71.0322 Construction of a county standard road intersecting an existing state road with the intention of connecting and serving a new state approved road is prohibited.

71.033 Disclosure. The developer shall comply with N.C.G.S.136-102.6 which provides for a Disclosure Statement from the developer to the purchaser setting forth the status (whether public or private) of the road on which the property is located. The disclosure statement shall also fully disclose the party or parties upon whom responsibility for maintenance of such roads shall rest.

SECTION 72. Design Standards for Lots

The lot size, width, depth, shape and orientation, shall be appropriate for the location and terrain of the subdivision and for the type of development and use contemplated.

72.01 Lot Area. (SEE ALSO TABLE 1)

72.011 Lots served by public/community water and NPDES sewer shall have an area of at least eight thousand (8000) square feet.

72.012 Lots served by NPDES sewer but individual water shall have an area of at least ten thousand (10,000) square feet.

72.013 Lots served by individual sewer shall have an area of at least twenty-one thousand, seven hundred eighty (21,780) square feet (one-half acre). These requirements shall be increased on the recommendation of the Appalachian District Health Department based on site investigations or percolation rates and subsoil conditions.

72.014 Lots located within drinking water supply watersheds shall comply with the size requirements specified for WS-I, WS-II, WS-III, or WS-IV found in the Watauga County Watershed Protection Ordinances.

72.015 Individual lots within townhouse developments or townhome conversions must include an individual dwelling, together with front and rear yards or rights to yards in common areas, but are otherwise exempt from minimum lot area and setback requirements.

TABLE 1 - LOT AREA REQUIREMENTS

	PUBLIC/COMMUNITY WATER, NPDES & NON-DISCHARGE SEWER SYTEMS	PUBLIC/COMMUNITY WATER, INDIVIDUAL SEWER SYSTEMS	INDIVIDUAL WATER INDIVIDUAL SEWER SYSTEMS	INDIVIDUAL WATER NPDES SEWER SYSTEMS
Minimum Lot area in square feet	8,000	21,780	21,780	10,000
Minimum Lot width in feet	75-average 40-street line**	75-average 40-street line	75-average 40-street line	75-average 40-street line
Minimum lot depth in feet	125-average	125-average	125-average	125-average
Density in units per acres	5.4 (conventional) 6.155 (PUD***)	2 (conventional) 2.261 (PUD***)	2 (conventional) 2.261 (PUD***)	4.3 (conventional) 4.924 (PUD***)

** Street line width for cul-de-sacs may be 30 feet.

*** Multiply gross area by figures shown here. These figures have 15% deduction for roadways built in. These figures do not apply where the average cross slope is 30% or greater.

NOTES: (1) PUDs served by shared individual sewer systems (see definitions) shall be permitted density of 4.522 units per acre (this figure has 15% roadway deduction built it); density permitted where average cross slope exceeds 30% shall be 4 units per acre.

(2) Minimum lot size requirements may exceed those shown above if subdivision is located in areas of the County affected by the following state and local regulations:

- Valle Crucis Historic District Ordinance (9-1-90)
- Foscoe-Grandfather Zoning Ordinance (11-6-90)
- Watershed Protection Zoning Ordinance (Winklers Creek, Howards Creek, Norris Branch, Flat Top Branch, South, East and Middle Forks New River) (1-1-94)
- High Quality Waters (HQW) regulations (Watauga River, Boone Fork Creek, Howards Creek) (8-1-90)
- Outstanding Resource Waters (ORW) regulations (Elk Creek) (3-1-89)

(3) Setback: 15 feet from side and rear property lines; 40 feet from center of 45 foot right-of-way.

(4) Appalachian District Health Department regulations require that 1 unit = 2 bedrooms for individual sewer systems.

(5) Minimum lot areas are exclusive of road right-of-way.

(6) Formula for units per acre: #units divided by total acres. Example: 10 units on 2 acres = $10/2=5$ units per acre.

(7) Except as set forth in Section 72.06, A residential lot, meeting the minimum standards of this ordinance, or being a lot which was established prior to June 15, 1973, may accommodate a single residence, a duplex, or a single residence and a detached secondary residence such as a garage apartment, provided there are no more than two (2) units.

72.02 Lot Width. All lots shall have an average width of seventy-five (75) feet and a minimum width at the street line of forty (40) feet, thirty (30) feet on a cul-de-sac.

72.03 Lot Depth. All lots shall have an average depth of at least one hundred twenty-five (125) feet.

72.04 Orientation of Lot Lines. Side lot lines are encouraged to be designed substantially at right angles or radial to street lines depending upon terrain.

72.05 Panhandle Lots. The Planning Board or Staff may approve panhandle lots where it is impractical to serve an isolated lot by a state or county standard road. The frontage of the panhandle lot shall have a minimum width of thirty-five (35) feet which will provide an access strip between two standard lots to the isolated building site. The area of such strip shall be excluded in computing the lot area and the length of said strip shall not exceed three-hundred (300) feet. If the panhandle widens to seventy (70) feet or more, it shall be included in the acreage calculation.

72.06 Access to Lots. All lots within a subdivision shall have direct vehicular access to state or county standard roads, provided however that access to a maximum of three (3) lots (each lot containing no more than one residential unit) may be provided through use of a shared private driveway. A shared private driveway shall not exceed eighteen (18) percent grade, shall be contained within a 20 foot or greater right-of-way, and shall have a 35 foot minimum curve radii. Driveway travel area may be either stoned or paved and shall have a minimum width of ten (10) feet with a vertical clearance of not less than 13 feet 6 inches. The travel area must be designed to support the loads imposed by fire apparatus and provide all weather driving capabilities. Driveways that exceed 1,000 feet in length shall have an approved pullout area with a minimum width of 10 feet and minimum length of 40 feet to allow for two-way traffic. Shared driveways shall be constructed at the time of final plat submission. There shall be no obstructions within the right-of-way of shared driveways. The developer shall record with the Watauga County Register of Deeds an instrument setting forth provisions for maintenance of the shared driveway and shall maintain the driveway at least until such time that the maintenance is assumed by others. The provisions of this subsection are applicable to shared driveways serving more than one subdivision, or a subdivision and property outside of the subdivision. Decisions of the staff may be reviewed by the Planning Board upon written appeal submitted to the Director of Planning and Inspections within thirty (30) days of the staff decision.

72.07 Building Setback Lines. The minimum building setback distance shall be as stipulated in Table 2. Structures subject to setback requirements may be completed without regard to older, more stringent setback requirements found in older subdivisions. Building setbacks shall be measured from the property line to any part of the structure above ground, including eaves and overhangs, but not including walkways or driveway/parking areas. The owner or contractor shall certify compliance with setbacks prior to inspection of the building footings.

TABLE 2 - BUILDING SETBACK REQUIREMENTS

<u>Type of Setback</u>	<u>Amount of Setback</u>
1. Distance from center of right-of-way on Highways 321, 421, 221, 105, 194. (includes all frontages of multiple frontage lots)	80 feet, but shall in all cases be at least 15 feet from the street right-of-way line.
2. Distance from center of right-of-way on all other streets. (includes all frontages of multiple frontage lots)	45 feet, or 40 feet per Section 71.0312.
3. Distance from cul-de-sac right-of-way.	15 feet
4. Distance from side property line.	15 feet
5. Distance from rear property line. (if rear property line does not front on a road)	15 feet
6. Distance (horizontal) from a stream, river, or lake.	To be determined by Watauga County Flood Damage Prevention Ordinance or other applicable regulations including but not limited to High Quality Waters, Outstanding Resource Waters, and Watershed Protection

7. Pre-existing Situations. Setback requirements contained herein are not applicable to structures and lot lines which pre-existed this ordinance and/or pre-existed the subdivision of the land upon which the structures are located. The setbacks contained herein shall apply to any new or rebuilt structures located on the subject land.

SECTION 73. Design Standards for Easements.

Easements shall be provided as follows:

73.01 Utility Easements. Easements for underground or above ground utilities shall be provided where necessary across lots or preferably centered on rear or side lot lines and shall be at least ten (10) feet in width.

73.02 Drainage Easements. Where a subdivision is traversed by a stream or drainage way, a minimum easement of fifteen (15) feet shall be provided conforming to the lines of such stream.

ARTICLE VIII - PLANNED UNIT DEVELOPMENT

SECTION 80. Definition.

A "planned unit development" (PUD) is a tract of land under single, corporate, firm, partnership, or association ownership which is planned and developed as an integral unit. It is established in a single development operation or a definitely programmed series of development operations according to an approved master development plan and a preliminary site plan.

SECTION 81. Purpose.

It is the objective of this Article to encourage PUD proposals that exhibit such special qualities or concepts that they may deviate from standard ordinance requirements. These regulations are established in order

that each PUD proposal will be evaluated on its own merits. It is recognized that some proposals or concepts will be more successful than others and the approval of a specific proposal in one situation does not mean that a similar proposal would be acceptable in other circumstances. It is also recognized that only through ingenuity, imagination, and high quality design can residential or commercial developments be produced which are in keeping with the intent of this article but which are not constrained by the strict application of conventional use and dimensional requirements of the subdivision regulations.

A Voluntary Alternate Procedure

Use of the PUD procedure is not mandatory for the development of any site or area. Rather, this process will provide a voluntary alternate development procedure which has one or more of the advantages listed below.

- a) Permit creative approaches to the development of residential or commercial land, reflecting changes in the technology of land development.
- b) Accomplish a more desirable environment than would otherwise be possible, by providing for a variety of housing types, designs and arrangements.
- c) Provide for an efficient use of land which can result in smaller networks of utilities and streets and reduce development costs.
- d) Enhance the appearance of neighborhoods through the preservation of natural features, and the provision of recreational and open space areas.
- e) Provide an opportunity for new approaches to home ownership.
- f) Provide an environment of stable character compatible with surrounding residential and natural areas.

81.01 Minimum Requirements.

- a) The normal lot size, setbacks and frontage requirements are hereby waived for lots or building sites within the planned unit development, provided that the spirit and intent of this article are complied with in the total development plan, as determined by the Planning Board. Compliance with ~~standard subdivision setback requirements~~ **the buffering and screening requirements found in Appendix J** along the perimeter of a PUD is required. ~~The Planning Board shall exercise ultimate discretion as to whether the total development plan does comply with the spirit and intent of this section.~~
- b) Height limitations: All buildings shall comply with the Watauga County Ordinance to Govern the Height of Structures or the NC Ridge Law, whichever is applicable.
- c) All streets providing access to a PUD and streets within a PUD shall be constructed to at least County standards regarding right-of-way and width, and must be paved.
- d) Every dwelling unit shall have access to a public or private street, walkway or other area dedicated to common use, and there shall be provision for adequate vehicular circulation to all development properties, in order to ensure acceptable levels of access for emergency vehicles.
- e) Every planned unit development shall provide at least two (2) off-street parking spaces per dwelling unit and commercial/office parking and loading space according to the following schedule.
 1. Parking space for commercial/office shall consist of one (1) off-street parking space for each two hundred (200) square feet of gross floor area for operations designed to attract and serve customers and clients on the premises; one (1) space for each four hundred (400) square feet

- of gross floor area for operations designed to attract little or no customer or client traffic other than employees of the operation; one and one half (1.5) spaces per bedroom for hotels, motels, and inns; one and one half (1.5) spaces per three (3) employees for industrial and warehouse uses.
2. Parking spaces shall be a minimum of nine feet by eighteen feet (9' x 18') in size.
 3. Loading/unloading space for commercial/ office uses shall consist of one (1) space at least three hundred (300) square feet in size for each five thousand (5000) square feet of gross floor area.
 4. Parking and loading areas for all multi-unit buildings shall be accessible to fire department apparatus through the use of fire lanes or other means of access approved by the County Fire Marshal /Emergency Management Office.

g) Grading and erosion control shall be undertaken in accordance with Section 70.12.

81.02 Land Development Standards. Subject to the provisions set forth herein, residential, office, commercial, or mixed use PUD's are permitted uses. Common land must be an essential element of the PUD, provided in lieu of standard individual lots. **A minimum of thirty- three percent (33%) of the total land area must be permanently dedicated permanent** as any combination of common space, open space or green space. Road and parking areas and buildings are shall not be included in common land for purposes of this subsection; areas designated for septic drain fields and repair areas and well buffers shall be included. Also included, for example, are outdoor recreation areas and no-wall structures such as picnic shelters.

81.021 Residential Uses. Residential units within a PUD may include single family detached or attached units, townhouse developments, garden apartments, patio homes, and other type residential units. Condominium, cooperative, individual, municipal, or any other type of ownership development may be recorded, and the plan shall be approved as a preliminary and final plat according to the requirements of the subdivision regulations.

81.022 Non-Residential Uses. Non-residential uses (commercial and office) within residential PUD's shall not constitute the primary use in the PUD, and non-residential uses shall be carefully designed to complement the residential uses within the PUD. Commercial/office PUD's are permitted, and are subject to the same requirements as residential PUD's including Subsection 81.021 above.

81.023 Privacy. Each development shall provide reasonable visual and acoustical privacy for all dwelling units. Fences, insulation, walkways, barriers, and landscaping shall be used, as appropriate, for the protection and aesthetic enhancement of property and the privacy of its occupants.

81.024 Perimeter Requirements. ~~If topographical or other barriers within two hundred (200) feet of the development do not provide reasonable privacy for existing uses adjacent to the development, the Planning Board may require that structures located on the perimeter of the development be well screened in a manner which is approved by the Planning Board. If screening is required, the standards of Appendix J shall apply.~~

81.03 Density. The density which may be constructed within the Planned Unit Development shall be determined by dividing the gross project area minus fifteen percent (15%) of the total (to account for roadways) by the required lot area per unit which is required on Table 1 for conventional subdivisions, and modified by the increases in density permitted under this Section. Density (units per acre) may be increased (see Table 1) if the character of the development and/or amenities incorporated in the development warrant such increases provided that in no case shall the density

increase cause the density of the Planned Unit Development to be more than thirty-three percent (33%) in excess of the density which would be achieved under standard subdivision regulations.

81.031 Limits Upon Density Increases. If the Planning Board finds that any of the following conditions would be created by an increase in density, it may either deny an application for increase in density, or limit the increase in density by an amount sufficient to avoid the creation of any of the following conditions:

- a) Inconvenient or unsafe access to the development.
- b) Traffic congestion in streets adjoining the development.
- c) An excessive burden imposed on parks, recreational areas, schools, and other public facilities which serve or are proposed to serve the development.

81.032 Denial of Density Increases. The increases in density shall not apply where the average cross slope is thirty (30) percent or greater. See appendix H for method of determining average cross slope.

81.04 Conveyance and Maintenance of Common Land. Conveyance and maintenance of common land, common elements, open space, green space, recreational areas and other facilities owned in common shall be in accordance with the Unit Ownership Act (Chapter 47-A of the North Carolina General Statutes), the Condominium Act (Chapter 47-C), the Planned Community Act (Chapter 47-F) and/or any other applicable state or federal law.

81.05 Improvements

81.051 Circulation Facilities. The arrangement of public and common ways for pedestrian and vehicular circulation in relation to other existing or planned streets in the area, together with provisions for street improvements, shall be in compliance with standards set forth in Subsections 71.023 and 71.024 above (unless a variance for one lane traffic has been granted). Upon application by the developer and good cause shown, the Planning Board may permit changes or alterations of such standards which are consistent with the spirit and intent of this section.

81.052 Utilities. Whenever reasonably possible, all Planned Unit Developments shall provide for underground installation of utilities (including electricity and telephone) in both public ways and private extensions thereof. Provisions shall be made for acceptable design and construction of storm water facilities including grading, gutters, piping, treatment of turf to handle storm waters and erosion prevention. Utilities and maintenance of facilities shall be in accordance with the requirements and regulations of the appropriate governmental authority having jurisdiction thereof.

A planned unit development application shall not be approved unless adequate assurance is given that public or community water and sanitary sewer service will be available, except that upon application by the developer and good cause shown, the Planning Board may modify or waive this requirement provided such action is consistent with the spirit and intent of this section.

81.053 Pedestrian Circulation. Any pedestrian circulation system and its related walkways shall be insulated as completely and as reasonably as possible from the vehicular street system in order to provide separation of pedestrian and vehicular movement. This shall include where deemed to be necessary by the Planning Board pedestrian underpass or overpass in the vicinity of schools, playgrounds, local shopping areas, and other neighborhood uses which generate a considerable amount of pedestrian traffic.

81.06 PUD Reviewed As Subdivision

It is the intent of this regulation that subdivision review under these regulations be carried out as an integral part of the review of a Planned Unit Development under the Section. The plans required under this Section must be submitted in a form which substantially will satisfy requirements of these regulations for the preliminary and final plat approvals. The plans may also be subject to review by the County Board of Adjustment if the PUD is proposed in a zoned area. Approval of a Conditional Use Permit for a PUD by the Board of Adjustment shall constitute preliminary plat approval; Planning Board approval of preliminary plat(s) is not required. The Planning Board shall approve all final plats. The Planning Staff has the authority to approve final plats consisting of up to ten (10) lots or buildings. The Planning Board shall approve all other final plats.

81.061 Phased Developments. If the proposed PUD is to be developed in phases, the developer shall submit a master plan as specified in Section 64 of this Ordinance.

