



WATAUGA COUNTY, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

WATAUGA COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

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COUNTY OFFICIALS

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County Manager

Watauga County, North Carolina

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Independent Auditor's Report

To the Board of Commissioners
Watauga County, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Watauga County, North Carolina as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Watauga County's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County as of June 30, 2025, 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.

We did not audit the financial statements of AppalCART, which represent 54 percent, 53 percent, and 55 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for AppalCART, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions on pages 70 through 71, the Local Government Employees' Retirement System Schedules of the Watauga County District U Tourism Development Authority's Proportionate Share of Net Pension Liability and County Authority's Contributions on pages 74 through 75, and the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 72 through 73, the Law Enforcement Officers' Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 64 through 66, the Other Postemployment Benefits schedules of Changes in the Net OPEB Liability and Related Ratios, County Contributions, and Investment Returns on pages 67 through 69, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watauga County's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and component unit schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the combining and individual fund financial statements, budgetary schedules, other schedules, component unit schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of Watauga County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watauga County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watauga County's internal control over financial reporting and compliance.

C. Randolph CPA, PLLC

West Jefferson, North Carolina

January 30, 2026

Watauga County

Year Ended June 30, 2025

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, 2025. We encourage users to read the information presented here in conjunction with additional information we have furnished in the County's financial statements and notes which follow this narrative.

Financial Highlights

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the fiscal year by \$290,331,310.
- The County's total net position increased by \$13,803,412 primarily due to an increase in revenues, particularly property tax, exceeding budget coupled with operating expenditures below expected levels.
- The County's unassigned fund balance for the General Fund was \$57,511,262 at the end of the year, representing 59% of total General Fund expenditures. This is an increase of \$2,220,989 in unassigned fund balance over the previous year.
- Total principal payments for the fiscal year totaled \$6,570,000 decreased outstanding debt.
- The County:
 - Continued construction of a new Valle Crucis school
 - Continued a Tower project to enhance emergency communications
 - Finished construction of a new parking deck
 - Continued construction of a new 911 emergency facility
- S&P Global Ratings reaffirmed the County's credit rating at AA and the County's financial stability.
- For the eighth year, the County was able to allocate funds to the Capital Projects Fund as part of the original budget ordinance denoting a continued rebound from the recession.

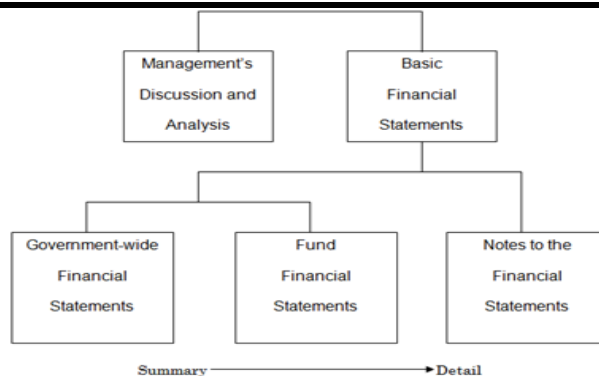
Overview of the Financial Statements

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

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

and 3) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 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 64 of this report.

Government-Wide Financial Analysis

Watauga County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 155,175,152	\$ 162,817,310	\$ 8,069,913	\$ 9,018,309	\$ 163,245,065	\$ 171,835,619
Capital assets, net	197,628,227	175,261,964	8,079,157	6,705,248	205,707,384	181,967,212
Total Assets	352,803,379	338,079,274	16,149,070	15,723,557	368,952,449	353,802,831
Total Deferred Outflows	6,507,819	7,495,753	562,687	670,191	7,070,506	8,165,944
Liabilities:						
Current liabilities	18,680,625	14,943,005	490,235	628,619	19,170,860	15,571,624
Other liabilities	62,351,999	66,110,332	1,989,717	1,812,096	64,341,716	67,922,428
Total Liabilities	81,032,624	81,053,337	2,479,952	2,440,715	83,512,576	83,494,052
Total Deferred Inflows	2,061,221	1,480,447	117,848	75,197	2,179,069	1,555,644
Net Position:						
Net investments in capital assets	144,912,377	129,353,105	7,980,233	6,699,540	152,892,610	136,052,645
Restricted	41,378,375	45,949,218	-	-	41,378,375	45,949,218
Unrestricted	89,926,601	87,738,920	6,133,724	7,178,296	96,060,325	94,917,216
Total Net Position	\$ 276,217,353	\$ 263,041,243	\$ 14,113,957	\$ 13,877,836	\$ 290,331,310	\$ 276,919,079

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 \$290,331,310 at June 30, 2025. The County's net position increased by a total of \$13,803,412 for the fiscal year. Net position is reported in three categories: Net investment in capital assets of \$152,892,610 restricted net position of \$41,378,375; and unrestricted net position of \$96,060,325.

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, 2025, the increase in this category of net position correlates to reduced outstanding debt along with increased capital assets.

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

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

- Close monitoring of expenditures
- High property tax collection rate

Watauga County Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 5,280,674	\$ 5,452,228	\$ 7,776,306	\$ 6,942,329	\$ 13,056,980	\$ 12,394,557
Operating grants and contributions	8,950,473	5,554,490	164,477	171,327	9,114,950	5,725,817
Capital grants and contributions	1,216,344	5,205,304	-	-	1,216,344	5,205,304
General Revenues:						
Property taxes	51,920,314	50,440,018	-	-	51,920,314	50,440,018
Other taxes	25,903,923	26,574,296	-	-	25,903,923	26,574,296
Grants and contributions not restricted	6,522,949	6,543,765	-	-	6,522,949	6,543,765
Miscellaneous	482,064	631,723	75,723	112,055	557,787	743,778
Investment earnings	6,051,418	7,320,606	331,440	358,982	6,051,418	7,679,588
Total Revenues	106,328,159	107,722,430	8,347,946	7,584,693	114,676,105	115,307,123
Expenses:						
General government	24,966,277	15,775,079	-	-	24,966,277	15,775,079
Public safety	23,740,835	22,741,912	-	-	23,740,835	22,741,912
Transportation	265,221	272,481	-	-	265,221	272,481
Economic and physical development	4,321,990	5,151,083	-	-	4,321,990	5,151,083
Environmental protection	560,932	620,372	-	-	560,932	620,372
Human services	10,251,688	9,444,808	-	-	10,251,688	9,444,808
Cultural and recreation	4,204,435	4,017,770	-	-	4,204,435	4,017,770
Education	22,203,312	17,549,001	-	-	22,203,312	17,549,001
Interest on long-term debt	2,272,950	2,490,596	-	-	2,272,950	2,490,596
Solid waste	-	-	8,085,053	6,843,037	8,085,053	6,843,037
Total Expenses	92,787,640	78,063,102	8,085,053	6,843,037	100,872,693	84,906,139
Increase in net position	13,540,519	29,659,328	262,893	741,656	13,803,412	30,400,984
Net position, beginning	263,041,243	229,470,969	13,877,836	13,136,180	276,919,079	242,607,149
Prior period adjustment - change in accounting principle	(364,409)	3,910,946	(26,772)	-	(391,181)	-
Net Position, beginning, restated	262,676,834	233,381,915	13,851,064	13,136,180	276,527,898	246,518,095
Net position, ending	\$ 276,217,353	\$ 263,041,243	\$ 14,113,957	\$ 13,877,836	\$ 290,331,310	\$ 276,919,079

Governmental activities: Governmental activities increased the County's net position by \$13,540,519, thereby accounting for 98% of the total growth in the net position of Watauga County. Key elements of this increase are as follows:

- Sales tax remaining stable 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 98.57% for the current fiscal year;
- Close monitoring of expenditures throughout the year with actual expenditures below budget.

Business-type activities: Business-type activities increased Watauga County's net position by \$262,893, 2%. Key elements of this increase are as follows:

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

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the General Fund increased to \$57,511,262 while total fund balance increased to \$79,024,854. 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 59.2 percent of total General Fund expenditures, while total fund balance represents 81.3 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.

The actual operating revenues for the General Fund were \$3,106,657 more than the budgeted amount. Actual operating expenses were less than budgeted by \$19,283,870. A significant driving factor in expenditures being below budget is due to the ongoing capital projects, including Emergency Management expansion.

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 \$6,133,724. The total increase in proprietary net position was \$262,893.

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, 2025, totals \$205,615,188 (net of depreciation). These assets include construction in progress, buildings, land, equipment, improvements, and vehicles. Major capital asset transactions during the year include:

- Purchased new vehicles and numerous pieces of equipment for County governmental departments;
- Continued construction of new Valle Crucis school;
- Continued a Tower project to enhance emergency communications;
- Finished construction of a parking deck
- Continued construction of a new 911 Emergency Building

Watauga County's Capital Assets, Net of Depreciation

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Land	\$ 27,407,833	\$ 27,400,033	\$ 1,100,815	\$ 1,100,815	\$ 28,508,648	\$ 28,500,848
Buildings	103,777,641	101,082,772	4,596,780	2,607,536	108,374,421	103,690,308
Other improvements	3,082,902	2,953,471	692,600	777,967	3,775,502	3,731,438
Leasehold improvements	4,473,563	4,722,577	4,563	4,811	4,478,126	4,727,388
Equipment	1,586,629	1,800,893	847,356	675,197	2,433,985	2,476,090
Vehicles	1,125,779	983,106	738,298	334,558	1,864,077	1,317,664
Construction in progress	56,121,050	36,266,282	6,549	1,204,364	56,127,599	37,470,646
Intangible assets	52,830	52,830	-	-	52,830	52,830
Total	\$ 197,628,227	\$ 175,261,964	\$ 7,986,961	\$ 6,705,248	\$ 205,615,188	\$ 181,967,212

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

Long-term Debt. As of June 30, 2025, Watauga County had no bonded debt outstanding or authorized.

Watauga County's Outstanding Debt

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Net pension liability (LGERS)	\$ 9,781,529	\$ 9,887,070	\$ 932,084	\$ 942,141	\$ 10,713,613	\$ 10,829,211
Total pension liability (LEOSSA)	862,049	447,537	-	-	862,049	447,537
Total OPEB liability (RIAP)	3,529,806	1,951,766	336,356	185,984	3,866,162	2,137,750
Compensated absences	1,701,471	1,627,126	176,320	142,221	1,877,791	1,769,347
Accrued landfill closure and post closure costs	-	-	495,461	495,461	495,461	495,461
Leases	-	-	98,924	122,498	98,924	122,498
Premium on loans	3,466,535	3,731,270	-	-	3,466,535	3,731,270
Premium on direct refunding	429,315	572,420	-	-	429,315	572,420
Direct placement installment	49,715,478	55,390,000	-	-	49,715,478	55,390,000
Total	\$ 69,486,183	\$ 73,607,189	\$ 2,039,145	\$ 1,888,305	\$ 71,525,328	\$ 75,495,494

Watauga County's General Fund direct installment notes decreased by \$6,570,000 during the past fiscal year due to scheduled debt service payments and increased \$895,478 for a cash flow loan related to Hurricane Helene. There is no installment note

MANAGEMENT'S DISCUSSION AND ANALYSIS

debt associated with the business activities. The State of North Carolina limits the amount of debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries less outstanding debt principal. The legal debt margin for Watauga County as of June 30, 2025 is \$1,122,575,787. Additional information regarding Watauga County's long-term debt can be found in Note 3.B.6.b of this report.

Economic Factors

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

- The County's unemployment rate has remained flat at 3.7 percent at the end of June 2024 to June 2025;
- 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;
- Investment earnings provided a strong rate of return for the County.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Governmental activities – The County's property tax rate has been set at 31.8 cents per \$100 in property valuation. Sales tax revenue is projected to remain in line with fiscal year 2025 budget based on actual results in the previous fiscal year.

Budgeted expenditures in the General Fund have increased 7 percent. Capital purchases are allocated mainly for vehicles, a new Valle Crucis School, 911 Emergency Building and continued expansion of emergency service tower operations with other projects still limited to primarily repairs and maintenance. Funds are allocated to be set aside this year for future capital school projects of \$5,179,550 and \$3,872,500 for county projects-mainly funding \$1,800,000 for emergency communications, \$500,000 for future maintenance and repairs, \$50,000 for economic development, \$100,000 for community recreation facilities, \$22,500 for potential flood mitigation, \$1,200,000 for future county facilities, \$100,000 for law enforcement expansion, \$50,000 for library expansion, and \$50,000 to Caldwell Community College.