81.062 Advisory Opinion. Prior to formal master plan or a preliminary plat submission, the developer is encouraged to submit a sketch plan of the PUD to the Planning Staff in order to obtain an advisory opinion of the project's feasibility.

SECTION 82. Affordable Housing PUD.

It is the objective of this section to encourage the provision of housing that is affordable to low and moderate income households. These regulations are established in support of Watauga County's adopted Affordable Workforce Housing policy (See Appendix "L") and provide a voluntary alternative procedure to encourage development of housing affordable to all income levels, particularly first time home buyers.

The following are definitions of the words or terms utilized in this Section:

Affordable Dwelling Unit. A dwelling unit that is offered for sale or rent at a total monthly mortgage or rental price (including utilities) which is no greater than 1/12 of 30% of the Area Median Income as established annually by the United States Department of Housing and Urban Development, adjusted for assumed household size based on unit size. The assumed household size shall be (2) persons in a one bedroom unit, (3) persons in a two bedroom unit, and (4) persons in units containing three or more bedrooms.

Affordable Housing PUD. A Planned Unit Development, as defined by Section 80., in which 51% or more of the included dwelling units meet the definition of an Affordable Dwelling Unit.

82.01 Minimum Requirements.

The minimum requirements for development of an Affordable Housing PUD shall be as established in Section 81.01, with the exception of the following:

- a.) Streets within an Affordable Housing PUD shall be constructed in accordance with Section 71.023. The right-of-way shall not be less than thirty (30) feet.
- b.) Affordable Dwelling Units within an Affordable Housing PUD shall provide one (1) off-street parking space per unit.
- c.) When an Affordable Housing PUD contains both Affordable Dwelling Units and market rate housing, the Affordable Dwelling Units shall be intermixed with the market rate units.
- d.) When an Affordable Housing PUD contains both Affordable Dwelling Units and market rate housing, the general exterior design and appearance of the Affordable Dwelling Units shall be compatible with the market rate units.

82.02 Land Development Standards.

The land development standards for an Affordable Housing PUD shall be as established in Section 81.02.

82.03 Density.

The density which may be constructed within an Affordable Housing PUD shall be determined by the capacity of the proposed water and sewer systems, provided that the proposed density does not result in the any of the following conditions:

- a.) Inconvenient or unsafe access to the development.
- b.) Traffic congestion in the streets adjoining the development.
- c.) An excessive burden imposed on parks, recreation areas, schools and other public facilities which serve or are proposed to serve the development.

82.04 Conveyance and Maintenance of Common Land.

Conveyance and maintenance of common land within an Affordable Housing PUD shall be as established in Section 81.04.

82.05 Improvements.

Required improvements within an Affordable Housing PUD shall be as established in Section 81.05.

82.06 Procedure.

Applications for an Affordable Housing PUD shall be reviewed by Planning Board or Board of Adjustment in accordance with Section 81.06. In addition:

- a.) Applications containing Affordable Dwelling Units shall be processed with priority over others.
- b.) Highest priority for processing shall be given to applications involving partnerships with a community land trust or other non-profit organization responsible for ensuring long-term retention of affordable housing.
- c.) The County shall waive review fees associated with Affordable Housing PUDs meeting the criteria established herein.
- d.) If market rate housing units are included within an Affordable Housing PUD constructed in phases or over a time period exceeding 12 months, a proportional amount of Affordable Dwelling Units must be completed concurrently with the market rate housing units.
- e.) An agreement in a form approved by the County must be recorded with the Register of Deeds requiring Affordable Dwelling Units which are provided under this section to remain as affordable housing for the life of the project. This agreement shall be a covenant running with the land, binding on the assigns, heirs and successors of the applicant.

ARTICLE IX - INSTALLATION OF PERMANENT REFERENCE POINTS AND IMPROVEMENTS

SECTION 90. PERMANENT REFERENCE POINTS.

Prior to the approval of the final plat, permanent reference points shall have been placed in accordance with N.C.G.S. 89C and N.C.G.S. 47-30, which provide regulations for surveyors for the mapping of subdivisions. Additionally, the following requirements shall be met:

- 90.01 Block Tie Lines. Each block shall have adequate tie line(s) showing bearing and distance between one established point on each side of the road.
- 90.02 Certificate. A certificate signed by the surveyor meeting the requirements of N.C.G.S. 47-30 et. seq. for proof upon oath that the plat is in all respects correct, written as shown in Subsection 65.032.

SECTION 91. Installation of Improvements.

Prior to the approval of the final plat, the subdivider shall have complied with the following requirements.

- 91.01 Streets and Storm Drainage Facilities. All streets and storm drainage facilities in the subdivision shall be constructed in accordance with specifications and standards of the State Department of Transportation, Division of Highways, or the Watauga County Road Standards.
- 91.02 Water Lines. Where public water is reasonably accessible, the subdivider shall connect with the public supply and shall provide water mains and a suitable water connection to each lot. Where a public water supply is not reasonably accessible, the subdivider may provide for connection to a community system, establishment of a new public or community system, or for shared or individual wells. Water source shall be noted on the final plat.
- 91.03 Sanitary Sewers. Where a public sanitary sewer system is reasonably accessible, the subdivider shall connect with the public system and shall provide a connection for each lot. Where a public sanitary sewer system is not accessible, the subdivider may provide for connection to an existing private system, establishment of a new private system, or for shared or individual septic systems. Sewage disposal method shall be noted on the final plat.
- 91.04 Installation at time of Final Plat. In the event that any public or community utilities are not installed at the time of final plat approval, bond or other security guarantee may be required by the Planning Board as specified in Section 92.

SECTION 92. Deferment of Improvements.

Where it is in the best interest of all parties concerned to defer the installation or completion of some required improvement, the Planning Board may approve the final plat if the subdivider posts a bond with surety or other guarantees satisfactory to the County Commissioners in an amount equal to the estimated cost of the deferred improvements plus twenty (20) percent. Such guarantees shall assure either the performance of the specified work or payment of the specified sum to the County if such improvements have not been installed within the time specified on the final plat. At least fifty percent (50%) of the required improvements shall be completed prior to submission of a request for approval of a performance guarantee by a subdivider.

ARTICLE X - REGULATION OF MULTI-UNIT STRUCTURES

SECTION 100. Definition.

A "multi-unit" structure is a building containing three (3) or more separate and independent dwellings, offices, or commercial establishments (excluding hotels/motels). This definition shall apply whether the building and/or individual units contained within are for sale, lease, or rent.

An “Affordable Housing Multi-Unit Structure” is a multi-unit structure containing at least (3) dwelling units, 51% or more of which are offered for sale or rent at a total monthly mortgage or rental price (including utilities) which is no greater than 1/12 of 30% of the Area Median Income as established annually by the United States Department of Housing and Urban Development, adjusted for assumed household size based on unit size. The assumed household size shall be (2) persons in a one bedroom unit, (3) persons in a two bedroom unit, and (4) persons in units containing three or more bedrooms.

SECTION 101. Purpose.

The purpose of this article is to provide for a site plan review of multi-unit structures in order to regulate density, parking/loading, building setbacks, and other public health, safety, and general welfare concerns.

SECTION 102. Application of Article.

This Article shall apply to any multi-unit construction which consists of one (1) building only. Any multi-unit development consisting of two (2) or more building sites or any townhouse development regardless of the number of buildings, shall comply with Article VIII (Planned Unit Development) of this Ordinance, including phased developments where each phase consists of one (1) building only.

SECTION 103. Standards of Design.

The developer shall observe the following standards of design.

103.01 Density.

The number of units per acre allowed shall depend upon the availability of public/community water and sewer facilities, and shall be determined as described in Subsection 81.03 and depicted on Table 1. If no roadway is to be constructed, the same method of calculating density shall be used, except that the gross area will not be required to be reduced by fifteen (15) percent. **A minimum of thirty- three percent (33%) of the total land area must be permanently dedicated permanent as any combination of common space, open space or green space.** Road and parking areas and buildings ~~are~~ shall not be included in common land for purposes of this subsection; **areas designated for septic drain fields and repair areas and well buffers shall be included.** Also included, for example, are outdoor recreation areas and no-wall structures such as picnic shelters.

For Affordable Housing Multi-Unit Structures, the number of units per acre allowed shall depend upon the capacity of proposed water and sewer system(s), provided that the proposed density does not result in the any of the following conditions:

- a.) Inconvenient or unsafe access to the development.
- b.) Traffic congestion in the streets adjoining the development.
- c.) An excessive burden imposed on parks, recreation areas, schools and other public facilities which serve or are proposed to serve the development.

103.02 Off-Street Parking/Loading.

The provisions of Subsection 81.01 (e) shall apply. At a minimum, parking areas shall be graveled.

For Affordable Multi-Unit Structures, one (1) required off-street parking space may be eliminated for each Affordable Dwelling Unit provided. Additional parking reductions may be allowed when development:

- a.) Is an adaptive re-use of previously developed property, or
- b.) Is located within 1 mile of Appalachian State University or other major employment center, or
- c.) Is located on an established AppalCart Route, or
- d.) Has transit service or other acceptable alternative transportation provided by the developer.

103.03 Streets and Private Drives.

All multi-unit structures shall front on a state maintained road or a county standard road as defined in this Ordinance. A private drive may be used to provide access to one three (3) unit structure.

103.04 Height Requirements.

All multi-unit structures shall comply with the Ordinance Governing the Height of Structures in Watauga County or the North Carolina Ridge Law, whichever is applicable. Building Height will be determined by the Watauga County Building Inspector.

103.05 Building Setback Requirements.

Building setbacks shall conform with Table 2 (Subsection 72.017), **unless superseded by Appendix J.**

103.06 Utilities.

Developers of multi-unit structures are encouraged to provide public/community water and sewer facilities whenever feasible. Developers are also encouraged to provide underground electric and telephone lines where feasible.

103.07 Buffers.

It is the intent of this ordinance to promote high quality multi-unit developments which do not create a nuisance, aesthetic or otherwise, for existing adjacent residential areas. Therefore, the ~~Planning Board or Staff may require planted buffer(s) in order to prevent such nuisance. If a buffer is required, the provisions of Appendix J shall apply. A Staff decision to require a buffer is subject to review by the Planning Board upon written appeal submitted to the Director of Planning and Inspections within thirty (30) days of the staff decision.~~

SECTION 104. Submission of Site Plans.

Developers of proposed multi-unit structures which will be regulated by this Article shall submit a site plan to the Planning Staff. If the proposed structure contains ten (10) or less units, the Staff shall approve or disapprove said plan. If the proposed structure contains eleven (11) or more units, or the developer is requesting a variance, the Planning Board shall approve or disapprove said plan. Construction may begin upon such approval. Site plans shall show how the requirements of Section 103 will be met. Specifically, site plans shall include as applicable:

- 104.01 A sketch vicinity map showing the relationship of the proposed development with the surrounding area.

- 104.02 The location of existing and platted property lines, streets, buildings, water courses, transmission lines, sewers, bridges, culverts, and drain pipes, water mains, city and county line (if adjoining) and any public utility easements.
- 104.03 Boundaries of the tract shown with distances and approximate acreage.
- 104.04 Names of adjoining property owners or subdivisions.
- 104.05 Zoning classification, if any, both on the land to be developed and on adjoining land.
- 104.06 Proposed streets, street names, rights-of-way, roadway widths, approximate grades and proposed drainage facilities.
- 104.07 Other proposed rights-of-way or easements showing locations, widths and purposes.
- 104.08 Proposed building set back lines.
- 104.09 Proposed utility layouts (sewer, water, electricity showing connections to existing systems or plans for central water system or package sewage system, or designation for individual water and sewage).
- 104.10 Proposed parks, open spaces, or any other public areas.
- 104.11 Name of owner, developer, engineer and registered surveyor.
- 104.12 Title, date, north point and graphic scale.
- 104.13 When an area covered by the plan includes or abuts a water area (stream, river or lake) the following additional information is required:
- 104.131 Relationship with floodway and flood plain as delineated by the county floodway boundary and flood insurance rate maps.
- 104.132 Any proposed dock lines beyond which no dock structure may be constructed.
- 104.133 Methods of providing ingress and egress from uplands to water area.
- 104.134 Names of the owners of the water area.
- 104.14 ~~A soil erosion control plan shall be submitted along with the site plan if required by ordinance or statute.~~ Grading and erosion control shall be undertaken in accordance with Section 70.12.

SECTION 105. Inspections.

Prior to issuance of an Inspection Certificate for a final building inspection, the Planning Staff shall conduct a site inspection to assure that the multi-unit structure meets the requirements of this Article. The developer of a multi-unit structure shall pay an inspection fee (in addition to purchase of a building permit) in the same amount per structure as is assessed for Planned Unit Developments.

ARTICLE XI - VARIANCES

Where, because of topographical or other conditions peculiar to the site, or as otherwise specified in this ordinance (Sections 70.05, 70.012, 71.025, 71.028), strict adherence to the provisions of this ordinance

would cause an unnecessary hardship, the Planning Board may authorize a variance, if such variance can be made without destroying the intent of this ordinance. The Planning Board shall make written findings which either supports the granting of the variance or which specify why the variance should not be granted. All requests for variances must be made in writing by the developer or by the affected property owner. All requests for variance from setbacks shall be accompanied by a surveyed drawing showing property lines, right-of-way lines, existing structures, and proposed structures.

A variance may also be proper when environmental concerns are viewed in light of the spirit and intent of the planning ordinances. Such request may be made by the applicant or any member of the planning board. Variances will not ordinarily be granted if the special circumstances on which the applicant relies are a result of the actions of the applicant or owner or previous owners.

Reasonable conditions may be imposed in connection with a variance as deemed necessary to protect the best interests of the surrounding property or neighborhood, and otherwise secure the purpose and requirement of this chapter.

When unnecessary hardships would result from strict application of the ordinance, upon application by an aggrieved party with standing, the Planning Board may hold a hearing pursuant to NCGS §160A-388 (a2) and may grant variances to the provisions of the ordinance in accordance with the standards and procedures established in NCGS §160A-388(d), and as established by County policy.

ARTICLE XII - PENALTIES

SECTION 120. Building Permits

No permits for any building or structures will be issued upon any land requiring approval as a subdivision under the conditions set forth herein, unless a final plat is recorded, except as set forth elsewhere in this ordinance.

SECTION 121. Misdemeanor.

It shall be a violation of N.C.G.S.153A-334, if a person who is the owner or the agent of the owner of land located within the territorial jurisdiction of this subdivision ordinance, subdivides his land in violation of the ordinance or transfers or sells land by reference to, exhibition of, or any other use of a plat showing such subdivision before the plat has been properly approved under this ordinance and recorded in the Office of the Register of Deeds. Such violation shall be a Class 1 misdemeanor.

121.01 The description by metes and bounds in the instrument of transfer or other document used in the process of selling or transferring land does not exempt the transaction from this penalty.

121.02 The provisions of this section shall not prohibit any owner or its agent from entering into contracts to sell or lease by reference to an approved preliminary plat for which a final plat has not yet been properly approved under this ordinance or recorded with the Register of Deeds, provided the contract complies with the provisions of NCGS 153A-334(b) or (c).

SECTION 122. Injunctive Relief and Other Equitable Remedies.

The County may bring an action for injunction and order abatement for any illegal subdivision, or transfer, conveyance or sale of land therein and the Court shall, upon appropriate findings, issue an injunction and order requiring the offending party to comply with this subdivision ordinance, under N.C.G.S.153A-123(e).

This ordinance may also be enforced by other appropriate equitable remedies issued from a court of competent jurisdiction under N.C.G.S.153A-123(d).

SECTION 123. Civil Penalties.

In lieu of or in addition to the criminal penalties set forth above, a subdivider or other person violating this ordinance may be subject to a civil penalty pursuant to N.C.G.S.153A-123 of not more than \$500.00. Each day the individual is in violation of this ordinance shall be considered a separate offense. Prior to assessing a civil penalty, the County shall give notice to the offending party and a period of not less than ten (10) days to cure the violation. Once notice of the initial violation is given to the offending party, it shall not be necessary for subsequent notice to be given for subsequent days in which the offending party is in violation of this ordinance. If the offending party does not pay such penalty within thirty (30) days of notification of the assessment, it may be recovered by the County in a civil action in the nature of a debt. The offending party may contest said penalty in the court of appropriate jurisdiction.

SECTION 124. ~~Appellate Procedure.~~ Appeals.

~~Any action taken by the Watauga County Planning Board pursuant to this ordinance adverse to any party with standing to contest said decision, may be taken to the Watauga County Board of Commissioners within thirty (30) days of the date of the decision by submitting written notice of appeal to the Watauga County Manager's Office. The notice of appeal shall state the grounds for the appeal with specificity. The County Manager shall schedule a hearing for the next regular Board of County Commissioners meeting (provided the appeal is received prior to the meeting agenda deadline) and notify the appellant of this meeting. The Board of County Commissioners shall conduct a *de novo* review and render a decision affirming, reversing, remanding or modifying the decision of the Planning Board.~~

~~Any action taken by the Ordinance Administrator pursuant to this ordinance adverse to any party with standing to contest said decision, may be taken by giving notice of appeal in writing to the Ordinance Administrator and the Clerk to the Board of Commissioners within thirty (30) days following issuance of the final order. The Board of Adjustment shall hear an appeal within a reasonable time and may affirm, modify and affirm, or reverse the order.~~

~~A decision of the Watauga County Planning Board or the Board of Commissioners on the appellants appeal may be appealed to the Watauga County Superior Court by the appellant. Such appeal shall be in the nature of a petition for certiorari and must be filed within thirty (30) days of the date of the decision of either Board.~~

~~Nothing in this section shall be deemed to amend or replace any appeals procedure set forth more specifically under any specific provision of this ordinance.~~

Any action taken by the Watauga County Planning Board pursuant to this ordinance adverse to any party with standing to contest said decision may be taken to the Superior Court of Watauga County, pursuant to NC General Statute 153A-336, within thirty (30) days of the decision.