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

Requests for Information

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

Watauga County, North Carolina
Statement of Net Position
June 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	AppalCART	Watauga County District U Tourism Development Authority
ASSETS					
Current assets					
Cash and cash equivalents	\$ 114,686,037	\$ 7,227,913	\$ 121,913,950	\$ 4,053,941	\$ 12,873,184
Restricted cash and cash equivalents	12,635,963	132,890	12,768,853	-	-
Receivables (net)	5,173,953	620,348	5,794,301	34,672	-
Due from other governments	9,542,162	42,037	9,584,199	1,177,759	646,146
Lease receivable - current	258,908	-	258,908	-	-
Notes receivable - current	835,512	-	835,512	-	-
Prepaid expenses	-	46,725	46,725	56,759	-
Inventory	-	-	-	289,463	-
Total current assets	<u>143,132,535</u>	<u>8,069,913</u>	<u>151,202,448</u>	<u>5,612,594</u>	<u>13,519,330</u>
Non-current assets					
Net pension asset - ROD	70,400	-	70,400	-	-
Lease receivable - noncurrent	592,200	-	592,200	-	-
Notes receivable	11,380,017	-	11,380,017	-	-
Right to use leased asset, net of amortization	-	92,196	92,196	192,438	-
Capital assets:					
Land, intangible, and construction in progress	83,581,713	1,107,364	84,689,077	1,223,792	697,983
Other capital assets, net of depreciation	114,046,514	6,879,597	120,926,111	11,642,781	1,308,242
Total capital assets	<u>197,628,227</u>	<u>7,986,961</u>	<u>205,615,188</u>	<u>12,866,573</u>	<u>2,006,225</u>
Total non-current assets	<u>209,670,844</u>	<u>8,079,157</u>	<u>217,750,001</u>	<u>13,059,011</u>	<u>2,006,225</u>
Total assets	<u>352,803,379</u>	<u>16,149,070</u>	<u>368,952,449</u>	<u>18,671,605</u>	<u>15,525,555</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	5,948,321	509,372	6,457,693	-	91,746
OPEB deferrals	559,498	53,315	612,813	-	-
Total deferred outflows of resources	<u>6,507,819</u>	<u>562,687</u>	<u>7,070,506</u>	<u>-</u>	<u>91,746</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	8,443,760	407,131	8,850,891	1,472,330	528,135
Accrued interest payable	178,168	-	178,168	2,157	-
Due to other governments	1,668,648	33,676	1,702,324	-	-
Unearned revenue	1,255,865	-	1,255,865	-	-
Debt service due within one year	7,134,184	49,428	7,183,612	179,161	127,789
Total current liabilities	<u>18,680,625</u>	<u>490,235</u>	<u>19,170,860</u>	<u>1,653,648</u>	<u>655,924</u>
Long-term liabilities					
Due in more than one year	62,351,999	1,989,717	64,341,716	179,793	159,840
Total liabilities	<u>81,032,624</u>	<u>2,479,952</u>	<u>83,512,576</u>	<u>1,833,441</u>	<u>815,764</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	141,246	13,295	154,541	-	847
OPEB deferrals	1,097,207	104,553	1,201,760	-	-
Unearned revenue	-	-	-	3,600	-
Leases	817,602	-	817,602	-	-
Prepaid taxes	5,166	-	5,166	-	-
Total deferred inflows of resources	<u>2,061,221</u>	<u>117,848</u>	<u>2,179,069</u>	<u>3,600</u>	<u>847</u>
NET POSITION					
Net investment in capital assets	144,912,377	7,980,233	152,892,610	12,874,630	2,006,225
Restricted for:					
Stabilization by State Statute	21,134,893	-	21,134,893	-	646,146
Register of Deeds' pension plan	111,563	-	111,563	-	-
Education	9,650,519	-	9,650,519	-	-
General government	13,805	-	13,805	-	-
Public safety	9,663,045	-	9,663,045	-	-
Health services	678,833	-	678,833	-	-
Register of Deeds Automation/Enhancement	125,717	-	125,717	-	-
Unrestricted	89,926,601	6,133,724	96,060,325	3,959,934	12,148,319
Total net position	<u>\$ 276,217,353</u>	<u>\$ 14,113,957</u>	<u>\$ 290,331,310</u>	<u>\$ 16,834,564</u>	<u>\$ 14,800,690</u>

Watauga County, North Carolina
Statement of Activities
For the Year Ended June 30, 2025

Program Revenues				Net (Expense) Revenues and Changes in Net Position				Component Units	
				Primary Government				Watauga County District U	
								Tourism Development Authority	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	AppalCART	
Primary government:									
Governmental Activities:									
General government	\$ 24,966,277	\$ 1,426,753	\$ 3,617,955	\$ 849,689	\$ (19,071,880)	-	\$ (19,071,880)		
Public safety	23,740,835	1,808,574	336,929	49,985	(21,545,347)	-	(21,545,347)		
Transportation	265,221	-	185,398	-	(79,823)	-	(79,823)		
Economic and physical development	4,321,990	-	169,945	-	(4,152,045)	-	(4,152,045)		
Environmental protection	560,932	-	112,417	-	(448,515)	-	(448,515)		
Human services	10,251,688	35,447	4,527,772	-	(5,688,469)	-	(5,688,469)		
Cultural and recreational	4,204,435	2,009,900	-	-	(2,194,535)	-	(2,194,535)		
Education	22,203,312	-	57	316,670	(21,886,585)	-	(21,886,585)		
Interest and fees on long-term debt	2,272,950	-	-	-	(2,272,950)	-	(2,272,950)		
Loss on sale of fixed assets	74,883	-	-	-	(74,883)	-	(74,883)		
Total governmental activities	92,862,523	5,280,674	8,950,473	1,216,344	(77,415,032)	-	(77,415,032)		
Business-type activities:									
Solid waste	8,085,053	7,776,306	164,477	-	-	(144,270)	(144,270)		
Total	100,947,576	13,056,980	9,114,950	1,216,344	(77,415,032)	(144,270)	(77,559,302)		
Component units:									
AppalCART	6,926,264	2,860,880	2,380,000	1,169,676				(515,708)	
Watauga County District U Tourism Development Authority	2,236,563	-	-	-					(2,236,563)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					51,920,314	-	51,920,314	-	-
Local option sales tax					20,860,594	-	20,860,594	-	-
Other taxes and licenses					5,043,329	-	5,043,329	-	3,524,408
Grants and contributions not restricted to specific programs					6,522,949	-	6,522,949	-	-
Investment earnings, unrestricted					6,051,418	331,440	6,382,858	102,522	382,192
Loss due to impairment of assets					(20,603)	71,651	51,048	25,190	-
Miscellaneous, unrestricted					577,550	4,072	581,622	-	437,270
Total general revenues					90,955,551	407,163	91,362,714	127,712	4,343,870
Change in net position					13,540,519	262,893	13,803,412	(387,996)	2,107,307
Total net position, beginning					263,041,243	13,877,836	276,919,079	17,275,565	12,811,031
Prior period adjustment					(364,409)	(26,772)	(391,181)	(53,005)	(117,648)
Total net position, beginning, as restated					262,676,834	13,851,064	276,527,898	17,222,560	12,693,383
Net position, ending					276,217,353	14,113,957	290,331,310	16,834,564	14,800,690

Watauga County, North Carolina

Governmental Funds

Balance Sheet

June 30, 2025

	Major Funds					Non-Major Funds	Total
	General	Capital Projects Fund	Valle Crucis Project Fund	Opioid Settlement Fund	Hurricane Helene Disaster Fund	Other Governmental Funds	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 72,841,097	\$ 31,682,812	\$ 11,443,614	\$ -	\$ -	\$ -	\$ 115,967,523
Restricted cash and cash equivalents	125,717	-	-	588,269	-	11,921,977	12,635,963
Taxes receivable, net	1,145,182	-	-	-	-	460,565	1,605,747
Lease receivable	851,108	-	-	-	-	-	851,108
Due from other governments	8,899,915	-	273,945	-	263,229	105,073	9,542,162
Accounts receivable, net	227,435	-	-	3,227,416	-	21,541	3,476,392
Notes receivable	12,215,529	-	-	-	-	-	12,215,529
Total assets	<u>\$ 96,305,983</u>	<u>\$ 31,682,812</u>	<u>\$ 11,717,559</u>	<u>\$ 3,815,685</u>	<u>\$ 263,229</u>	<u>\$ 12,509,156</u>	<u>\$ 156,294,424</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 1,766,095	\$ -	\$ 1,950,316	-	4,929,652	\$ 1,079,168	\$ 9,725,231
Due to other governments	1,075,690	-	-	-	-	592,958	1,668,648
Unearned revenue	255,865	-	-	-	-	1,000,000	1,255,865
Total liabilities	<u>3,097,650</u>	<u>-</u>	<u>1,950,316</u>	<u>-</u>	<u>4,929,652</u>	<u>2,672,126</u>	<u>12,649,744</u>
DEFERRED INFLOWS OF RESOURCES							
Taxes receivable	1,145,182	-	-	-	-	148,315	1,293,497
Prepaid taxes	5,166	-	-	-	-	-	5,166
FEMA disaster recovery	-	-	-	-	58,777	-	58,777
Opioid Settlement	-	-	-	3,187,416	-	-	3,187,416
Lease receivable	817,602	-	-	-	-	-	817,602
Notes receivable	12,215,529	-	-	-	-	-	12,215,529
Total deferred inflows of resources	<u>14,183,479</u>	<u>-</u>	<u>-</u>	<u>3,187,416</u>	<u>58,777</u>	<u>148,315</u>	<u>17,577,987</u>
FUND BALANCES							
Restricted for:							
Stabilization by State Statute	21,056,868	-	-	-	-	78,025	21,134,893
Public safety	-	-	-	-	-	9,663,045	9,663,045
Register of Deeds	125,717	-	-	-	-	-	125,717
General government	-	-	-	-	-	13,805	13,805
Education	-	-	9,767,243	-	-	(116,724)	9,650,519
Health services	-	-	-	628,269	-	50,564	678,833
Committed for:							
Capital projects	-	31,682,812	-	-	-	-	31,682,812
Assigned for:							
Future years' appropriation	297,501	-	-	-	-	-	297,501
Nonspendable for:							
Leases	33,506	-	-	-	-	-	33,506
Unassigned	57,511,262	-	-	-	(4,725,200)	-	52,786,062
Total fund balances	<u>79,024,854</u>	<u>31,682,812</u>	<u>9,767,243</u>	<u>628,269</u>	<u>(4,725,200)</u>	<u>9,688,715</u>	<u>126,066,693</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 96,305,983</u>	<u>\$ 31,682,812</u>	<u>\$ 11,717,559</u>	<u>\$ 3,815,685</u>	<u>\$ 263,229</u>	<u>\$ 12,509,156</u>	<u>\$ 156,294,424</u>

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

Total Fund Balance, Governmental Funds	\$ 126,066,693
Net pension asset - ROD	70,400
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	197,628,227
Other assets are not available to pay for current period expenditures and therefore are unavailable in the funds - accrued interest taxes receivable	91,799
Deferred inflows for notes receivable	12,215,529
Deferred inflows for opioid settlement funds	3,187,416
Deferred inflows for FEMA disaster recovery	58,777
Deferred inflows of resources for taxes receivable	1,293,497
Contributions to the pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,709,249
Contributions and administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	100,704
OPEB related deferrals, net	(638,413)
Pension related deferrals-all plans, net	3,097,826
Net OPEB liability	(3,529,806)
Net pension liability - LEOSSA	(862,049)
Net pension liability - LGERS	(9,781,529)
Some liabilities, including net pension liabilities, debt related payables and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(55,490,967)
Net position of governmental activities	<u>\$ 276,217,353</u>

Watauga County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds					Non-Major Funds	Total
	General Fund	Capital Projects Fund	Valle Crucis Project Fund	Opioid Settlement Funds	Hurricane Helene Disaster Fund	Other Governmental Funds	Governmental Funds
REVENUES							
Ad valorem taxes	\$ 46,640,180	\$ -	\$ -	\$ -	\$ -	\$ 5,203,135	\$ 51,843,315
Other taxes and licenses	22,139,896	-	-	-	-	3,764,027	25,903,923
Unrestricted intergovernmental	6,522,949	-	-	-	-	-	6,522,949
Restricted intergovernmental	5,374,273	-	-	464,229	3,520,352	525,484	9,884,338
Permits and fees	848,928	-	-	-	-	44,324	893,252
Sales and services	3,544,077	-	-	-	-	189,283	3,733,360
Investment earnings	3,382,748	1,539,212	876,586	-	-	252,872	6,051,418
Donations	564,138	-	-	-	-	-	564,138
Miscellaneous	3,151,499	-	-	-	-	21,541	3,173,040
Total revenues	<u>92,168,688</u>	<u>1,539,212</u>	<u>876,586</u>	<u>464,229</u>	<u>3,520,352</u>	<u>10,000,666</u>	<u>108,569,733</u>
EXPENDITURES							
Current:							
General government	13,045,213	-	-	-	9,141,030	438,014	22,624,257
Public safety	20,897,721	-	-	-	-	8,233,161	29,130,882
Transportation	265,221	-	-	-	-	-	265,221
Economic and physical development	746,745	-	-	-	-	3,570,109	4,316,854
Environmental protection	717,986	-	-	-	-	-	717,986
Human services	8,955,929	-	-	646,139	-	190,892	9,792,960
Cultural and recreational	2,947,131	-	-	-	-	-	2,947,131
Education	22,203,312	-	17,997,604	-	-	-	40,200,916
Debt service:							
Principal	6,570,000	-	-	-	-	-	6,570,000
Interest	2,400,112	-	-	-	-	-	2,400,112
Total expenditures	<u>78,749,370</u>	<u>-</u>	<u>17,997,604</u>	<u>646,139</u>	<u>9,141,030</u>	<u>12,432,176</u>	<u>118,966,319</u>
Revenues over (under) expenditures	<u>13,419,318</u>	<u>1,539,212</u>	<u>(17,121,018)</u>	<u>(181,910)</u>	<u>(5,620,678)</u>	<u>(2,431,510)</u>	<u>(10,396,586)</u>
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	56,058	-	-	-	-	-	56,058
Proceeds from State Cash Flow Loan	-	-	-	-	895,478	-	895,478
Transfers from other funds	10,594,939	18,658,756	-	-	-	12,337,307	41,591,002
Transfers to other funds	(18,416,719)	(22,932,246)	-	-	-	(242,037)	(41,591,002)
Total other financing sources and uses	<u>(7,765,722)</u>	<u>(4,273,490)</u>	<u>-</u>	<u>-</u>	<u>895,478</u>	<u>12,095,270</u>	<u>951,536</u>
Net change in fund balance	5,653,596	(2,734,278)	(17,121,018)	(181,910)	(4,725,200)	9,663,760	(9,445,050)
Fund balance, beginning of year	73,371,258	34,417,090	26,888,261	810,179	-	125,718	135,612,506
Prior period adjustment/Restatement	-	-	-	-	-	(100,763)	(100,763)
Fund balance, beginning, restated	<u>73,371,258</u>	<u>34,417,090</u>	<u>26,888,261</u>	<u>810,179</u>	<u>-</u>	<u>24,955</u>	<u>135,511,743</u>
Fund balance, end of year	<u>\$ 79,024,854</u>	<u>\$ 31,682,812</u>	<u>\$ 9,767,243</u>	<u>\$ 628,269</u>	<u>\$ (4,725,200)</u>	<u>\$ 9,688,715</u>	<u>\$ 126,066,693</u>

Watauga County, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2025

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

Net changes in fund balances - total governmental funds	\$	(9,445,050)
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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	\$ 26,820,310	
Sale of assets not fully depreciated	(5,474)	
Capital projects terminated CIP	125,918	
Impairment of assets	(20,603)	
Depreciation expense for governmental assets	<u>(4,427,970)</u>	
		22,492,181

Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.	2,514,899
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.	100,704
---	---------

Benefit payments paid and administrative expense for the LEOSSA in the current fiscal year are not included on the Statement of Activities.	194,350
---	---------

Expenses reported on fund statements that are capitalized on government-wide statements - refunding costs	(277,620)
---	-----------

Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the funds	(1,910,512)	(1,910,512)
---	-------------	-------------

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 opioid settlement funds	(371,383)	
FEMA disaster recovery	(58,777)	
Change in unavailable revenue for tax revenues	<u>68,666</u>	
		(361,494)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