ARTICLE XIII -AMENDMENTS

SECTION 130. Amendment Procedure.

This ordinance may be amended from time to time by the Board of County Commissioners as herein specified, but no amendment shall become effective unless it shall have been proposed by or shall have been submitted to the Planning Board for review and recommendation. The Planning Board shall have thirty (30) days within which to submit its report. If the Planning Board fails to submit a report within the specified time, it shall be deemed to have recommended approval of the amendment.

Should any Federal or State regulation or statute incorporated herein by reference or otherwise referred to herein, be changed or amended, or should either require or mandate a different procedure or change or impose new, different or additional requirements, then, in that event, this ordinance shall be deemed to have been amended without further action to have complied with such new, additional or amended requirements.

APPENDIX A

GUIDE FOR SUB-DIVISION DEVELOPMENT IN WATAUGA COUNTY

1. Evaluate your property for either sub-dividing or planned unit development (resorts, clusters, time-shares, condominiums, townhouses, apartments, etc.) suitability.
2. Evaluate your capital outlay for road(s) and other improvement and environmental protection measures.
3. Consult the Department of Planning and Inspections at (828)265-8043 to ascertain the legal aspects and requirements for any such projects.
4. Consult a licensed surveyor and/or professional engineer for project drawings and layout.
5. Maintain close contact with those persons contracted for the planning phase of the project so as to have a working knowledge of the project.
6. Solicit bids and/or contract a grading contractor to complete all planned construction.
7. The developer will be responsible for environmental protection measures during development and also will be financially responsible for all work on the project.
8. Present a finished development that complies with all local and state ordinances concerning land use and also one that is appealing to the consumer.
9. In working with the Watauga County Ordinance to Govern Subdivisions and Multi-Unit Structures, the Watauga County Soil Erosion and Sedimentation Control Ordinance and the Watauga County Building Inspectors and Fire Marshal, those persons responsible for each area will assist you in the construction stages of development.
10. Obtain copies of the following additional Ordinances from the Department of Planning and Inspections as needed:

Flood Damage Prevention Ordinance.
 N.C. Ridge Law.
 Ordinance to Govern the Height of Structures.
 Mobile Home Parks Ordinance.
 Subdivision Regulations for Recreational Vehicle Parks.
 Valle Crucis Historic District Ordinance.
 Foscoe Grandfather Zoning Ordinance.
 Watershed Protection Zoning Ordinance.
 Watershed Protection Ordinance for Pond Creek.

APPENDIX B

GUIDELINES FOR DEVELOPING
EROSION AND SEDIMENT CONTROL PLANS
FOR WATAUGA COUNTY, NORTH CAROLINA

I. INTRODUCTION

Extensive amounts of sediment are produced from grading streets and roads in the mountain sections of North Carolina when erosion control measures are not properly designed and installed. Irreversible damage to land, streams and lakes is occurring from acceleration of development in this area. This is offered as a minimal guideline, but the developer must keep in mind that the Sediment and Pollution Control Act and the Watauga County Soil Erosion and Sedimentation Control Ordinance are performance oriented and s/he must do whatever is necessary to prevent off-site damage.

This guide is developed to assist planners and developers to protect land and streams from sedimentation as required by the Watauga County Soil Erosion and Sedimentation Control Ordinance.

The Ordinance requires that an erosion control plan be prepared and its measures installed where one-half acre or more is disturbed by grading. This also applies to all subdivision roads and any land disturbing activity which causes off-site erosion damage regardless of acreage.

The practices in this guide, when properly installed and maintained, are methods used in the past that have minimized erosion and sedimentation and meet the mandatory standards required by the Sedimentation Pollution Control Act of 1973 and the Watauga County Soil Erosion and Sedimentation Control Ordinance. The mandatory standards are listed on the following page.

II. MANDATORY STANDARDS FOR LAND DISTURBING ACTIVITY

No land disturbing activity subject to this article shall be undertaken except in accordance with the following mandatory requirements:

a. Buffer Zone

- (1) No land-disturbing activity during periods of construction or improvement to land shall be permitted in proximity to a lake or natural watercourse unless a buffer zone is provided along the margin of the watercourse of sufficient width to confine visible siltation within the twenty-five percent (25%) of the buffer zone nearest the land-disturbing activity. Waters that have been classified as trout waters by the Environmental Management Commission shall have an undisturbed buffer zone 25 feet wide or of sufficient width to confine visible siltation within the twenty-five (25%) of the buffer zone nearest the land-disturbing activity, whichever is greater. Provided, however, that the county may approve plans which include land-disturbing activity along trout waters when the duration of said disturbance would be temporary and the extent of said disturbance would be minimal. This subdivision shall not apply to a land-disturbing activity in connection with the construction of facilities to be located on, over, or under a lake or natural watercourse.
- (2) Unless otherwise provided, the width of a buffer zone is measured from the edge of the water to the nearest edge of the disturbed area, with the 25 percent of the strip nearer the land-disturbing activity containing natural or artificial means of confining visible siltation.
- (3) The 25 foot minimum width for an undisturbed buffer zone adjacent to designated trout waters shall be measured horizontally from the top of the bank.
- (4) Where a temporary and minimal disturbance is permitted as an exception by Section 7(a)(1) of this ordinance, land-disturbing activities in the buffer zone adjacent to designated trout waters shall be

limited to a maximum of 10% of the total length of the buffer zone within the tract to be distributed such that there is not more than 100 linear feet of disturbance in each 1000 linear feet of buffer zone. Larger areas may be disturbed with the written approval of the Director.

- (5) No land-disturbing activity shall be undertaken with a buffer zone adjacent to designated trout waters that will cause adverse temperature fluctuations, as set forth in 15A NCAC 2B.0211 "Fresh Surface Water Classification and Standards", in these waters.

- a. ~~Graded Slopes and Fills - The angle for graded slopes and fills shall be no greater than the angle which can be retained by vegetative cover or other adequate erosion control devices or structures. In any event,~~ **The grading plan and specifications controlling execution of land-disturbing activities shall adhere to the following standards:**

A. Maximum cut slopes shall be 2H:1V.

B. Maximum fill slopes shall be 2H:1V.

Innovative designs exceeding the slope standards specified herein may be approved when accompanied by a site-specific subsurface investigation, report and recommendation performed by a registered professional engineer competent in geotechnical engineering. In any event, a ~~All grades shall be sloped to drain surface water away from buildings, pavements, slopes and structures, as applicable.~~

Slopes left exposed will, within 15 working days or 30 calendar days of completion of any phase of grading, whichever period is shorter, be planted or otherwise provided with ground cover, devices, or structures sufficient to restrain erosion.

- b. Ground Cover - Whenever land-disturbing activity is undertaken on a tract comprising more than one-half acre, if more than one-half acre is uncovered, the person conducting the land-disturbing activity shall install such sedimentation and erosion control devices and practices as are sufficient to retain the sediment generated by the land-disturbing activity within the boundaries of the tract during construction upon and development of said tract, and shall plant or otherwise provide a permanent ground cover sufficient to restrain erosion after completion of construction or development. Except as provided in Section III (b)(5) of this ordinance, provisions for a ground cover sufficient to restrain erosion must be accomplished within 15 working days or 90 calendar days following completion of construction or development whichever period is shorter.
- c. Prior Plan Approval - No person shall initiate any land-disturbing activity on a tract if more than one-half acre is to be uncovered unless, thirty or more days prior to initiating the activity, an erosion and sedimentation control plan for such activity is filed with and approved by Watauga County, or unless for land-disturbing activity or more than a half acre but less than an acre the requirement for such plan had been waived as specified in Section 17. The County will attempt to review plans as quickly as possible. The initiation of land-disturbing activities shall not be restricted when the plan is approved and permit issued in less than 30 days.

III. DESIGN AND PERFORMANCE STANDARD

- a. Except as provided in Section 8(b)(2) of this ordinance erosion and sedimentation control measures, structures, and devices shall be so planned, designed, and constructed as to provide protection from the calculated maximum peak rate of runoff from the 10-year storm. Runoff rates shall be calculated using the procedures in the USDA, Soil Conservation Service's "National Engineering Field Manual for Conservation Practices", or other acceptable calculation procedures.
- b. In High Quality Water (HQW) zones the following design standards shall apply:

- (1) Uncovered areas in HQW zones shall be limited at any time to a maximum total area within the boundaries of the tract of 20 acres. Only the portion of the land-disturbing activity within a HQW zone shall be governed by this section. Larger areas may be uncovered within the boundaries of the tract with the written approval of the Director.
- (2) Erosion and sedimentation control measures, structures, and devices within HQW zones shall be so planned, designed and constructed to provide protection from the run off of the 25-year storm which produces the maximum peak rate of run off as calculated according to procedures in the United States Department of Agriculture Soil Conservation Service's "National Engineering Field Manual for Conservation Practices" or according to procedures adopted by any other agency of this state or the United States or any generally recognized organization or association.
- (3) Sediment basins within HQW zones shall be designed and constructed such that the basin will have a settling efficiency of at least 70% for the 40 micron (0.04 mm) size soil particle transported into the basin by the runoff of that 2-year storm which produces the maximum peak rate of runoff as calculated according to procedures in the United States Department of Agriculture Soil Conservation Service's "National Engineering Field Manual for Conservation Practices" or according to procedures adopted by any other agency of this state or the United States or any generally recognized organization or association.
- (4) Newly constructed open channels in HQW zones shall be designed and constructed with side slopes no steeper than 2 horizontal to 1 vertical if a vegetative cover is used for stabilization unless soil conditions permit a steeper slope or where the slopes are stabilized by using mechanical devices, structural devices or other acceptable ditch liners. In any event, the angle for side slopes shall be sufficient to restrain accelerated erosion.
- (5) Ground cover sufficient to restrain erosion must be provided for any portion of a land-disturbing activity in a HQW zone within 15 working days or 60 calendar days following completion of construction or development, whichever period is shorter.

IV. PLANNING AND DESIGN CONSIDERATIONS TO CONTROL EROSION AND SEDIMENTATION

The following list of considerations, activities, and techniques of development within Watauga County should all be taken into account during the planning phase of a development:

1. Reducing the Potential for Off-site Sediment Damage
2. Location of Roads
3. Soil Types and Properties
4. Buffer Zones
5. Construction Techniques
6. Sequence of Construction and Time of Soil Exposure
7. Seasonal Construction Scheduling
8. Clearing and Grubbing
9. Stream Crossings and Stream Protection
10. Road Grades and Side Ditches
11. Road Cut & Fill Slopes
12. Underground Seepage or Wetlands
13. Culvert Placement and Sizing
14. Borrow and Waste Areas
15. Utility Placement
16. Roadbed Stabilization
17. Floodplain/Floodway
18. Specifications Guide for Application of Temporary Seeding
19. Permanent Vegetation
20. Specifications Guide for Permanent Planting of Vegetation on Road and Right-of-Way

When planning for the considerations listed above, minimum acceptable standards must be adhered to. These standards have been established to control erosion and sedimentation during construction, and also to control erosion during the life-time operation of roads built in Watauga County.

APPENDIX C

EROSION AND SEDIMENTATION CONTROL PLAN CHECKLIST

The following items shall be incorporated with respect to specific site conditions, in an erosion and sedimentation control plan

LOCATION INFORMATION

- _____ Project location
- _____ Roads, street
- _____ North arrow
- _____ Scale
- _____ Adjoining lakes, streams or other major drainage ways

GENERAL SITE FEATURES

- _____ North arrow
- _____ Scale-
- _____ Property line
- _____ Legend
- _____ Existing contours
- _____ Proposed contours
- _____ Limit and acreage of disturbed area
- _____ Planned and existing building locations and elevations
- _____ Planned and existing road locations and elevations
- _____ Lot and/or building numbers
- _____ Land use of surrounding areas
- _____ Rock outcrops
- _____ Seeps or springs
- _____ Wetland limits
- _____ Easements
- _____ Streams, lakes, ponds, drainage ways, dams
- _____ Boundaries of the total tract
- _____ If the same person conducts the land-disturbing activity and any related borrow or waste activity, the related borrow or waste activity shall constitute part of the land-disturbing activity unless the borrow or waste activity is regulated under the Mining Act of 1971, or is a landfill regulated by the Division of Solid Waste Management. If the land-disturbing activity and any related borrow or waste activity are not conducted by the same person, they shall be considered separate land-disturbing activities
- _____ Stockpiled topsoil or subsoil location
- _____ Street profiles

SITE DRAINAGE FEATURES

- _____ Existing and planned drainage patterns (include off-site areas that drain through project)
- _____ Size of Areas to be disturbed (Acreage)
- _____ Size and location of culverts and sewers
- _____ Soils information (type, special characteristics)
- _____ Design calculations for peak discharges of runoff (including the construction phase and final runoff coefficients of the site)
- _____ Design calculations and construction details for culverts and storm sewers

- _____ Design calculations cross sections and method of stabilization of existing and planned channels (include temporary linings)
- _____ Design calculations and construction details of energy dissipators below culvert and storm sewer outlets (for rip-rap aprons, include stone sizes (diameters and apron dimensions)
- _____ Soil information below culvert storm outlets
- _____ Design calculations and construction details to control ground-water, i.e., seeps, high water table, etc.
- _____ Names of receiving watercourse or name of municipal operator (only where stormwater discharges are to occur)

EROSION CONTROL MEASURES

- _____ Legend
- _____ Location of temporary and permanent measures
- _____ Construction drawings and details for temporary and permanent measures
- _____ Design calculations for sediment basin and other measures
- _____ Maintenance requirements during construction
- _____ Person responsible for maintenance during construction
- _____ Maintenance requirements and responsible person(s) of permanent measures

VEGETATIVE STABILIZATION

- _____ Areas and acreage to be vegetatively stabilized
- _____ Planned vegetation with details of plants, seed, mulch and fertilizer
- _____ Specifications for permanent and temporary vegetation
- _____ Method of soil preparation

NOTE: Should include provision for ground cover on exposed slopes within 15 working days following completion of any phase of grading, permanent ground cover for all disturbed areas within 30 working days or 90 calendar days (which- ever is shorter) following completion of construction or development.

OTHER REQUIREMENTS

- _____ Narrative describing construction sequence (as needed)
- _____ Narrative describing the nature and purpose of the construction activity
- _____ Completed Financial Responsibility/Ownership Form (to be signed by person financially responsible for project)
- _____ Bid specifications regarding erosion control
- _____ Construction sequence related to sedimentation and erosion control (include installation of critical measures prior to initiation of the land-disturbing activity and removal of measures after areas they serve have been permanently stabilized)

APPENDIX D
 FINANCIAL RESPONSIBILITY /OWNERSHIP FORM
 SEDIMENTATION POLLUTION CONTROL ACT

No person may initiate a land-disturbing activity on one or more acres as covered by the Act before this form and an acceptable erosion and sedimentation control plan have been completed and approved by the Land Quality Section, NC Department of Environment, and Natural Resources. (Please type or print and, if question is not applicable, place N/ A in the blank).

Part A.

1. Project Name _____
2. Location of land-disturbing activity: County _____
 City or Township _____, and Highway/Street _____
3. Approximate date land-disturbing activity will be commenced: _____
4. Purpose of development (residential, commercial, industrial, etc.): _____
5. Total acreage disturbed or uncovered (including off-site borrow and waste areas):

Amount of fee enclosed \$ _____

Has an erosion and sedimentation control plan been filed? Yes _____ No _____

Enclosed _____

8. Person to contact should sediment control issues arise during land-disturbing activity.

Name _____ Telephone _____

9. Landowner(s) of Record (Use blank page to list additional owners):

Name(s)	
	Current Street Address

10. Page No. _____

Part B.

Person(s) or firm(s) who are financially responsible for this land-disturbing activity (Use a blank page to list additional persons or firms):

Name of Person(s) or Firm(s)	
Current Mailing Address	Current Street Address
City State Zip	City State Zip
Telephone _____	Telephone _____

2. (a) If the Financially Responsible Party is not a resident of North Carolina give name and street address of a North Carolina Agent.

_____			_____		
Name					
_____			_____		
Mailing Address			Street Address		
City	State	Zip	City	State	Zip
_____	_____	_____	_____	_____	_____
Telephone _____			Telephone _____		

(b) If the Financially Responsible Party is a Partnership or other person engaging in business under an assumed name, attach a copy of the certificate of assumed name. If the Financially Responsible Party is a Corporation give name and street address of the Registered Agent.