OPEB plan expense	(2,375,226)	
Pension expense-LGERS and ROD	(3,300,805)	
Compensated absences	(74,345)	
Pension expense-LEOSSA	(127,433)	
Amortization of bond premiums	<u>407,840</u>	
Combined adjustment		(5,469,969)

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

Principal payments on long term debt	6,570,000	
Issuance of long-term debt	(895,478)	
Change in accrued interest payable	<u>28,508</u>	
		<u>5,703,030</u>

Total changes in net position of governmental activities	\$	<u>13,540,519</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, 2025

General Fund				
	Budget		Actual Amounts	Variance with Final Budget-
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 45,368,982	\$ 45,407,982	\$ 46,640,180	\$ 1,232,198
Other taxes and licenses	22,170,300	22,172,800	22,139,896	(32,904)
Unrestricted intergovernmental	4,843,529	5,679,229	6,522,949	843,720
Restricted intergovernmental	4,960,882	7,507,954	5,374,273	(2,133,681)
Permits and fees	796,439	796,439	848,928	52,489
Sales and services	3,203,926	3,203,926	3,544,077	340,151
Investment earnings	151,000	151,000	3,382,748	3,231,748
Donations	30,500	30,500	564,138	533,638
Miscellaneous	1,432,497	4,112,201	3,151,499	(960,702)
Total revenues	<u>82,958,055</u>	<u>89,062,031</u>	<u>92,168,688</u>	<u>3,106,657</u>
Expenditures:				
General government	11,824,526	17,828,686	13,045,213	4,783,473
Public safety	20,722,173	31,112,820	20,897,721	10,215,099
Transportation	79,820	265,221	265,221	-
Economic and physical development	739,395	938,759	746,745	192,014
Environmental protection	549,183	1,585,907	717,986	867,921
Human services	10,245,765	10,699,950	8,955,929	1,744,021
Cultural and recreation	3,218,937	3,329,838	2,947,131	382,707
Education	17,944,947	23,299,947	22,203,312	1,096,635
Debt service:	-	-	-	-
Principal retirement	6,572,000	6,572,000	6,570,000	2,000
Interest and other charges	2,400,112	2,400,112	2,400,112	-
Total expenditures	<u>74,296,858</u>	<u>98,033,240</u>	<u>78,749,370</u>	<u>19,283,870</u>
Revenues over (under) expenditures	<u>8,661,197</u>	<u>(8,971,209)</u>	<u>13,419,318</u>	<u>22,390,527</u>
Other financing sources (uses):				
Sale of capital assets	10,000	10,000	56,058	46,058
Transfers from other funds	3,119,939	10,594,939	10,594,939	-
Transfers to other funds	(11,841,136)	(18,416,719)	(18,416,719)	-
Fund balance appropriated	50,000	16,782,989	-	(16,782,989)
Total other financing sources (uses)	<u>(8,661,197)</u>	<u>8,971,209</u>	<u>(7,765,722)</u>	<u>(16,736,931)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ 5,653,596	\$ <u>5,653,596</u>
Fund balance, beginning of year			73,371,258	
Fund balance, end of year			<u>\$ 79,024,854</u>	

Watauga County, North Carolina
Statement of Net Position
Proprietary Fund
June 30, 2025

	<u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,227,913
Restricted cash	132,890
Receivables, net	620,348
Prepaid expense	46,725
Due from other governments	42,037
Total current assets	<u>8,069,913</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	1,107,364
Other capital assets, net of depreciation	6,879,597
Total capital assets	<u>7,986,961</u>
Right to use leased asset, net of amortization	92,196
Total assets	<u>16,149,070</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB deferrals	53,315
Pension deferrals	509,372
Total deferred outflows of resources	<u>562,687</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	407,131
Accrued compensated absences - current	36,990
Due to other governments	33,676
Leases - current	12,438
Total current liabilities	<u>490,235</u>
Non-current liabilities:	
Net pension liability	932,084
Net OPEB liability	336,356
Accrued landfill post closure and closure costs - noncurrent	495,461
Leases	86,486
Accrued compensated absences	139,330
Total non-current liabilities	<u>1,989,717</u>
Total liabilities	<u>2,479,952</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB deferrals	104,553
Pension deferrals	13,295
Total deferred inflows of resources	<u>117,848</u>
NET POSITION	
Net investment in capital assets	7,980,233
Unrestricted	6,133,724
Total net position	<u>\$ 14,113,957</u>

Watauga County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2025

	<u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 7,429,966
Sale of recycled materials	346,340
	<u>7,776,306</u>
Total operating revenues	
OPERATING EXPENSES:	
Landfill operations	7,490,799
Recycling operations	122,619
Depreciation and amortization	471,635
	<u>8,085,053</u>
Total operating expenses	
Operating income	<u>(308,747)</u>
NONOPERATING REVENUES:	
Interest and investment revenue	331,440
Insurance proceeds	747
Miscellaneous revenues	3,325
Gain on disposal of assets	71,651
Restricted intergovernmental revenues	164,477
	<u>571,640</u>
Total nonoperating revenues	
Change in net position	<u>262,893</u>
Total net position, beginning	13,877,836
Prior period adjustment	(26,772)
Total net position, beginning, as restated	<u>13,851,064</u>
Total net position, ending	<u><u>\$ 14,113,957</u></u>

Watauga County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2025

	<u>Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 7,739,468
Cash paid for goods and services	(5,406,690)
Cash paid to employees for services	(2,032,383)
Net cash provided by operating activities	<u>300,395</u>
Cash flows from noncapital financing activities:	
Restricted intergovernmental revenues	163,288
Principal paid on long-term debt	(12,025)
Miscellaneous revenues	3,325
Net cash provided by noncapital financing activities	<u>154,588</u>
Cash flows from capital and related financing activities:	
Proceeds received from sale of fixed assets	71,651
Insurance proceeds	747
Acquisition and construction of capital assets	(1,740,003)
Net cash used by capital and related financing activities	<u>(1,667,605)</u>
Cash flows from investing activities:	
Interest on investments	331,440
Net cash provided by investing activities	<u>331,440</u>
Net increase in cash and cash equivalents	(881,182)
Cash and cash equivalents, July 1	<u>8,241,985</u>
Cash and cash equivalents, June 30	<u>\$ 7,360,803</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>(308,747)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	471,635
Changes in assets, liabilities, deferred outflows and inflows of resources:	
Change in deferred outflow of resources - pensions	77,567
Change in deferred inflow of resources - OPEB	36,431
Change in deferred outflows of resources - OPEB	29,937
Change in net pension liability	(10,057)
Change in net OPEB liability	150,372
Change in deferred inflow of resources - pensions	6,220
Change in accounts receivable	(36,838)
Increase in accrued interest	6
Change in accounts payable	(150,230)
Change in accrued compensated absences	34,099
Total adjustments	<u>609,142</u>
Net cash provided by operating activities	<u>\$ 300,395</u>

Watauga County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Irrevocable Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 5,452,287	\$ 395
Accounts receivable	<u>-</u>	<u>-</u>
	<u><u>5,452,287</u></u>	<u><u>395</u></u>
Liabilities and Net Position		
Liabilities:		
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net position:		
Assets held in trust for postemployment benefits other than pensions	4,175,615	-
Assets held in trust for law enforcement officers' special separation allowance benefits	1,276,672	-
Individuals, organizations and other governments	<u>-</u>	<u>395</u>
Total fiduciary net position	<u><u>\$ 5,452,287</u></u>	<u><u>\$ 395</u></u>

Watauga County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Irrevocable Trust Funds	Custodial Funds
	<u> </u>	<u> </u>
Additions:		
Employer contributions	\$ 807,163	\$ -
Interest earned	207,369	-
Ad valorem taxes collected for other governments	-	10,449,397
Collections on behalf of inmates	<u>-</u>	<u>147,590</u>
Total additions	<u>1,014,532</u>	<u>10,596,987</u>
Deductions:		
Benefits	143,169	-
Administrative expense	26,000	-
Tax distributions to other governments	-	10,486,746
Payment on behalf of inmates	<u>-</u>	<u>144,479</u>
Total deductions	<u>169,169</u>	<u>10,631,225</u>
Net increase (decrease) in fiduciary net position	845,363	(34,238)
Net position - beginning	<u>4,606,924</u>	<u>34,633</u>
Net position - ending	<u>\$ 5,452,287</u>	<u>\$ 395</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies:

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

A. Reporting Entity:

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

AppalCART

AppalCART operates mainly in Watauga County in the northwest part of North Carolina, providing transportation services to the various areas and residents within Watauga County. Watauga County's Board of Commissioners appoints the eight member governing board of AppalCART and AppalCART operates within the County's boundaries for the benefit of the County's residents. The County provides some financial support to AppalCART, but it is not responsible for the debts of AppalCART except when such are expressly granted by statute or by the consent of the Board of Commissioners of Watauga County. The Board of Commissioners of Watauga County has the authority to terminate the existence of AppalCART at any time, provided a 60-day written notice is given to AppalCART, and all property and assets of AppalCART shall automatically become the property of Watauga County and the County shall succeed to all rights, obligations and liabilities of AppalCART. AppalCART designates its own management, approves its own budget, and maintains its own accounting system; however, AppalCART is fiscally accountable to Watauga County and the County has the authority to examine all records and accounts at any time. AppalCART, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements may be obtained from the entity's administrative offices at AppalCART, 305 Hwy 105 Bypass, Boone, NC 28607.

Watauga County District U Tourism Development Authority

The North Carolina General Legislation enacted a law which authorized Watauga County to levy a room occupancy tax; and the Watauga County Commissioners adopted a resolution levying this tax and created the Watauga County District U Tourism Development Authority. The Authority operates within Watauga County's boundaries for the promotion and development of tourism, and the County provides room occupancy tax proceeds as their main source of revenue to the Authority, but the County is not responsible for the debts and is not entitled to the surpluses of the Authority. The Watauga County's Board of Commissioners appoints the seven voting members of the Authority. The Watauga County District U Tourism Development Authority has a June 30 year end and is presented as if it is a governmental fund. Complete financial statements may be obtained from the entity's administrative offices at Watauga County District U Tourism Development Authority, 171 Grand Blvd, Boone, NC 28607.

B. Basis of Presentation – Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

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

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

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

The County reports the following major governmental funds:

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

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

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

Opioid Settlement Fund – This fund reports revenues for amounts paid by a number of corporations to settle various opioid lawsuits. These amounts are restricted to be spent for certain opioid abatement and remediation activities.

Hurricane Helene Disaster Fund – This is a project fund to account for the revenues and expenditures related to Hurricane Helene.

The County reports the following major enterprise fund:

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

The County reports the following other fund types:

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

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reporting in pension (and other employee benefit) trust funds, investment trust funds, or private-

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County, and the Jail Inmate Commissary Fund, which holds cash collections for the benefit of inmates from their friends and families.

Non-major Funds – The County maintains fourteen legally budgeted non-major funds. The Federal Equitable Sharing Fund, the State Substance Abuse Tax Fund, the Emergency Telephone System Fund, the Fire Districts Funds, the Occupancy Tax Fund, Emergency 911 Building Project Fund, the Representative Payee Fund, the Fines and Forfeitures Fund, the Processing Plant Project fund, American Rescue Plan Grant Fund, the Deed of Trust Fund, the Opioid McKinney Settlement Fund, the Solid Waste Reserve Fund and the SCIF Project Fund are all reported as non-major special revenue funds.

Measurement Focus and Basis of Accounting

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

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, Representative Payee, Fines, Opioid Funds and Forfeitures and Deed of Trust Special Revenue Funds, and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the 911 Emergency Building Project fund, the Processing Plant Project Fund, the Valle Crucis School Project, the SCIF Project fund and the ARP Project fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The budget officer is authorized by the budget ordinance to transfer appropriation within a fund not to exceed 10% of the total departmental appropriation of the department whose allocation is reduced; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The County, AppalCART and the Authority's investments are carried at fair value as determined by quoted market prices. The North Carolina Capital Management Trust (NCCMT), which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

Portfolio, is a 2a-7 fund which invests in treasuries and government agencies and is rated AAAM by S&P and AAmf by Moody Investor Services. The Government Portfolio is reported at fair value.

Cash and Cash Equivalents

The County pools money from several funds, except the OPEB Irrevocable Trust Fund, the LEOSOA Irrevocable Trust Fund, the DSS Trust Fund, and the Inmate Commissary Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The County, AppalCART and the Authority consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash or cash equivalents.

2. Restricted Cash

Money for the Register of Deeds Automation Enhancement Fund is restricted by NC General Statute 161-50 to pay for computer equipment and technology needs for the Register of Deeds' office. Federal regulations require equitable sharing funds be used for approved law enforcement needs. State substance abuse tax receipts are restricted to law enforcement needs. Emergency Telephone Systems funds are restricted per NC General Statute 62A-46. Occupancy tax revenues are restricted for disbursement to the Watauga County District U Tourism Development Authority. Taxes collected on behalf of the fire districts are restricted as payable to the districts. The SCIF Project Fund is restricted to eligible projects. Opioid Settlement Funds are restricted to approved eligible expenditures.

Watauga County Restricted Cash

General Fund	Register of Deeds	\$ 125,717
Federal Equitable Sharing Fund	Law enforcement	127,835
State Substance Abuse Tax Fund	Law enforcement	39,342
Emergency Telephone Fund	911 eligible expenditures	144,864
Occupancy Tax Fund	Tourism	261,561
Representative payee	Human services	27,007
Deed of trust	General government	12,235
Fines and forfeitures	School board	6,912
911 Emergency Project fund	911 building	10,369,536
SCIF Project Fund	Maintenance of buildings and parking decks/lots	13,930
Processing plant	Environmental protection	890,999
Opioid Settlement Fund	Opioid eligible expenses	588,269
Opioid McKinney Settlement Fund	Opioid eligible expenses	27,756
Total Governmental Activities		<u>\$ 12,635,963</u>
Enterprise Fund		
Capital Reserve	Required by NCDEQ	<u>\$ 132,890</u>

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, 2024.

3. 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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

4. Lease Receivable

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

5. 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.

6. Capital Assets

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

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

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

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

Vehicles and motorized equipment	5
----------------------------------	---

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

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

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

	<u>Years</u>
Building and improvements	10-50

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

7. Right to use assets

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

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

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

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

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 items that meet this criterion – pension related deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has the following items that meet the criterion for this category – prepaid taxes, FEMA disaster recovery, taxes receivable, notes receivable, leases, OPEB deferrals 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are expensed in the reporting period in which they are incurred. In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

issuances are reported as other financing uses. Issuance costs whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

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 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. In accordance with GASB Statement No. 101 for the County, Authority and AppalCART's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard for the portion of sick leave expected to be used and paid by the County.