_____			_____		
Name of Registered Agent					
_____			_____		
Mailing Address			Street Address		
City	State	Zip	City	State	Zip
_____	_____	_____	_____	_____	_____
Telephone _____			Telephone _____		

The above information is true and correct to the best of my knowledge and belief and was provided by me under oath. (This form must be signed by the financially responsible person if an individual or his attorney-in-fact or if not an individual by an officer, director, partner, or registered agent with authority to execute instruments for the financially responsible person). I agree to provide corrected information should there be any change in the information provided herein.

_____	_____
Type or print name	Title or Authority
_____	_____
Signature	Date

I, _____, a Notary Public of the County of _____

State of North Carolina, hereby certify that _____ appeared personally before me this day and being duly sworn acknowledged that the above form was executed by him.

Witness my hand and notarial seal, this _____ day of _____, 20____

Seal	_____
	Notary
	My commission expires _____

APPENDIX E

PRELIMINARY PLAT CHECKLIST

FOR SUBDIVISION RECORD _____ DATE SUBMITTED _____

NAME OF SUBDIVISION _____

LOCATION _____

OWNER _____

LAND PLANNER _____ ADDRESS _____

SURVEYOR _____ ADDRESS _____

CHECKLIST

- _____ 1. Surveyor shall submit CHECKLIST with signed certification stating that plat complies with Subdivision Regulations.
- _____ 2. Vicinity map embracing subdivision and surrounding area.
- _____ 3. SCALE: 1" = 100' or larger. In EXTREME cases may be 1" = 200'. One (1) reproducible 11"x 17" or smaller copy of plat.
- _____ 4. Name of subdivision and owner.
- _____ 5. North point, graphic scale, date.
- _____ 6. Boundaries of the tract shown with distances and approximate acreage.
- _____ 7. Names of adjoining property owners or subdivisions.
- _____ 8. The locations of existing sewers and water facilities and other utilities if any.
- _____ 9. The locations of existing streets, easements, bridges, culverts, watercourses, etc.
- _____ 10. Name, location and approximate dimensions of proposed streets, easements, parks and reservations, lot lines, etc.
- _____ 11. Proposed lot lines, building lines and approximate area.
- _____ 12. Lot numbers, if any.
- _____ 13. Types of proposed utilities shown or described.
- _____ 14. Proposed minimum building setbacks (typical section).
- _____ 15. Location of existing water areas/floodway if applicable as delineated by the county floodway boundary and flood insurance rate maps.
- _____ 16. Upon submission of Preliminary Plat, 3 copies of a sufficient soil erosion plan shall be submitted to the soil erosion coordinator.
- _____ 17. This plat conforms to general requirements and minimum design standards.

- _____ 18. Evidence of NCDOT driveway connection permit.
- _____ 19. Evidence of access right-of-way.
- _____ 20. Statement of average cross slope if applicable.

COMMENTS:

APPENDIX F
FINAL PLAT CHECKLIST

FOR SUBDIVISION RECORD _____ DATE SUBMITTED _____

PRELIMINARY APPROVAL DATE _____

NAME OF SUBDIVISION _____

LOCATION _____

OWNER _____ ADDRESS _____ TEL. _____

ENGINEER _____ ADDRESS _____ TEL. _____

SURVEYOR _____ ADDRESS _____ TEL. _____

CHECKLIST

- _____ 1. Submitted to the Planning Staff within 18 months of preliminary approval and two(2)weeks prior to the scheduled meeting of the Planning Board.
- _____ 2. Eight (8) copies of final plat. One reproducible (Sepia) and seven paper copies. One (1) reproducible 11"x 17" or smaller copy of plat.
- _____ 3. A sketch vicinity map showing location in relation to the surrounding area.
- _____ 4. SCALE: 1" = 100' or larger.
- _____ 5. Names, right-of-way, lines and easements of streets and roads.
- _____ 6. Minimum building setback lines when applicable.
- _____ 7. Lot lines, numbers, and/or tract numbers.
- _____ 8. Reservations, easements, public areas, of sites for other than residential use with explanation of purpose.
- _____ 9. North point, graphic scale, date.
- _____ 10. Location and description of monuments.
- _____ 11. Names and location of adjoining subdivisions and streets and the location and ownership of adjoining unsubdivided property.
- _____ 12. Conforms to general requirements and minimum design standards.
- _____ 13. Required improvements have been made or \$_____bond posted.
- _____ 14. Required certificate for Recordation.
- _____ 15. Location of existing water Areas/Floodway if Boundary and Flood Insurance Rate Maps.
- _____ 16. Types of proposed utilities shown or statement that individual lots have or have not been approved for septic tank use by Appalachian District Health Department.

- _____ 17. Density in units per acre.
- _____ 18. Culvert/drainage facility location and size.
- _____ 19. Variances granted, if any.

ON-SITE FIELD INSPECTION (DATE) _____

PERSONS MAKING INSPECTION _____

COMMENTS:

APPENDIX G

SUBDIVISION SPECIFICATIONS CHECKLIST

- _____ 1. Plat fee paid.
- _____ 2. Variance requested in writing.
- _____ 3. Bond to be submitted.
- _____ 4. Meets floodplain regulations.
- _____ 5. Acceptable average cross slope.
- _____ 6. Roads:
 - _____ a) State
 - _____ b) County. If County then:
 - _____ Meets criteria permitting county standards.
 - _____ Meets right-of-way requirements.
 - _____ Meets road bed requirements.
 - _____ Sufficient drainage provided.
 - _____ Meets grade requirements.
 - _____ Meets curve radius requirements.
 - _____ Sufficient turnarounds provided.
 - _____ Meets bridge requirements.
 - _____ c) Access road meets right-of-way requirements.
- _____ 7. Lots:
 - _____ Meet frontage requirements.
 - _____ Meet area requirements.
 - _____ Panhandles used.
 - _____ Meet access requirements.
 - _____ Private drives used.
- _____ 8. Meets building setback requirements.
- _____ 9. Sufficient erosion control plan submitted.
- _____ 10. Property owners association rules established.
- _____ 11. Compliance with other applicable local ordinances (zoning, etc.).

APPENDIX H

METHOD OF DEFINING SLOPE

The chief source of information for determination of slope is a contour map. The contour map supplies the necessary data for using the following formula to determine the average slope of a parcel:

$$S = \frac{.0023 \times I \times L}{A}$$

Where .0023 is a conversion factor, of square feet to acres, "I" is the contour interval (or the distance between adjacent contour lines on the map) in feet, "L" is the total length of the contour lines within the subject parcel, and "A" is the area in acres of the subject parcel.

- Step 1. Determine "I", the contour interval, by examining the interval, using the key on the map. For purposes of this example, an interval of five feet is used. (To achieve accuracy within one percent, the contour interval must be 10 feet or less).
- Step 2. Determine "L", the total length of the contour lines within the subject area, by tracing each line with a planimeter or similar device and converting to feet. In this example, "L" is 1,000 feet.
- Step 3. Determine "A", area (in acres) from the development plans or permit application. In this example, "A" is 5 acres.

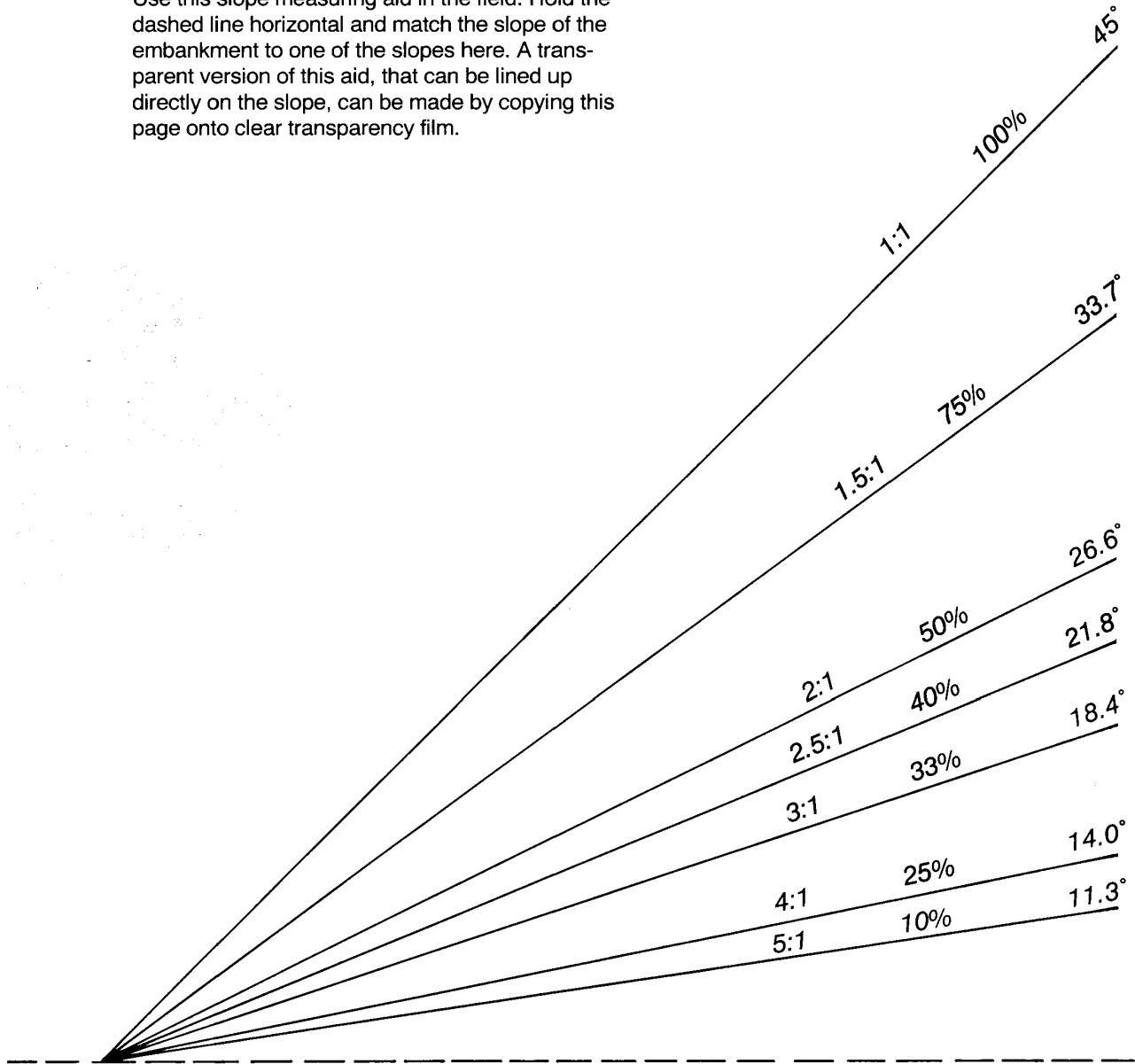
Step 4. Determine "S" by using the equation:

$$S = \frac{.0023 \times 5 \times 1,000}{5} = 2.3 \text{ percent average slope}$$

NOTE: Other methods of calculating average cross slope - using computer mapping/GIS technology - may be acceptable.

Slope Measurement

Use this slope measuring aid in the field. Hold the dashed line horizontal and match the slope of the embankment to one of the slopes here. A transparent version of this aid, that can be lined up directly on the slope, can be made by copying this page onto clear transparency film.



APPENDIX I

MINOR MAINTENANCE CHECKLIST

A. Bridge Approach

1. Check Signs on both ends of bridge.
Warning and Information Signs (straighten, clean, and cut weeds).
Bridge End Markers (clean and visible).
Check Guard Rails along approach (repair and straighten).
2. Clear Weed, Brush, and Overhanging Limbs.
Require clear visibility of bridge.
Police and clean area around bridge.
Remove all debris from site.

B. Side Ditches and Stream Channel

1. Clear side ditches of all brush, weeds and debris.
2. Clear debris and obstructions from stream channel through full width of R.O.W.
3. Eliminate all brush growing under the bridge.

C. Erosion of Bridge Approach

1. At gutter line on shoulder - fill any eroded areas.
2. At gutter line, build (if needed) paved channel to carry water to side ditch at non-erosive velocity.
3. Check shoulders for erosion signs - fill and tamp erosion channels.

D. Condition of Approach Road Traffic Lanes

1. Fill all ruts.
2. Check transition from road to bridge - must be smooth.
3. Build short bituminous ramp to provide transition in difficult cases.

E. Bridge Structure

1. Cleaning Deck
Clean all dirt, gravel, trash and debris from deck. Clear all gutters and all drainage outlets.
Remove any obstructions causing ponding of water. Direct deck drains away from all structural components.
2. Deck Maintenance (Wood Decks)
Check transverse planking for breaks, rotting, or any weakness. Replace individual planks if needed. Check longitudinal "tread" planks for damage, excessive wear, breaks, shattering, looseness or rot. Replace damaged planks - re-nail old planks if required. Pull any protruding nails and replace.
3. Deck Maintenance (Concrete Decks)
Clean, check depth, and flush all open cracks. Dry such cracks and fill totally with liquid asphalt or other such sealing compound. Make notes on any system of patterned crack and report them to road supervisor. For small shrinkage cracks (those not fully opened) check with road supervisor about a spray coat sealant. Pop-outs, surface deterioration, or chuck holes in deck must be cleaned thoroughly and packed smooth with bituminous road surface mixture. Provide a mechanical "lock" to hold patch in place. Eliminate "low" spots to prevent water ponding.

F. Expansion Joints

Deck expansion joints should be identified and cleaned. Remove dirt, gravel, debris and other obstructions from expansion joint opening. Do this when bridge is cool so joint is as wide open as possible. For open expansion joint slot, fill the opening with an elastic joint sealer compound or a special compressible composite joint filler. For plate covered joint slot, clean the sliding surface of any obstructions and treat sliding surface if necessary to make it free operating.

G. Bridge Structural Components

1. Truss Bridges

Clear debris from truss joints, flanges of truss members, or any pockets that have collected debris, gravel or dirt.

2. Girders and Beams

Clear any debris found on flanges or on any bracing occurring on the structure.

3. Handrails and Curbs

Repair any bent, broken, or missing parts of the bridge handrail or curbs.

4. Bearing Devices

Bearing devices are points where bridge structure is attached to the substructure (piers, abutments, or other supports). Identify the "fixed" and movable bearings. Clear all dirt, disintegrated concrete, debris of any kind which collects around the bearings - fixed or movable. Especially clear any obstruction that would prevent movable support from being able to function. Once cleared, spray with oil to prevent rusting and to assist movement.

H. Substructure

1. Abutments

Note cracking of main wall or wing wall. Assess serious movement of any part of the abutment. Report out-of-plumb components and any serious deterioration of the abutment. Note any erosion of stream that may undermine the abutment, and eliminate cause. Fill and tamp any rodent holes along base of the abutment and its wing walls.

2. Piers

Note and correct any water drainage on pier or the pier cap. Note any cracks or deterioration of pier. Repair where possible. Check for undermining of pier foundation and correct cause if possible. Check pier for "plumb-ness" or any signs of movement.

Source: Minor Maintenance Manual For County Bridges, Highway Extension and Research Project for Indiana Counties and Cities, Purdue University, 1984.

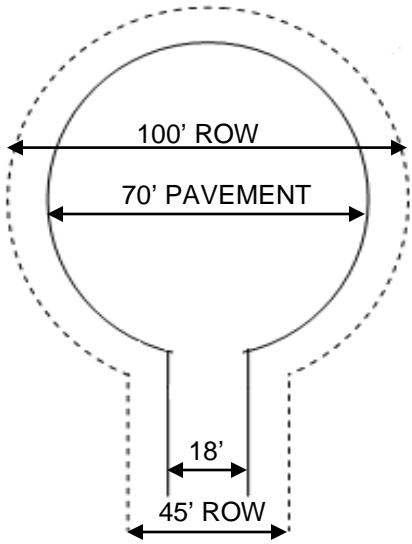
APPENDIX J

BUFFERING AND SCREENING

- (A) Where a ~~commercial or multi-family use~~ PUD is proposed adjacent to a single family residential use, side and rear yard setback of 30 feet shall be observed for buildings, parking, or storage. This area is to be used as a buffer and shall be landscaped as follows. Buffers shall consist of plantings of evergreen and/or deciduous trees spaced no more than thirty (30) feet apart. Such trees shall be at least six to seven (6-7) feet tall for evergreens and six to eight (6-8) feet tall with a one and one half (1-1/2) inch caliper (trunk diameter 6 inches above grade) for deciduous trees at time of planting and shall reach a height of no less than twenty (20) at maturity. Where utility easements conflict with this height requirement, the requirement may be lessened at the discretion of the ~~Watershed Administrator.~~ Planning Staff. In addition, plantings of low growing shrubs, and/or trees shall be placed at ten (10) foot intervals. Plantings within buffer zones shall be staggered unless topography is prohibitive. No planting shall be placed in the road right-of-way. Lists of recommended plantings are available from the Planning and Inspections Department.
- (B) Where a ~~commercial or multi-family use~~ PUD is proposed adjacent to a commercial or multi-family use side and rear yard setback of 15 feet shall be observed for buildings, parking, or storage. This area is to be used as a buffer and shall be landscaped as follows. Buffers shall consist of plantings of evergreen and/or deciduous trees spaced no more than thirty (30) feet apart. Such trees shall be at least six to seven (6-7) feet tall for evergreens and six to eight (6-8) feet tall with a one and none half (1-1/2) inch caliper for deciduous trees at time of planting and shall reach a height of no less than twenty (20) feet at maturity, except as described in section 602(A). In addition, permanent ground cover such as grasses shall be established.
- (C) Walls, fences, earthen berms, or other natural features may be used in combination with or in lieu of planted buffers if approved as part of a permit. Considerations include but are not limited to:
- (1) Any existing significant vegetation within the buffer(s) may be preserved and credited towards meeting the standard for the required buffer. Existing fences, berms and or walls within the buffer(s) may be used to fulfill the standards set forth for the buffer providing these elements are healthy and in a condition of good repair. Chain link fencing is not acceptable in meeting the performance criteria of this ordinance.
 - (2) Installation of supplemental vegetation and/or site features may be required at the time of site plan review, if existing vegetation and/or site features within the buffer do not meet or exceed the requirements of this ordinance.
- (D) Open storage areas, exposed machinery and outdoor areas used for the storage and collection of rubbish must be visually screened from roads and surrounding land uses. Suitable types of screening include opaque wood fences and dense evergreen hedges of six (6) feet or more in height.

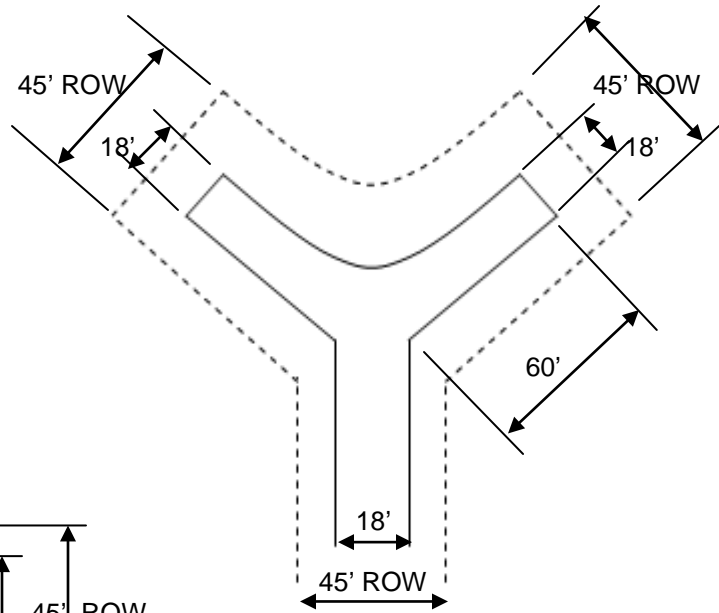
~~NOTE: These are excerpts from Watershed Zoning Ordinance, use that which is applicable.~~

APPENDIX K
FIRE APPARATUS ACCESS ROADS

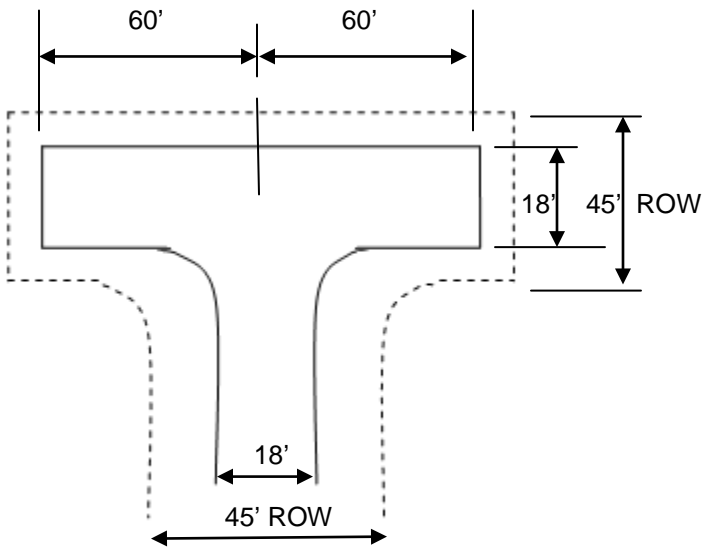


CUL-DE-SAC

----- Right of Way
_____ Travel Surface



60' Y



120' HAMMER HEAD

(Drawings not to scale)

APPENDIX L
POLICY STATEMENT
AFFORDABLE WORKFORCE HOUSING

Background

The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income on housing. An estimated 12 million renter and homeowner households now pay more than 50 percent of their annual income on housing. The lack of affordable housing is a significant hardship for low-income and working households and prevents them from meeting other basic needs, such as food, clothing, transportation and medical care.

Availability of housing for all income levels is critical for balanced and healthy growth of the County. Employers seeking to locate in Watauga County need to first attract and then maintain a workforce. A key component to workforce recruitment and retention is affordable and centrally located housing. Job satisfaction becomes more of a challenge when workers can only find affordable housing by living far from their jobs and enduring long commutes.

Policy

The county will seek to work with the developers and nonprofit housing organizations to provide for affordable units in developments and ensure that such units are compatible with other homes in the development. Affordable units should include both units for sale and units for rent. Developers should promote a design criterion that disperses affordable homes throughout a development and encourages a variety of housing types.

Streamlined Permitting Process

Improved coordination of the permitting process at the state and local levels could result in lower housing costs. The permitting process often involves dealing with city, county and state approval boards, all of which require a variety of permits and approvals (i.e. – fire protection, sewer hookup, plumbing, environmental, road construction, electrical, building, etc.). Often the various levels of governmental authorities do not have effective communication and co-approval systems, which cause unnecessary delays, increase construction costs and ultimately hinder affordable housing.

Density

Real estate of all types flourishes best in livable communities that offer a high quality of life at a reasonable cost. Livable communities offer a variety of affordable housing choices, good schools, quality public services, open space, and a strong employment base. One of the most challenging aspects to promoting these essential livable community elements is density. Building at higher densities in the appropriate locations is vital to provide greater choice and affordability in housing.

Employer-Assisted Housing

Employer-assisted housing (EAH) refers to benefits that enable employees to purchase homes or secure affordable rental housing, often within designated neighborhoods located near the workplace. Benefits can take a number of forms, including grants or forgivable loans for down payments and closing costs, reduced-cost financing, and matched savings plans. Providing an EAH benefit can help employers reduce turnover, leading to lower training and hiring costs. In addition, EAH can increase loyalty and morale, support bottom-line business goals, and strengthen links with the local community.

APPENDIX M

DEVELOPER AUTHORIZATION FORM

For projects being developed by person(s) other than land owner(s)

Name of Project: _____

Land Owner(s) _____

Developer(s) _____

The above-named Developer(s) is/are authorized to submit the subject project to Watauga County for development approval on behalf of the above-named Land Owner(s).

Land Owner(s) Signature

Date

MINUTES

WATAUGA COUNTY PLANNING BOARD

June 19, 2017

Members Present: Ric Mattar, Neil Hartley, Nikki Robinson, Patrick Morgan, Todd Castle, Jamey Hodges

Staff Present: Joe Furman, John Spear

The Watauga County Planning Board was called to order by Chairman Mattar at 5:34 p.m. in the Commissioners Board Room, Administration Building.

The minutes of the April 17, 2017 regular meeting were approved as written.

MOTION: Hartley; 2nd; Morgan

VOTE: Aye - 5

Nay - 0

Abstain - 1 (Hodges - not present at April meeting)

Ordinance to Govern Subdivisions and Multi-Unit Structures: Mr. Furman informed the Board that the draft amendment to the Ordinance was presented at the Board of Commissioner's May 16, 2017 public hearing. During the hearing, concerns were expressed by Commissioners and members of the public primarily regarding the proposed 33% green space requirement and the 2:1 slope requirement. Those speaking at the hearing were of the opinion that these provisions were too strict and add unnecessary expense. Former Planning Board member Jim West submitted written comments and questions.

Following the hearing, the Commissioners referred the ordinance back to the Planning Board to consider and address the concerns and Mr. West's submittal. In addition, Furman noted new legislation (SL 2017-10) has been enacted pertaining to "expedited review" of certain subdivisions. That legislation will become effective on July 1, 2017. Mr. Furman discussed the proposed language and recommended the Board add the "expedited review" requirement into the Minor Subdivision section of this ordinance.

Following discussion, Mr. Mattar called for a motion.

MOTION: Morgan; 2nd; Hartley

VOTE: Aye - 6

Nay - 0

Absent - 1(Scanlin)

The Board discussed the proposed 33% minimum green space requirement and reviewed a staff summary of the amount of green space that has been provided in several recent PUD's. The summary included PUD's both small and large, workforce housing, student housing, and exclusive housing developments. All provided 58% or greater amount of green space. Mr. Furman also provided a Water Supply Watershed map of the County to demonstrate large areas of the County's jurisdiction that already have green space requirements that are much more restrictive than 33%. Watersheds designated by the State as WS-IV have a 64% minimum green space requirement for PUDs and those designated as WS-II have a 88% minimum requirement.

The Board concluded there is a misconception regarding the green space requirement and expanding the definition or introducing additional terminology may provide necessary clarity. Staff agreed to study and draft alternative text. The Board agreed to review alternative language.

The Board next discussed the proposed 2:1 slope requirement and the staff summary regarding this provision. The summary includes provisions found in the North Carolina State Building Code and in the North Carolina Erosion and Sedimentation Control Design Manual that limit cut and fill slopes that can be "safely be retained by vegetative cover" to a maximum of 2:1. Mr. Furman noted the erosion control ordinance requires cut and fill slopes to be no steeper than the "maximum that can be retained by vegetative cover", i.e. 2:1.

Additional site specific engineering and design of adequate structures or devices become necessary when slopes exceed 2:1. This provision is proposed for consistency with existing state requirements and standard engineering practice. The Board agreed to leave this language as is.

The Board discussed the concern raised over the Traffic Impact Analysis provision that allows staff and NCDOT to *wave* the TIA requirement if both the

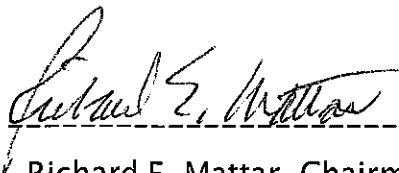
staff and NCDOT concur that the TIA is unnecessary. This provision provides applicants relief from the TIA requirement. Otherwise, applicants would have to seek a variance in order to get relief. The Board felt this may need to be better explained but can be left as is.

The Board next discussed the concern regarding the setback language. Mr. Furman noted the language is intended to clarify a long-standing Board Policy allowing for a setback variance for structures and lots created prior to the adoption of the ordinance. The purpose of this proposed text is to eliminate unnecessary setback variances. The Board concluded the language is fine as is.

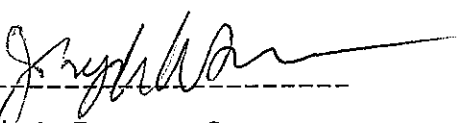
In concluding their review, the Board agreed to allow staff additional time to make recommended revisions and then re-evaluate the proposed text in July.

Corridor Planning: Mr. Furman noted that Appalachian State has offered to provide the services of an intern to begin a GIS-level assessment of existing conditions along the Highway 321 Corridor. Accordingly, the Board's Corridor Committee may want to begin meeting to create a framework for the Highway 321 Gateway Corridor Plan. The Corridor Committee currently consists of Mr. Mattar, Mr. Hodges, and Mrs. Robinson. Following discussion, the Committee members agreed to meet on Wednesday, June 28 at 3:30 pm in the planning office to kick things off.

No further business, the meeting adjourned at 7:00 p.m.



Richard E. Mattar, Chairman



Joseph A. Furman, Secretary

MINUTES
WATAUGA COUNTY PLANNING BOARD
July 17, 2017

Members Present: Ric Mattar, Neil Hartley, Patrick Morgan,
Dennis Scanlin, Nikki Robinson

Staff Present: Joe Furman, Chris Grubb

The Watauga County Planning Board was called to order by Chairman Mattar at 5:35 p.m. in the Commissioners Board Room, Administration Building.

The minutes of the June 19, 2017 regular meeting were approved as written.

MOTION: Morgan; 2nd: Robinson

VOTE: Aye - 4

Nay - 0

Absent - 2

Abstain - 1 (Scanlin, not present June 19)

The Board resumed discussion of proposed amendments to the Ordinance To Govern Subdivisions and Multi-Unit Structures, specifically wording in Articles VIII and X regarding common, open, and green space, and clarifying wording in Article VII and Appendix B regarding drainage of surface water. Staff recommended that roads, parking and buildings not be included in open space calculations and that septic system and well areas be included. The Board decided to also include, as examples, outdoor recreation areas and picnic shelters and similar structures. The Board voted to recommend the proposed amendments, including tonight's changes, to the Board of Commissioners.

MOTION: Morgan; 2nd: Hartley

VOTE: Aye - 5

Nay- 0

Absent - 2

The Board decided by consensus to present the changes as well as supporting information discussed at the June 19 Planning Board meeting to the Board of Commissioners at the August 15, 2017 Commissioners meeting.

No further business, the meeting adjourned at 6:08 p.m.

Richard E. Mattar, Chairman

Joseph A. Furman, Secretary



WATAUGA COUNTY

Department of
Planning & Inspections

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or 711

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Memorandum

Date: June 9, 2017

To: Planning Board

From: Joe Furman, Director

RE: Proposed amendments to subdivision regulations

The Board of Commissioners held a public hearing May 16th on the proposed amendments to the Ordinance to Govern Subdivisions and Multi-Unit Structures. At the conclusion, the Commissioners referred the ordinance back to the Planning Board for further consideration. During the hearing, three people spoke and two Commissioners expressed concerns. One of the speakers was former Planning Board Jim West; he submitted questions and comments which the Commissioners referred to the Planning Board. Those questions and comments with staff responses are attached. The concerns were over the proposed 33% green space requirement and the 2:1 slope requirement; the opinion of those who spoke was that these requirements are overly strict and will be costly. Following are staff responses to those points.

33% green space. Currently the ordinance states “Common land must be an essential element of the PUD, provided in lieu of standard individual lots.” There are at least 3 purposes in mind: 1) the developer is giving something in return for the density bonus s/he received, 2) the individual owner is receiving access to common/open/green space to compensate for having no lot or a very small lot, and 3) since Watauga County is rural, it is important to try to maintain a rural “feel” even in a PUD, which could be located anywhere in the county. The current wording does not specify an amount of common land to be provided; the proposed amendment is an attempt to quantify the requirement. 33% is the amount of density bonus allowed, so 33% is the proposed amount of green space to be required. As can be seen in the attached materials, 33% is a minimal requirement. We may want to discuss alternative terms to green space as mentioned in the attachment.

2:1 Slope. Currently the ordinance simply references the erosion control ordinance, which states that the “angle for graded slopes and fills shall be no greater than the angle which can be retained by vegetative cover or other adequate erosion control devices or structures.” Generally speaking, a 2:1 slope is the angle which can be retained by vegetative cover, which is preferred. The “other adequate erosion control devices or structures” are what is described in the proposed wording – “Innovative designs exceeding the slope standards.....” A discussion of the 2:1 standard is attached. See also the Grade Comparison Chart, which is an appendix to the ordinance. A 2:1 slope is a 50% slope; for comparison purposes, the steepest road the ordinance permits is 18%.

Draft of Ordinance to Govern Subdivisions and Multi-Unit Structures

COMMENTS AND QUESTIONS:

Article VII - Subdivision General Requirement and Minimum Standards of Design-

1. [70.03 Driveway Connection Permit] A driveway connection permit issued by NC Department of Transportation shall be obtained. A Traffic Impact Analysis shall be required from the applicant under the following circumstances, unless **the Planning Staff and NCDOT concur** that one is unnecessary:

Why must BOTH Staff and NCDOT concur that one is unnecessary? What is the timing and mechanism by each for reviewing IF a Traffic Impact Analysis is required?

ANSWER: BECAUSE WE WANT TO BE IN AGREEMENT WITH THE NCDOT STAFF. DRIVEWAY CONNECTION PERMITS ARE ALWAYS APPROVED JOINTLY BY LOCAL GOVERNMENTS AND NCDOT. REVIEW OF THE ANALYSIS IS NOT ANTICIPATED TO EXTEND THE TIME OF THE PERMIT REVIEW PROCESS. IT ALLOWS FOR THE POSSIBILITY TO NOT REQUIRE ONE EVEN IF THE "FOLLOWING CIRCUMSTANCES" CALL FOR ONE, THEREBY PROVIDING RELIEF, NOT DELAY.

2. [70.03 Traffic Impact Analysis not required if...] (4) **The Planning Staff determines that the proposed project will have a potential negative impact on the public road system due to the size of the project or existing transportation system or determines that there are safety concerns with the**

Won't ANY vehicle entering a street become a "potential negative impact on the public road system"??

ANSWER: NO. THE REST OF THE SENTENCE HAS TO BE INCLUDED TO PUT THIS PROVISION IN PROPER CONTEXT. THE FULL TEXT READS: (4) THE PLANNING STAFF DETERMINES THAT THE PROPOSED PROJECT WILL HAVE A POTENTIAL NEGATIVE IMPACT ON THE PUBLIC ROAD SYSTEM DUE TO THE SIZE OF THE PROJECT. CONSIDER ALSO THAT THE PLANNING STAFF REGULARLY CONSULTS WITH THE NCDOT AND HAVE TO CONCUR ON THE ISSUE OF THE TIA, AS PROVIDED FOR IN THE PREVIOUS ANSWER.