11. Subscriptions

For the year ended June 30, 2025, AppalCART implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

During the current year AppalCART entered into a new subscription for accounting software. The term of the agreement is five years. The Subscription does not have a stated interest rate. Accordingly, AppalCART's estimated incremental borrowing rate of 4.90% was used to discount the subscription payments. The initial liability for the subscription was \$68,350. The liability balance remaining at June 30, 2025 was \$27,943.

During the current year AppalCART entered into a new subscription for transit software that aids in real time passenger information and route planning. The term of the agreement is five years. The Subscription does not have a stated interest rate. Accordingly, AppalCART's estimated incremental borrowing rate of 4.90% was used to discount the subscription payments. The initial liability for the subscription was \$251,711. The liability balance remaining at June 30, 2025 was \$150,798.

During the current year AppalCART entered into a new subscription for a human resources software. The term of the agreement is three years. The Subscription does not have a stated interest rate. Accordingly, AppalCART's estimated incremental borrowing rate of 4.87% was used to discount the subscription payments. The initial liability for the subscription was \$14,859. The liability balance remaining at June 30, 2025 was \$5,640.

Accrued interest related to all IT subscription-based agreements was \$2,157 at June 30, 2025.

The future minimum subscription obligations and the net present value of the minimum payments at June 30, 2025, were as follows:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 66,731	\$ 8,864	\$ 75,595
2027	64,976	5,710	70,686
2028	52,674	2,565	55,239
2029	-	-	-
2030	-	-	-
Total	<u>\$ 184,381</u>	<u>\$ 17,139</u>	<u>\$ 201,520</u>

12. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded. North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows: • 15% directly to the State ("State Abatement Fund") • 80% to abatement funds established by Local Governments ("Local Abatement Funds") • 5% to a County Incentive Fund. The County received \$464,229 as part of this settlement in Fiscal Year 2025. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. \$1,058,434 in funds have been expended as of June 30th, 2025. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

13. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The County was allocated \$10,911,724 of fiscal recovery funds to be paid in two equal installments. The first installment of \$5,455,862 was received in July 2021. The second installment will be received in July 2022. County staff and the Board of Commissioners elected to use \$7,750,000 for Broadband and \$3,125,179 for revenue replacement. Revenue replacement funds were transferred to the General Fund. The funds were fully expended as of June 30, 2025.

14. Net Positions/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

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

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

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

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

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

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

Restricted for Register of Deeds – portion of fund balance that is restricted for the Register of Deeds pension plan.

Restricted for General Government – portion of fund balance that is restricted for expenditures for building improvements through the SCIF grant.

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

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

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

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

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

15. Defined Benefit Pension and OPEB Plans

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

Note 2 -

Detail Notes on All Funds

A. Assets

1. Deposits

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, 2025

At June 30, 2025, the County's deposits had a carrying amount of \$40,255,900 and a bank balance of \$42,571,484. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder is covered by collateral held under the Pooling Method. At June 30, 2025, Watauga County had \$3,650 cash on hand.

At June 30, 2025, AppalCART's deposits had a carrying amount of \$1,752,645 and a bank balance of \$1,752,570. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,502,570 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2025, the Authority's deposits had a carrying amount of \$12,748,470 and a bank balance of \$12,857,882. 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, 2025, the County had the following investments and maturities:

Investments by Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months	1-5 Years
Commercial Paper	Fair Value Level 2	\$34,446,831	\$30,554,669	\$3,892,162	-
Certificate of Deposit	Fair Value Level 2	5,000,000	5,000,000	-	-
Government Agencies	Fair Value Level 2	10,933,556	1,530,542	1,097,952	8,305,062
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	49,495,548	49,495,548	N/A	N/A
Total:		<u>\$99,875,935</u>	<u>\$86,580,759</u>	<u>\$4,990,114</u>	<u>\$8,305,062</u>

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

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

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

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

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Services as of June 30, 2025. The County's investments in US Agencies with Federal Home Loan Bank is rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The County does have an elevated credit risk due to safekeeping held in a third-party arrangement.

At June 30, 2025, AppalCART's investment stated at fair value, consisted of \$2,301,296 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Services. AppalCART has no formal policy on interest rate risk or credit risk on its investments.

At June 30, 2025, the Authority's investments consisted of the following:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Government Portfolio	\$ 124,714	N/A	AAAm
	\$ 124,714		

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

Credit risk. The Authority has no formal policy regarding credit risk, but has internal management procedures that limits the Authority's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Authority's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Services as of June 30, 2025.

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
2021	\$854,116	\$241,288	\$1,095,404
2022	906,826	174,564	1,081,390
2023	871,082	89,286	960,368
2024	892,379	-	892,379
Total	\$3,524,403	\$505,138	\$4,029,541

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

4. Receivables

Receivables at the government-wide level at June 30, 2025, were as follows:

	Other		Taxes	Interest	Lease	
	Accounts	Receivable	Receivable	Receivable	Receivable	Total
		Opioid				
Governmental Activities:						
General	\$ 227,435	\$ -	\$ 1,281,932	\$ 91,814	\$ 851,108	\$ 2,452,289
Other Governmental	21,541	4,024,270	472,110	-	-	4,517,921
Total receivables	248,976	4,024,270	1,754,042	91,814	851,108	6,970,210
Allowance for doubtful accounts	-	(796,854)	(148,295)	-	-	(945,149)
Total-governmental activities	\$ 248,976	\$ 3,227,416	\$ 1,605,747	\$ 91,814	\$ 851,108	\$ 6,025,061
Business-type Activities						
Solid Waste	\$ 646,006	\$ -	\$ -	\$ -	\$ -	\$ 646,006
Allowance for doubtful accounts	(25,658)	-	-	-	-	(25,658)
Total-business-type activities	\$ 620,348	\$ -	\$ -	\$ -	\$ -	\$ 620,348

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

Governmental activities:

NC DOR	\$ 6,603,806
Town of Blowing Rock	252,772
Town of Beech Mountain	399,056
Town of Seven Devils	33,451
Watauga County Clerk of Court	15,321
Caldwell Community College and Tech Inst.	24,145
NC Dept of Public Safety	265,619
Avery County	611
Appalachian State University	429
Town of Boone	1,400
NC State Treasurer	288,820
NCDOT	309,794
NCDIT	18,844
NC Board of Elections	16,482
NC DHHS	709,691
NC Adult Corrections	600
Appalcart	8,868
Watauga County TDA	255,218
NC Dept of Cultural and Natural Resources	325,898
Council of Government	11,337
Total-governmental activities	<u>\$ 9,542,162</u>

Business-type activities:

NCDOR	<u>\$ 42,037</u>
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WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

5. Lease Receivable

On July 1, 2021, the County entered into a 240-month lease as Lessor for the use of land. An initial lease receivable was recorded in the amount of \$1,044,692. As of June 30, 2025, the value of the lease is \$519,113. The lessee is required to make annual monthly payments of \$13,125. The lease has an interest rate of 3.40%. The value of the deferred inflow of resources as of June 30, 2025, was \$487,524, and the County recognized lease revenue of \$132,794 during the fiscal year.