3. [70.12 General Requirements, Erosion Control] [B the following language should NOT be indented. It should not be a part of 70.12 B Maximum fill slopes...] **Innovative designs exceeding the slope standards specified herein may be approved when accompanied by a site-specific subsurface investigation, report and recommendation performed by a registered professional engineer competent in geotechnical engineering. In any event, all grades shall be sloped to drain surface water away from buildings, pavements, slopes and structures. How can ALL grades be sloped away from these? Where can surface go? Water MUST be directed to sloped surfaces OR it will stagnate.**

ANSWER: PERHAPS A NEW SECTION AS FOLLOWS:

70.13 Grading. The grading plan and specifications controlling execution of land-disturbing activities shall adhere to the following standards:

70.131. Maximum cut slopes shall be 2h:1v.

70.132. Maximum fill slopes shall be 2h:1v.

Innovative designs exceeding the slope standards specified herein may be approved when accompanied by a site-specific subsurface investigation, report and recommendation performed by a registered professional engineer competent in geotechnical engineering. ~~In any event,~~ **All grades shall be sloped to drain surface water away from buildings, pavements, slopes and structures, as applicable,**

THE PROVISION TO SLOPE GRADES TO DRAIN SURFACE WATER AWAY BUILDINGS, SLOPES, ETC. RELATES TO THE CONTROL OF SURFACE WATER FROM THE BEGINNING OF THE DEVELOPMENT PROCESS. THIS PROVISION WAS RECOMMENDED TO PROTECT THE PROPOSED DEVELOPMENT AND ADJOINING PROPERTY FROM SEDIMENT DAMAGE CAUSED BY SURFACE WATER RUN-OFF. SURFACE WATER RUN-OFF FROM UNDISTURBED AREAS IS DIVERTED FROM DISTURBED AREAS AND SEDIMENT-LADEN WATER IS DIVERTED TO SEDIMENT BASINS. NUMEROUS RUN-OFF CONVEYANCE METHODS ARE USED IN EROSION CONTROL TO DIRECT SURFACE WATER TO DESIRABLE LOCATIONS INCLUDING TEMPORARY AND PERMANENT DIVERSIONS; GRASS-LINED, RIP-RAP-LINED, OR PAVED SWALES; TEMPORARY SLOPE DRAINS; TEMPORARY BASINS; ETC. THE BUILDING CODE REQUIRES "POSITIVE DRAINAGE" FROM BUILDINGS. PARKING LOTS WILL GENERALLY BE SURROUNDED BY DITCHES, WHICH ARE LOWER THAN THE LOT; NOBODY WOULD BUILD A BUILDING OR PARKING LOT WITH A SLOPE GOING ALL THE WAY TO THE EDGE OF THE STRUCTURE.

IN ADDITION, NC BUILDING CODE §J109 REQUIRES DRAINAGE SYSTEMS AND TERRACING ON ALL SLOPES EXCEEDING 3:1 TO CONTROL SURFACE WATER RUN-OFF AND DEBRIS. TERRACES MUST BE A MINIMUM OF 6' IN WIDTH AND SPACED AT 30' VERTICAL INTERVALS ON BOTH CUT AND FILL SLOPES. ALL TERRACES MUST HAVE DRAINAGE SWALES OR DITCHES WITH MINIMUM GRADIENTS DEPENDING UPON THE CHOSEN MATERIALS. THESE STANDARDS ARE MANDATORY UNLESS AN ALTERNATIVE DESIGN IS PREPARED BY A REGISTERED DESIGN PROFESSIONAL.

4. [Table 2 Building Setback Requirements][Language is not clear about setbacks] 7. **Pre-existing Situations. Setback requirements contained herein are *not applicable to structures and lot lines which pre-existed this ordinance* and/or pre-existed the subdivision of the land upon which the structures are located. The setbacks contained herein shall apply to any new or rebuilt structures located on the subject land. What setbacks apply for an existing building just added on but not rebuilt? What setbacks apply for pre-existing structure and lots?**

ANSWER: THE NC RESIDENTIAL CODE REQUIRES ONLY MINIMAL SETBACKS FOR AN ADDITION TO AN EXISTING BUILDING OR FOR A NEW BUILDING LOCATED ON A PRE-EXISTING LOT (OR PROPERTY NOT LOCATED IN A SUBDIVISION FOR THAT MATTER). THERE WOULD BE NO SETBACK REQUIREMENTS FOR A PRE-EXISTING STRUCTURE OR PRE-EXISTING LOT USED FOR SINGLE-FAMILY PURPOSES BEYOND THOSE ALREADY REQUIRED BY THE RESIDENTIAL CODE. THIS PROVISION CODIFIES THE LONG-STANDING POLICY OF THE PLANNING BOARD. THE PURPOSE IS TO ELIMINATE UNNECESSARY VARIANCES.

ARTICLE VIII - PLANNED UNIT DEVELOPMENT

5. [81.01 Minimum Requirments] g) **Grading and erosion control shall be undertaken in accordance with Section 70.12. See comments at 70.12**

ANSWER: SEE PRIOR ANSWER.

6. [81.02 Land Development Standards] **A minimum of *thirty three percent (33%)* of the total land area must be dedicated permanent green space.** Road and parking areas are not included in common land for purposes of this subsection. **Permanent Green Space is not defined. A definition of Green Space could help differentiate between Green Space Open Space and Common Area. Perhaps a description of what can count as green space and what other uses are permitted and prohibited could help understand this standard**

ANSWER: GREEN SPACE INCLUDES ANY UNDERGROUND SEWER AND REQUIRED AREA AROUND WELLS. ALTERNATIVE TO "GREEN SPACE" COULD BE "COMMON AREA" OR, A LIMIT UPON "BUILT-UPON AREA" (SIMILAR TO WATERSHED ORDINANCES) COULD BE USED INSTEAD. "BUILT UPON AREA IS VERY CLEARLY DEFINED IN THE WATERSHED ORDINANCES. ALSO SEE ATTACHMENT.

ARTICLE X - REGULATION OF MULTI-UNIT STRUCTURES

8. [SECTION 103. Standards of Design. 103.01 Density] **A minimum of *thirty three percent (33%)* of the total land area must be dedicated permanent green space. See comments at PUD section 81.02**

ANSWER: SEE PRIOR ANSWER. SEE ATTACHMENT.

9. [Section 104 Submission of Site Plans 104.14] **Grading and erosion control shall be undertaken in accordance with Section 70.12. See comments at 70.12**

ANSWER: SEE PRIOR ANSWER.

APPENDIX

10. [Appendix B, II Mandatory Standards for Land Disturbing Activity] No land disturbing activity *subject to this article* shall be undertaken except in accordance with the following mandatory requirements: **The Appendix does NOT have an article number. To which article number do these standards apply?**

ANSWER: THIS APPENDIX IS AN EXCERPT FROM THE EROSION CONTROL ORDINANCE

11. [Appendix B, II Mandatory Standards for Land Disturbing Activity – a. Buffer Zone – 5 a. Graded Slopes and Fills] **See comments at section 70.12**

ANSWER: SEE PRIOR ANSWER

GREEN SPACE PROVISION SUMMARY

EXAMPLES

1. Workforce Housing Development:

Greenwood PUD Habitat for Humanity

Proposed:	30 Single-Family Homes	
Parcel Size:	20.6 Acres	
Average Cross-Slope:	23%	
Density Allowed:	2.26 Units/Acre	
Density Proposed:	1.7 Units/Acre	
Gross Land Area:	20.6 acres x 43,560SF/Ac	897,366 SF
Housing:	30 Homes x 1,440SF	43,200 SF
Parking:	60 Spaces x 300SF	18,000 SF
Roadway:	County Std. 2,700LF x 18'	48,600 SF
	Private 450 LF X 10'	4,500 SF

Common Area Remaining 783,066 SF or **87.3%**

2. Exclusive Housing Development (Small):

Turtle Creek PUD Phase 1

Proposed:	24 Single-Family (12 Duplex) Homes	
Parcel Size:	25.7 Acres	
Average Cross-Slope:	11%	
Density Allowed:	2.26 Units/Acre	
Density Proposed:	.94 Units/Acre	
Gross Land Area:	25.7 acres x 43,560SF/Ac	1,119,492 SF
Housing:	12 Duplex Homes (w/Parking)	
	12 x 8,350SF	100,200 SF
Roadway:	County Std. 3,300LF x 18'	59,400 SF

Common Area Remaining 959,892 SF or **85.7%**

3. Exclusive Housing Development (Large):**Sweet Grass PUD** Excluding 89 Conventional Single Family Lots)

Proposed:	48 Single-Family Cabins	
	36 Town Homes	
Parcel Size:	184 Acres (Excluding 90 Acres – Conventional SF)	
Average Cross-Slope:	13%	
Density Allowed:	2.26 Units/Acre	
Density Proposed:	.46 Units/Acre	
Gross Land Area:	184 Acres x 43,560SF/Ac	8,015,040 SF
Total Impervious Area:	7.5% or 13.8 Ac	601,128 SF
(Housing/Roadway/Walkways)		

Common Area Remaining	7,413,912 SF or 92.5%
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4. Student Housing Development (Large):**Cottages of Boone PUD**

Proposed:	196 Single-Family Units	
Parcel Size:	71 Acres	
Average Cross-Slope:	34.6%	
Density Allowed:	4 Units/Acre	
Density Proposed:	2.76 Units/Acre	
Gross Land Area:	71 Acres x 43,560SF/Ac	3,092,760 SF
Total Impervious Area:	16% or 11.36 Ac	494,842 SF
(Housing/Roadway/Parking/Walkways)		

Common Area Remaining	2,597,918 SF or 84%
-----------------------	----------------------------

OTHERS

Random PUD files were pulled and cursory analysis of open space provided was done.

Apple Ridge 64% + open space

Forest at Crestwood 75% open space

Howard's Creek Apartments 58% open space

Rich Mountain Townhouses 92% open space

Riverside Log Cabins 64% + open space

Silo Ridge 75% open space

2:1 SLOPE

2012 NC BUILDING CODE

§J104.3 Geotechnical shall be provided unless the building code official determines that a report is not necessary due to the nature of the work.

§J106.1 Maximum of cut surfaces shall be no steeper than 2:1 unless the owner provides a geotechnical report.

Exception (1): 1.5:1 cut slope less than 8 feet in height can be approved by the building code official when:

1. It is not intended to support structures or surcharges.
2. Ground water is not encountered.
3. It is adequately protected against erosion (i.e. use appropriate RECP).

Exception (2): A cut surface in bedrock shall be permitted at a slope of 1:1.

§J107.6 Fill slopes steeper than 2:1 shall be justified by a geotechnical report or engineering data.

NC EROSION AND SEDIMENT CONTROL DESIGN MANUAL

Chapter 3 Vegetative Considerations

Most surface soils in the Mountain Region are highly eroded and shallow. Steep slopes (greater than 2:1) with shallow, highly eroded soils create a major problem for vegetation establishment.

Chapter 5 Overview of Erosion and Sedimentation Control Practices

Slopes steeper than 3:1 require special surface roughening (Practice 6.03) to help control erosion, aide in establishment of vegetation, and promote infiltration. It is difficult for bulldozers, tractors, etc. to access slopes greater than 3:1 to properly prepare the soil and to maintain permanent vegetation. Topsoil (Practice 6.04) provides the major zone for root development. However, topsoil should not be placed on slopes greater than 2:1 to avoid slippage.

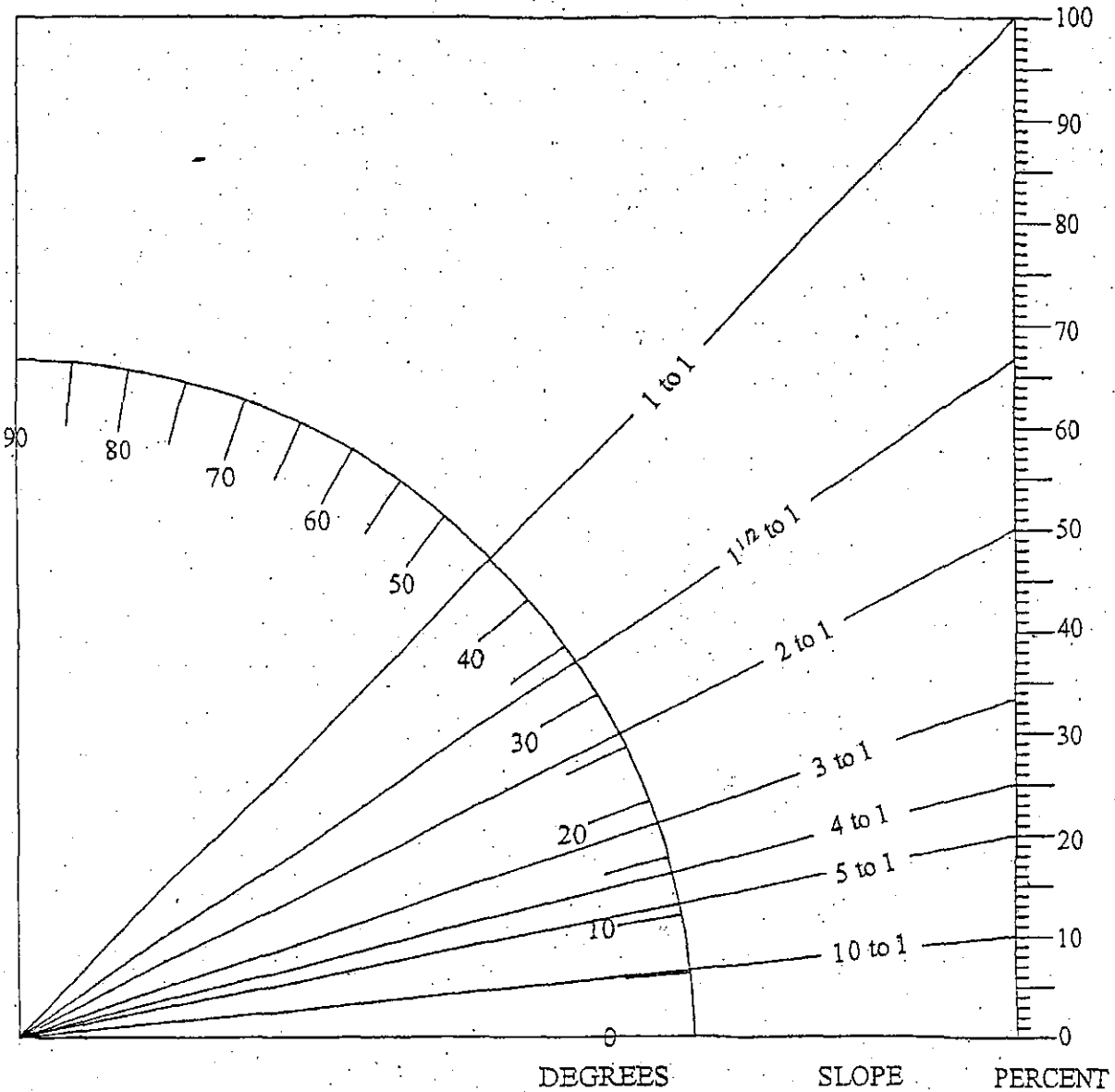
Permanent seeding of grasses and legumes is the most common and economical means for establishing protective ground cover. Permanent seeding (Practice 6.11) of slopes requires a protective cover of mulch until grass becomes established. It is especially critical for mulch to be held in place on slopes greater than 2:1 in order to protect the soil surface. Rolled erosion control products (RECP) should be used to establish vegetative stabilization when 2:1 slopes having more than 10 feet of vertical relief is proposed. Many types of RECP's (Practice 6.17) are used to hold seed and mulch in place. The correct product selection and the proper installation method are critical to the overall success of the project. No two sites are the same. Product selection is based upon criteria specific to each site, such as slope steepness, in situ soils, aspect, slope length, and overall vertical relief. It takes a qualified design professional familiar with storm water calculations and product specifications to make that determination.

Chapter 6 Practice Standards and Specifications

Use slope breaks (benches) to reduce the length of cut and fill slopes. Steep slopes (2:1) require benches spaced no further than 20' apart (Practice 6.02). Finished cut and fill slopes, which are to be vegetated with grass and legumes, should not be steeper than 2:1. Slopes to be maintained by tractor or other equipment should not be steeper than 3:1.

Calculating Slope

GRADE COMPARISON CHART



AGENDA ITEM 8:**PROPOSED AUDIT CONTRACT FOR FY 2017-2018****MANAGER'S COMMENTS:**

Ms. Margaret Pierce, Finance Director, will request the Board approve a contract with Misty Watson, CPA, PA in the amount of \$45,000 for audit services for FY 2017-18. This is an increase of \$8,000. The increase can be attributed to the State Auditor requiring additional work pertaining to the Department of Social Services. Further, the current rate has been in effect for the past three (3) years. Ms. Watson continues to provide exceptional service along with counseling and advice outside the scope of the contract and no additional charge.

Board action is required to accept the contract with Misty Watson, CPA, PA in the amount of \$45,000 for audit services for FY 2017-18.



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: Misty D. Watson, CPA, PA Contract for FY 17-18
DATE: November 28, 2017

Attached is a copy of the fiscal year 2017-18 audit contract with Misty D. Watson, CPA, PA. The contract amount of \$45,000 is an \$8,000 increase from the prior three fiscal years. The increase is directly related to changes in the requirements imposed by the State Auditor's office for review of Department of Social Services program. In the past year, the State Auditor more than doubled the amount of case files that must be reviewed and added additional documentation on each file to be submitted. During the current audit process, the additional file reviews and paperwork took approximately 8 days to complete.

The funding for this contract is requested in the Finance Department budget for FY 17-18. Ms. Watson is proposing the \$45,000 fee be locked in for five years at a not to exceed amount. Contracts are required to be approved annually by the Local Government Commission and Board of Commissioners.

Board approval is requested for a contract amount not to exceed \$45,000 with Misty D. Watson, CPA, PA to complete the County's Fiscal Year 17-18 audit.

MISTY D WATSON, CPA, PA
PO BOX 2122
BOONE, NC 28607
(704) 907-5053
(888) 361-6553

AUDIT FEE QUOTATIONS - WATAUGA COUNTY, NC

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Base Charge-Financial Audit	45,000	45,000	45,000	45,000	45,000
Agreed-Upon Procedures for volunteer fire departments - \$700 per VFD all years					
Other Charges	-	-	-	-	-
TOTAL	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000

The amount is not to exceed for agreed upon procedures.

CONTRACT TO AUDIT ACCOUNTS

Of Watauga County
Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

On this 27th day of November, 2017,

Auditor: Misty D Watson, CPA, PA Auditor Mailing Address: PO Box 2122
Boone, NC 28607 Hereinafter referred to as The Auditor

and County Commissioners (Governing Board(s)) of Watauga County
(Primary Government)
and _____: hereinafter referred to as the Governmental Unit(s), agree as follows:
(Discretely Presented Component Unit)

1. The Auditor shall audit all statements and disclosures required by accounting principles generally accepted in the United States of America (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit (s) for the period beginning July 1, 2017, and ending June 30, 2018. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion shall be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with auditing standards generally accepted in the United States of America. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance) and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board). **County and Multi-County Health Departments:** The Office of State Auditor (OSA) will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on Eligibility Determination as required by OSA and in accordance with the instructions and timeline provided by OSA.
3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity's Auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.
4. This contract contemplates an unqualified opinion being rendered. If during the process of conducting the audit the Auditor determines that it will not be possible to render an unqualified opinion on the financial statements of the unit, the Auditor shall contact the SLGFD staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

Contract to Audit Accounts (cont.) Watauga County

Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract. **If the audit firm received a peer review rating other than pass**, the Auditor shall not contract with the Governmental Unit without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

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

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the SLGFD within four months of fiscal year end. Audit report is due on October 31, 2018. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall be submitted to the Secretary of the LGC for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor shall make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report shall include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. **Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC.** (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoices shall be sent via upload through the current portal address: <http://nctreasurer.slgfd.leapfile.net> Subject line should read "Invoice – [Unit Name]. The PDF invoice marked 'approved' with approval date shall be returned by email to the Auditor to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.
9. In consideration of the satisfactory performance of the provisions of this contract, the Primary Government shall pay to the Auditor, upon approval by the Secretary of the LGC, the fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. **(Note: Fees listed on Fees page.)** This does not include fees for any Pre-Issuance reviews that may be required by the NC Association of CPAs (NCACPA) Peer Review Committee or NC State Board of CPA Examiners (see Item #12).
10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall submit to the SLGFD either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue

Contract to Audit Accounts (cont.) Watauga County

Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

bond rate covenant. Additionally, the Auditor shall submit to the SLGFD simultaneously with the Governmental Unit's audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.

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

If the OSA designates certain programs to be audited as major programs, as discussed in item #2, a turnaround document and a representation letter addressed to the OSA shall be submitted to the SLGFD.

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

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be varied or changed to include the increased time, compensation, or both as may be agreed upon by the Governing Board and the Auditor.
15. If an approved contract needs to be amended for any reason, the change shall be made in writing, on the Amended LGC-205 contract form and pre-audited if the change includes a change in audit fee. This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted through the audit contract portal to the Secretary of the LGC for approval. The portal address to upload the amended contract is <http://nctreasurer.slgfd.leapfile.net> No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

Contract to Audit Accounts (cont.) Watauga CountyPrimary Government UnitDiscretely Presented Component Unit (DPCU) if applicable

16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit shall be attached to the contract, and by reference here becomes part of the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item #23 of this contract. Engagement letters containing indemnification clauses shall not be accepted by the SLGFD.
17. Special provisions should be limited. Please list any special provisions in an attachment.
18. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU shall be named along with the parent government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.
19. The contract shall be executed, pre-audited, physically signed by all parties including Governmental Unit and the Auditor and then submitted in PDF format to the Secretary of the LGC. The current portal address to upload the contractual documents is <http://nctreasurer.slgfd.leapfile.net>. Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of November 2017. These instructions are subject to change. Please check the NC Treasurer's web site at <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx> for the most recent instructions.
20. The contract is not valid until it is approved by the Secretary of the LGC. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. **The audit should not be started before the contract is approved.**
21. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.
22. **E-Verify.** Auditor **shall comply** with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor **shall require** such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.
23. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item #16 for clarification).

SIGNATURE PAGES FOLLOW FEES PAGE

Contract to Audit Accounts (cont.) Watauga County
Primary Government Unit
Discretely Presented Component Unit (DPCU) if applicable

FEES – PRIMARY GOVERNMENT

AUDIT: \$ 45,000

WRITING FINANCIAL STATEMENTS: \$ 0

ALL OTHER NON-ATTEST SERVICES: \$ N/A

For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

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

The 75% cap for interim invoice approval for this audit contract is \$ 33,750
**** NA if there is to be no interim billing**

FEES – DPCU (IF APPLICABLE)

AUDIT: \$ _____

WRITING FINANCIAL STATEMENTS: \$ _____

ALL OTHER NON-ATTEST SERVICES: \$ _____

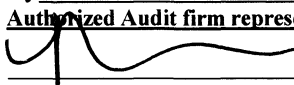
For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

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

The 75% cap for interim invoice approval for this audit contract is \$ _____
**** NA if there is to be no interim billing**

Contract to Audit Accounts (cont.) Watauga County
Primary Government Unit
Discretely Presented Component Unit (DPCU) if applicable

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

Audit Firm Signature:
Misty D Watson, CPA, PA
Name of Audit Firm
By Misty Watson
Authorized Audit firm representative name: Type or print

Signature of authorized audit firm representative
Date 11/27/17

misty@mistywatsoncpa.com
Email Address of Audit Firm

Governmental Unit Signatures:
Watauga County
Name of Primary Government
By John Welch, Chairperson
Mayor / Chairperson: Type or print name and title

Signature of Mayor/Chairperson of governing board
Date

By n/a
Chair of Audit Committee - Type or print name

Signature of Audit Committee Chairperson **

Date

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

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

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

By Margaret Pierce
Primary Government Unit Finance Officer:
Type or print name

Primary Government Finance Officer Signature
Date
(Pre-audit Certificate must be dated.)

margaret.pierce@watgov.org
Email Address of Finance Officer

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

*****Please provide us the most current email addresses available as we use this information to update our contact database*****

Contract to Audit Accounts (cont.) Watauga County

Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

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

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

DPCU Governmental Unit Signatures:

Name of Discretely Presented Component Unit

By _____
DPCU Board Chairperson: Type or print name and title

Signature of Chairperson of DPCU governing board

Date _____

By _____
Chair of Audit Committee - Type or print name

Signature of Audit Committee Chairperson **

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

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28

(a)

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

By _____

DPCU Finance Officer:

Type or print name

DPCU Finance Officer Signature

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

Email Address of Finance Officer

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

*****Please provide us the most current email addresses available as we use this information to update our contact database*****

Contract to Audit Accounts (cont.) Watauga County

 Primary Government Unit

 Discretely Presented Component Unit (DPCU) if applicable

Steps to Completing the Audit Contract

1. Complete the header information – If a DPCU is subject to the audit requirements found in the Local Government Budget and Fiscal Control Act and a separate report is being issued for that DPCU, a separate audit contract for the DPCU is required. If a separate report is not being issued for the DPCU – it is being included in the Primary Government’s audit – the DPCU shall be named with the Primary Government on the audit contract for the Primary Government. The Board Chairperson of the DPCU shall sign the audit contract in addition to the elected leader of the Primary Government.
2. Item No. 1 – Complete the period covered by the audit
3. Item No. 6 – Fill in the audit due date. For Governmental Unit (s), the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – If the process for invoice approval instructions changed, the Auditor should make sure he and his administrative staff are familiar with the current process. Instructions for each process can be found at the following link. <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>
5. Item No. 9 –Please note that the new fee section has been moved to page 5.
6. Item No. 16 – Has the engagement letter been attached to the contract that is being submitted to SLGFD?
 - a. Do the terms and fees specified in the engagement letter agree with the Audit contract? *“In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence.”*
 - b. Does the engagement letter contain an indemnification clause? **The audit contract shall not be approved if there is an indemnification clause – refer to LGC Memo # 986.**
7. Complete the fee section for BOTH the Primary Government and the DPCU (if applicable) on the fees page; please note:
 - The cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year’s total audit fee. If the contract fee is partially variable, we shall compare the authorized interim payment on the contract to 75% of last year’s actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: https://www.nctreasurer.com/slg/lfm/audit_acct/Pages/default.aspx select “audit fees”

Please call or email Lorna Hodge at 919-814-4299 lorna.hodge@nctreasurer.com if you have any questions about the fees on this list.

 - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?

Contract to Audit Accounts (cont.) Watauga County

Primary Government Unit

Discretely Presented Component Unit (DPCU) if applicable

- For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? (Note: See previous bullet point regarding variable fees.)
 - If there is to be no interim billing, please indicate N/A instead of leaving the line blank.
8. Signature Area – There are now 2 Signature Pages: one for the Primary Government and one for the DPCU. Please only send the page(s) that are applicable to your Unit of Government and do not include the instructions pages. Make sure all signatures have been obtained, and properly dated. **The contract shall be approved by Governing Boards pursuant to G.S. 159-34(a).** If this contract includes the audit for a DPCU that is a Public Authority that falls under the Local Government Budget and Fiscal Control Act, it shall be named in this contract and the Board Chairperson of the DPCU also shall sign the contract in the area indicated. If the DPCU is filing a separate audit, a separate audit contract is required for that DPCU.
 9. Please place the date the Primary Government's Governing Board and the DPCU's Governing Board (if applicable) approved the audit contract in the space provided.
 - a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
 - b. Has the pre-audit certificate for the Primary Government (and the DPCU if applicable) been signed and dated by the appropriate party?
 - c. Has the name and title of the Mayor or Chairperson of the Unit's Governing Board and the DPCU's Chairperson (if applicable) been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor's signature?
 10. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated on the fees page.
 11. Has the most recently issued peer review report for the audit firm been included with the contract? This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is only required to send the most current Peer Review report to us once – not multiple times.
 12. After all the signatures have been obtained and the contract is complete, please convert the contract and all other supporting documentation to PDF. **When submitting for approval combine and send the documents as one PDF file to include the Audit contract, any applicable addendums, the engagement letter and Peer Review Report.** Submit these documents using the most current submission process which can be obtained at the NC Treasurer's web site
<https://www.nctreasurer.com/slg/Audit%20Forms%20and%20Resources/Instructions%20for%20Contract%20Submission.pdf>
 13. If an audit cannot be completed by the due date, the Auditor or Governmental Unit shall file an Amended Contract form (Amended LGC-205). This form shall be signed by the Governmental Unit representative and the Auditor. The explanation for the delay in completing the audit is part of this contract amendment form and shall be provided. The parties that signed the original audit contract shall sign the amended contract form as well. If the signing representatives are unable to sign the amended contract, please include an explanation for this in the submitted amended contract form.

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

November 27, 2017

To Board of Commissioners and Margaret Pierce

Watauga County
 814 West King Street
 Boone, NC 28607

We are pleased to confirm our understanding of the services we are to provide Watauga County for the year ended June 30, 2018. We will audit 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, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Watauga County as of and for the year ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Watauga County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Watauga County's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Schedule of Changes in Net Pension Liability - LEO Special Separation Allowance Irrevocable Trust
- 3) Schedule of Employer Contributions - LEO Special Separation Allowance Irrevocable Trust
- 4) Schedule of Net Pension Liability - LEO Special Separation Allowance Irrevocable Trust
- 5) Schedule of Funding Progress - OPEB
- 6) Schedule of Changes in Net Pension Liability – OPEB
- 7) Schedule of County's Contributions – OPEB
- 8) Schedule of Investment Returns - OPEB
- 9) Schedule of County's Proportionate Share of Net Pension Liability (Asset) LGERS
- 10) Schedule of County's Contributions LGERS
- 11) Schedule of County's Proportionate Share of Net Pension Liability (Asset) RODSPF
- 12) Schedule of County's Contributions RODSPF

We have also been engaged to report on supplementary information other than RSI that accompanies Watauga County's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of expenditures of federal awards.

- 2) Combining and Individual Fund Statements and Schedules
- 3) Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
- 4) Other Schedules

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to County Commissioners of Watauga County. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform

the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Watauga County's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Watauga County's major programs. The purpose of these procedures will be to express an opinion on Watauga County's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Management Responsibilities

Management is responsible for (1) designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance

with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on October 1, 2018.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to [include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the County; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Misty D Watson, CPA, PA and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to NC LGC or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Misty D Watson, CPA, PA personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

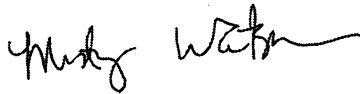
The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the NC LGC. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately January 15, 2018 and to issue our reports no later than October 12, 2018. Misty Watson is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$45,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to Watauga County and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Misty D Watson, CPA, PA

RESPONSE:

This letter correctly sets forth the understanding of Watauga County.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

AGENDA ITEM 9:**MISCELLANEOUS ADMINISTRATIVE MATTERS*****A. Sheriff's Office Requested Award to Retiring Officer*****MANAGER'S COMMENTS:**

G.S. 20-187.2, as included in your packets, allows governing bodies of a law enforcement agency to award a retiring member the service side arm at a price determined by the governing body. Law enforcement personnel may retire at age 55 with 25 years of credible service with full retirement benefits.

Deputy Barry Adams is retiring December 31, 2017. I have personally known Barry for over five (5) years and would say that he embodies the definition of a public servant. He served over 29 years with the United States Army after which he joined the North Carolina Highway Patrol. Upon retiring from the Highway Patrol with over 24 years of service and receiving the prestigious Order of the Longleaf Pine award, Barry chose the Watauga County Sheriff's Office for his next employment opportunity.

After thirty-six (36) years of service in law enforcement, Barry will once again retire. Watauga is truly grateful for Barry's years of service to our country, state, and county. The Sheriff's Office requests that Barry's respective side arm and badge be awarded to him upon his retirement and that the Board set the price of the side arm at \$1.

Board action is required to make this award.



WATAUGA COUNTY SHERIFF'S OFFICE

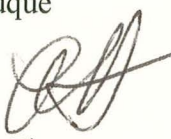
184 HODGES GAP ROAD
BOONE, NORTH CAROLINA 28607
(828) 264-3761 • FAX (828) 263-5345

LEN D. HAGAMAN, JR.
SHERIFF



MEMORANDUM

TO: Watauga County Board of Commissioners
County Manager Deron Geouque

FROM: Sheriff Len D. Hagaman, Jr. 

RE: Deputy Barry Adams Service Firearm

DATE: November 17, 2017

Deputy Barry Adams, will retire from the Sheriff's Office on December 31, 2017 with a total of 36 years in law enforcement and 6 years of service to Watauga County as the D.A.R.E. Officer. It is customary that the Sheriff's Office award its' retiring law enforcement officers their service weapon as a token of their dedicated service to the citizens of Watauga County.

The Watauga County Sheriff's Office is formally requesting that Deputy Adams' issued service firearm, a Glock 22, 40 cal. (serial number RYD550) be declared surplus for the purpose of retirement presentation in accordance with North Carolina General Statute 20-187.2.

We deeply appreciate the County Commissioners honoring Deputy Barry Adams for his many years of dedicated service and we would like to express our heartfelt thanks for Deputy Adams' dedication and service to the citizens of Watauga County.

AGENDA ITEM 9:

MISCELLANEOUS ADMINISTRATIVE MATTERS

B. Proposed Resolution Establishing the Sheriff's Salary

MANAGER'S COMMENTS:

Per Statute, prior to the filing period for the fall elections, the Board must establish the salary for the Sheriff in order for filing fees to be determined as listed in the draft resolution. The entry level salary on the County's current pay plan is \$70,672.

Board action is required to set the salary by adopting the proposed resolution.

STATE OF NORTH CAROLINA

COUNTY OF WATAUGA

DRAFT

**A RESOLUTION ESTABLISHING THE
SHERIFF’S SALARY**

WHEREAS, filing for the office of Watauga County Sheriff begins on Monday, February 10, 2014, at 12:00 noon; and

WHEREAS, the deadline for filing is Friday, February 28, 2018, at 12:00 noon; and

WHEREAS, the Watauga County Board of Commissioners desires to adopt a new salary for the office of Sheriff pursuant to North Carolina General Statutes 153A-92 at a rate of \$70,672 for the next term of office of the then Sheriff; and

WHEREAS, this resolution is made more than fourteen (14) days before the last day of filing notice of candidacy for this office.

NOW THEREFORE, BE IT RESOLVED that the annual salary for the office of the Sheriff shall be \$70,672 when such person elected to the office in the next general election takes said office.

ADOPTED this the 5th day of December, 2017.

John Welch, Chairman
Watauga County Board of Commissioners

ATTEST:

Anita J. Fogle, Clerk to the Board

AGENDA ITEM 9:

MISCELLANEOUS ADMINISTRATIVE MATTERS

C. January's Meeting Schedule

MANAGER'S COMMENTS:

The Board has traditionally cancelled one of the meetings in December or January depending on how the holidays have fallen. Due to where Christmas and New Year fall during the week, staff would recommend the Board cancel the first meeting in January as there would be insufficient time to prepare the Board packets. Historically, December and the first weeks in January have few issues requiring Board action.

Staff seeks direction from the Board in cancelling the first meeting in January.

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AGENDA ITEM 9:**MISCELLANEOUS ADMINISTRATIVE MATTERS*****D. Boards and Commissions*****MANAGER'S COMMENTS:****Watauga County Board of Adjustment**

The terms of Bill Ragan, Baxter Palmer and Todd Rice expire in November. All three are willing to continue to serve if reappointed. NC Statutes require a representative (resident) of each zoned area in counties that have partial-county zoning such as Watauga. Mr. Rice represents the Valle Crucis Historic District, which is a small area with limited population, therefore small pool of potential representatives. Mr. Palmer is the alternate member and is the representative of the Foscoe-Grandfather zoned area. Mr. Ragan resides in the Howard Creek Watershed, which is not a zoned area in the traditional sense, but since the watershed ordinance was adopted under zoning authority, the County has attempted to appoint residents of those areas when possible.

The Pond Creek (Beech Mountain) Watershed Ordinance was not adopted under zoning authority as it is not large enough to qualify for partial-county zoning. Adam Rhyne resides in the South Fork New River/Winkler Creek/Middle Fork watershed (the boundaries adjoin and form one larger watershed-regulated area). David Hill and Charles Phillips are at-large members. Those 3 terms are not expiring this year. The new South Fork New River Watershed for the new Boone water intake does not have a representative.

The above are second readings.

Watauga Medical Center Board of Trustees

The Watauga Medical Center Board of Trustees has recommended Dr. Paul Dagher and Mr. Joe Miller for reappointment and Ms. Mary Louise Roberts for appointment as Board Trustees. Each of their terms would be effective January 1, 2018, through December 31, 2020.

The above are second readings.

Recreation Commission

The following recommendations were received from the listed agencies for appointment to the Recreation Commission:

Bethel School	Mr. Jason Eldreth
Green Valley School	Mr. Denny Norris
Parkway School	Mr. Gene Swift
Valle Crucis School	Ms. Carolina Carney

The above are second readings.

(Continued on the next page)

Economic Development Commission

The terms of two members of the Economic Development Commission (EDC) expired in June. Mr. Ed Evans and Mr. Tommy Sofield served two consecutive terms and, therefore, were not eligible for reappointment. Mr. James Bance was appointed to fill one of these seats at the September 19, 2017, meeting leaving one seat to be filled for a three-year term. A volunteer application has been received from Mr. Erik Carsten Lanier who is interested in serving on the EDC.

The above is a second reading.



Chuck Mantooth, FACHE
President & CEO

October 30, 2017



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

Dear Deron:

The Watauga Medical Center, Inc. Board of Trustees at their October 26, 2017 meeting unanimously approved submitting the following names to be considered by the Watauga County Commissioners for appointment to the Board of Trustees:

Dr. Paul Dagher
Joe Miller
Mary Louise Roberts

The appointment will be for a three year term beginning January 1, 2018 and ending December 31, 2020.

Thank you for your assistance with this process and please contact me should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chuck Mantooth".

Chuck Mantooth

Anita.Fogle

From: Stephen Poulos
Sent: Tuesday, November 14, 2017 4:52 PM
To: Brian Bettis; Anita.Fogle; jason@aplusrealtync.com; Amy Parsons
Subject: RE: Recreation Advisory Board

Mr. Eldreth,

Your nomination will be presented to the Watauga County Board of Commissioners, once approved, we will officially notify you.

Thanks for your interest in serving!

Stephen



Stephen J. Poulos, Director
Watauga County Parks and Recreation
231 Complex Drive
Boone, N.C. 28607
828.264.9511
828.264.9523 fax
stephen.poulos@watgov.org NEW Email!
www.wataugacounty.org

Follow us on Facebook! 

From: Brian Bettis [<mailto:bettisb@wataugaschools.org>]
Sent: Tuesday, November 14, 2017 4:45 PM
To: Anita.Fogle; Stephen Poulos; jason@aplusrealtync.com
Subject: Recreation Advisory Board

Good Afternoon,

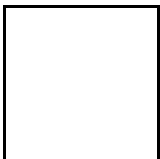
Jason Eldreth has agreed to represent the Bethel community on the Recreation Advisory Board. His email address is jason@aplusrealtync.com.

If there is anything else I can do to support you, please let me know.

Brian A. Bettis
Principal
Bethel School
138 Bethel School Road
Sugar Grove, North Carolina 28679
(828) 297-2240

"We are told to let our light shine; and if it does, we won't need to tell anybody it does. Lighthouses don't fire cannons to call attention to their shining -- they just shine."

~Dwight L. Moody



It's great to be a mountaineer!

Note: All email correspondence to and from this address is subject to public review under the North Carolina public records law. As a result, messages may be monitored by and disclosed to third parties.

In compliance with federal law, Watauga County Schools administers all education programs, employment activities and admissions without discrimination against any person on the basis of gender, race, color, religion, national origin, age or disability. 120517 BCC Meeting

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In compliance with federal law, Watauga County Schools administers all education programs, employment activities and admissions without discrimination against any person on the basis of gender, race, color, religion, national origin, age or disability.

Anita.Fogle

From: Stephen Poulos
Sent: Wednesday, November 08, 2017 1:22 PM
To: Anita.Fogle; Amy Parsons
Subject: FW: Recreation Commission

Re-Appoint Denny Norris to Recreation Commission per GV principal.



Stephen J. Poulos, Director
 Watauga County Parks and Recreation
 231 Complex Drive
 Boone, N.C. 28607
 828.264.9511
 828.264.9523 fax
stephen.poulos@watgov.org NEW Email!
www.wataugacounty.org

Follow us on Facebook! 

From: Philip Norman [<mailto:normanp@wataugaschools.org>]
Sent: Wednesday, November 08, 2017 1:18 PM
To: Stephen Poulos
Subject: Re: Recreation Commission

I say keep him on, he seems involved in the right stuff, and any momentum he can provide is positive, right?

On Wed, Nov 8, 2017 at 10:21 AM, Stephen Poulos <Stephen.Poulos@watgov.org> wrote:

Phil,

Good Morning, hope all is going well with Green Valley and your family. Denny Norris term on our Recreation Commission Advisory Board is up this year. You are welcome to re-appoint him or someone else. Denny is great and very committed, plus he's on the Recreation Center planning committee. He's been on for several years and with the Recreation Center coming online, think he'd really like to continue to serve, but you can check with him. He told me once Recreation Center is done, start bldg Fall of 2018, 1.5 – 3 year window to build, he would like to get off this board.

You can email anita.fogle@watgov.org with either Denny's name or whomever you appoint.

Any ?'s, just ask, have a great day!

Stephen



Stephen J. Poulos, Director
Watauga County Parks and Recreation
231 Complex Drive
Boone, N.C. 28607
828.264.9511
828.264.9523 fax
stephen.poulos@watgov.org NEW Email!
www.wataugacounty.org

Follow us on Facebook! 

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Philip L. Norman
Principal
Green Valley School
189 Big Hill Rd. Boone, NC 28607

Ph. (828) 264-3606

Fax (828) 264-8108

Website <http://www.wataugaschools.org>

Twitter @GreenValley_828

Note: All email correspondence to and from this address is subject to public review under the North Carolina public records law. As a result, messages may be monitored by and disclosed to third parties.

In compliance with federal law, Watauga County Schools administers all education programs, employment activities and admissions without discrimination against any person on the basis of gender, race, color, religion, national origin, age or disability.

Anita.Fogle

From: Patty Buckner <bucknerp@wataugaschools.org>
Sent: Wednesday, November 08, 2017 1:20 PM
To: Anita.Fogle
Subject: Recreation Commission Advisory Board

Good Afternoon!

Mr. Gene Swift has agreed to serve an additional term on the Recreation Commission Advisory Board. Please let me know if you have any questions.

Thank you,

Patty

Patty Buckner

Principal

Parkway School

160 Parkway School Drive

Boone, NC 28607

(828) 264.3032

Note: All email correspondence to and from this address is subject to public review under the North Carolina public records law. As a result, messages may be monitored by and disclosed to third parties.

In compliance with federal law, Watauga County Schools administers all education programs, employment activities and admissions without discrimination against any person on the basis of gender, race, color, religion, national origin, age or disability.

Anita.Fogle

From: Stephen Poulos
Sent: Wednesday, November 08, 2017 10:49 AM
To: Anita.Fogle; Amy Parsons
Subject: FW: Recreation Commission

Preston from VC wishes to re-appoint Carolina Carney

As I get any of these, will forward to both of you.

Thanks!

Stephen



Stephen J. Poulos, Director
 Watauga County Parks and Recreation
 231 Complex Drive
 Boone, N.C. 28607
 828.264.9511
 828.264.9523 fax
stephen.poulos@watgov.org NEW Email!
www.wataugacounty.org

Follow us on Facebook! 

From: Preston Clarke [<mailto:clarkep@wataugaschools.org>]
Sent: Wednesday, November 08, 2017 10:46 AM
To: Stephen Poulos
Subject: Re: Recreation Commission

That is good with me.

On Wed, Nov 8, 2017 at 10:03 AM, Stephen Poulos <Stephen.Poulos@watgov.org> wrote:

Preston,

Good Morning. Carolina Carney's term on our Recreation Commission Advisory Board is up this year. You are welcome to re-appoint her or someone else. She's great obviously, we are good either way, your call.

You can email anita.fogle@watgov.org with either Carolina's name or whomever you appoint.

Any ?'s, just ask, have a great day!

Stephen



Stephen J. Poulos, Director
Watauga County Parks and Recreation
231 Complex Drive
Boone, N.C. 28607
828.264.9511
828.264.9523 fax
stephen.poulos@watgov.org NEW Email!
www.wataugacounty.org

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Preston Clarke

Principal
Valle Crucis School

2998 Broadstone Road
Sugar Grove, NC 28679
[828-963-4712](tel:828-963-4712) Phone
[828-963-8185](tel:828-963-8185) Fax

www.wataugaschools.org

Follow me on Twitter: @PrestonJClarke
Follow Valle Crucis School on Twitter: @ValleCrucisSch
Follow our school blog: vallecrucisschool.wordpress.com

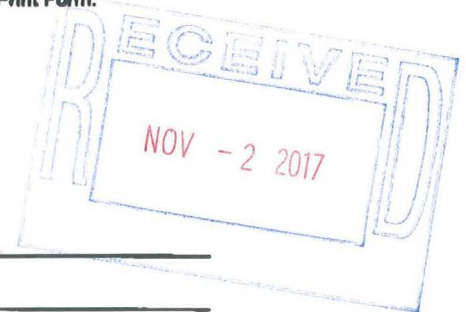
Note: All email correspondence to and from this address is subject to public review under the North Carolina public records law. As a result, messages may be monitored by and disclosed to third parties.

In compliance with federal law, Watauga County Schools administers all education programs, employment activities and admissions without discrimination against any person on the basis of gender, race, color, religion, national origin, age or disability.

**Volunteer Application
Watauga County Boards And Commissions**

If you are a Watauga County resident, at least 18 years old, and willing to volunteer your time and expertise to your community, please complete the application below and click on Print Form. Please sign and mail or fax to:

*Watauga County Commissioners' Office
814 West King Street, Suite 205
Boone, NC 28807
Phone: (828) 285-8000
Fax: (828) 284-3230*



Name: Erik Carsten Lanier
Home Address: 384 Jimmy Billings Road
City: Vilas Zip: 28692
Telephone: (H) 828-297-1484 (W) 828-963-3798 (Fax) 888-413-5350
Email: ErikLanier@hotmail.com
Place of Employment: KW Commercial High Country Realty
Job Title: Commercial Broker

In Order To Assure County wide Representation Please Indicate Your Township Of Residence:

- | | | |
|-------------------------------------|--|------------------------------------|
| <input type="radio"/> Bald Mountain | <input type="radio"/> Stony Fork | <input type="radio"/> Watauga |
| <input type="radio"/> New River | <input checked="" type="radio"/> Brushy Fork | <input type="radio"/> Cove Creek |
| <input type="radio"/> Beaver Dam | <input type="radio"/> Mead Camp | <input type="radio"/> Shawneehaw |
| <input type="radio"/> Blue Ridge | <input type="radio"/> Blowing Rock | <input type="radio"/> Laurel Creek |
| <input type="radio"/> Elk | <input type="radio"/> North Fork | <input type="radio"/> Boone |

In addition, Please Indicate If You Live In One Of The Following Areas:

- | | |
|--|--|
| <input type="radio"/> Foscoe-Grandfather Community | <input type="radio"/> Valle Crucis Historic District |
| <input type="radio"/> Howards Creek Watershed | <input type="radio"/> Winklers Creek Watershed |
| <input type="radio"/> South Fork New River Watershed | <input checked="" type="radio"/> Extraterritorial Area |

We Ask Your Help In Assuring Diversity Of Membership By Age, Gender, And Race, By Answering The Following Questions

- | | | |
|---------------------------------------|--|--------------------------------|
| Gender | Ethnic Background | |
| <input checked="" type="radio"/> Male | <input type="radio"/> African American | <input type="radio"/> Hispanic |
| <input type="radio"/> Female | <input checked="" type="radio"/> Caucasian | <input type="radio"/> Other |
| | <input type="radio"/> Native American | |

Please List (In Order Of Preference) The Boards/Commissions On Which You Would Be Willing To Serve.

1. Economic Development Commission
2. _____
3. _____

**Volunteer Application
Watauga County Boards And Commissions
(Continued)**

Please list any work, volunteer, and/or other experience you would like to have considered in the review of your application.

**Work
Experience:**

I have worked in Watauga County for the last 26 years (minus 1 year in Bozeman Montana). I started out in the hospitality industry working for the Sheraton and Chetola Resort. I also worked at Sugar Mountain as a side job. After returning from Montana (22 years ago), I have worked in real estate at Martin Real Estate, Pat Hodges Enterprises, and REMAX Realty Group. For last 12 years as a commercial broker at ASHECO Lmt. This year, I have switched to KW Commercial High Country Realty.

**Volunteer
Experience:**

Boone Sunrise Rotary Club
Boone Chamber Business Development Committee
Baptist Men Disaster Relief Teams
4H Robotics Group
Boone Brick (LEGO) Contest - Annual Fundraiser for Watauga Humane Society
I teach the contracts and agency courses for the Board of Realtors

**Other
Experience:**

Database and computer programmer.
Public speaking

**Other
Comments:**

I have a side business which tracks and catalogs all of the real estate sales for Ashe, Avery, and Watauga counties. It is a monthly subscription service and I have over 30 clients.

Signature:



Date:

11/1/17

Print Form

Reset Form

AGENDA ITEM 9:

MISCELLANEOUS ADMINISTRATIVE MATTERS

E. Announcements

MANAGER’S COMMENTS:

The Register of Deeds, Clerk of Court, and Tax Office invites you to join them for holiday goodies on Friday, December 8, 2017, from 12:30 – 2:30 P.M. in the hallway between the Clerk of Court and Register of Deeds offices. There will be collection boxes for non-perishable food items to be donated to the Hunger and Health Coalition.

The Annual County Christmas Luncheon, scheduled on Tuesday, December 12, 2017, will be held at Dan’l Boone Inn from 11:45 A.M. to 2:00 P.M.

We would like to invite you to join us for some holiday goodies on Friday, December 8th 12:30pm-2:30pm located in the hallway between the Clerk of Court and Register of Deeds offices.

We will be collecting non-perishable food items for donation to Watauga County Hunger Coalition. Collection boxes will be set up in the hallway December 4th-15th so donations can be placed in the boxes during this time.

We would like to wish each of you a very Merry Christmas and many Blessings in 2018! Thank you for your friendship and support over the past year!

Diane C. Deal, Clerk of Court

Amy J. Shook, Register of Deeds

Larry Warren, Tax Administrator

and our staff

AGENDA ITEM 10:

PUBLIC COMMENT

AGENDA ITEM 11:

BREAK

AGENDA ITEM 12:

CLOSED SESSION

Attorney/Client Matters – G. S. 143-318.11(a)(3)
Personnel Matters – G. S. 143-318.11(a)(6)