On March 1, 2025, the County entered into a thirty-six month lease as Lessor for the use of office space. An initial lease receivable was recorded in the amount of \$371,338. As of June 30, 2025, the value of the lease is \$331,995. The lessee is required to make annual monthly payments of \$11,479. The lease has an interest rate of 7.5%. The value of the deferred inflow of resources as of June 30, 2025, was \$330,078, and the County recognized lease revenue of \$41,260 during the fiscal year.

Years ending June 30,	Governmental-Type Activities		
	Principal	Interest	Total
2026	\$ 258,908	\$ 36,342	\$ 157,500
2027	272,869	22,381	157,500
2028	241,353	7,980	157,500
2029	77,978	772	157,500
2030	-	-	-
	<u>\$ 851,108</u>	<u>\$ 52,270</u>	<u>\$ 708,750</u>

6. Capital Assets

Primary Government:

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Impairment	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 27,400,033	\$ 7,800	\$ -	\$ -	\$ 27,407,833
Intangible	52,830	-	-	-	52,830
Construction in Progress	36,266,282	26,422,834	6,568,066	-	56,121,050
Total capital assets not being depreciated	<u>63,719,145</u>	<u>26,430,634</u>	<u>6,568,066</u>	<u>-</u>	<u>83,581,713</u>
Depreciable Assets:					
Buildings	139,234,551	5,589,494	-	-	144,824,045
Other improvements	8,872,817	449,179	-	10,490	9,311,506
Leasehold improvements	7,893,112	-	-	-	7,893,112
Equipment	8,679,254	396,812	135,558	47,949	8,892,559
Vehicles and motorized equipment	3,619,361	522,257	562,388	-	3,579,230
Total depreciable assets	<u>168,299,095</u>	<u>6,957,742</u>	<u>697,946</u>	<u>58,439</u>	<u>174,500,452</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

Less Accumulated Depreciation:

Buildings	38,151,779	2,874,022	-	20,603	41,046,404
Other improvements	5,919,346	319,748	-	10,490	6,228,604
Leasehold improvements	3,170,535	249,014	-	-	3,419,549
Equipment	6,878,361	597,891	122,373	47,949	7,305,930
Vehicles and motorized equipment	2,636,255	387,295	570,099	-	2,453,451
Total accumulated depreciation	56,756,276	4,427,970	692,472	79,042	60,453,938
Governmental activities capital assets, net	\$ 175,261,964	\$ 2,537,572	\$ 5,474	\$ (20,603)	\$ 197,628,227

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

Governmental Activities:

General government	\$ 1,973,854
Public safety	863,288
Economic development	5,136
Environmental protection	380
Human services	245,080
Cultural and recreational	1,340,232
Total	\$ 4,427,970

Construction commitments

All construction projects are reported in multi-year project authorizations. See fund-level statements.

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Non-Depreciable Assets:				
Land	\$ 1,100,815	\$ -	\$ -	\$ 1,100,815
Construction in progress	1,204,364	718,611	1,916,426	6,549
Total non-depreciable assets	2,305,179	718,611	1,916,426	1,107,364
Depreciable and Amortizable Assets:				
Improvements	1,297,757	-	-	1,297,757
Leasehold improvements	319,959	-	-	319,959
Buildings	4,417,101	2,123,399	-	6,540,500
Equipment	2,284,616	291,847	-	2,576,463
Vehicles	2,069,802	522,572	289,369	2,303,005
Total depreciable and amortizable assets	10,389,235	2,937,818	289,369	13,037,684
Less Accumulated Depreciation:				
Improvements	519,790	85,367	-	605,157
Leasehold improvements	315,148	248	-	315,396
Buildings	1,809,565	134,155	-	1,943,720
Equipment	1,609,419	119,688	-	1,729,107
Vehicles	1,735,244	118,832	289,369	1,564,707
Total accumulated depreciation	5,989,166	458,290	289,369	6,158,087
Total capital assets being depreciated, net				
Business-type capital assets, \$	\$ 6,705,248	\$ 3,198,139	\$ 1,916,426	\$ 7,986,961

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

Discretely presented component units

Capital asset activity for the Authority for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 697,983	\$ -	\$ -	\$ 697,983
Construction in progress	161,824	-	161,824	-
Total non-depreciable assets	<u>859,807</u>	<u>-</u>	<u>161,824</u>	<u>697,983</u>
Depreciable and Amortizable Assets:				
Buildings	853,090	491,150	-	1,344,240
Total depreciable and amortizable assets	<u>853,090</u>	<u>491,150</u>	<u>-</u>	<u>1,344,240</u>
Less Accumulated Depreciation:				
Buildings	12,796	23,201	-	35,997
Total accumulated depreciation	<u>12,796</u>	<u>23,201</u>	<u>-</u>	<u>35,997</u>
Total capital assets being depreciated, net	<u>840,294</u>	<u>\$ 467,949</u>	<u>\$ -</u>	<u>1,308,243</u>
Governmental Activities capital assets,	<u><u>\$ 1,700,101</u></u>			<u><u>\$ 2,006,226</u></u>

Capital asset activity for the AppalCART for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Non-Depreciable Assets:				
Land	\$ 1,114,242	\$ -	\$ -	\$ 1,114,242
Construction in progress	116,400	-	6,850	109,550
Total non-depreciable assets	<u>1,230,642</u>	<u>-</u>	<u>6,850</u>	<u>1,223,792</u>
Depreciable and Amortizable Assets:				
Land Improvements	16,519	-	-	16,519
Furniture and equipment	700,334	6,850	13,294	693,890
Shop equipment	403,859	3,870	-	407,729
Buildings	6,711,170	-	-	6,711,170
Vehicles	14,066,991	1,129,121	107,512	15,088,600
Total depreciable and amortizable assets	<u>21,898,873</u>	<u>1,139,841</u>	<u>120,806</u>	<u>22,917,908</u>
Less Accumulated Depreciation:				
Land Improvements	13,836	536	-	14,372
Furniture and equipment	576,586	58,267	13,294	621,559
Shop equipment	304,076	16,187	-	320,263
Buildings	1,494,491	135,813	-	1,630,304
Vehicles	7,710,231	1,085,910	107,512	8,688,629
Total accumulated depreciation	<u>10,099,220</u>	<u>1,296,713</u>	<u>120,806</u>	<u>11,275,127</u>
Total capital assets being depreciated, net				
Business-type capital assets, net	<u><u>\$ 13,030,295</u></u>	<u><u>\$ (156,872)</u></u>	<u><u>\$ 6,850</u></u>	<u><u>\$ 12,866,573</u></u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

7. Right to Use Leased Assets

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

Right to use asset activity for the for the County for the year ended June 30, 2025, was as follows:

Enterprise Fund	Beginning Balance	Additions	Decreases	Ending Balance
Right to use assets				
Leased land	\$ 144,380	\$ -	\$ -	\$ 144,380
Total right to use assets	144,380	-	-	144,380
Less accumulated amortization for:				
Leased land	39,139	13,045	-	52,184
Total accumulated amortization	39,139	13,045	-	52,184
Right to use assets, net	105,241	(13,045)	-	92,196

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

Right to use asset activity for the for AppalCART for the year ended June 30, 2025, was as follows:

AppalCART	Beginning Balance	Additions	Decreases	Ending Balance
Right to use assets				
IT subscriptions	\$ 357,195	\$ -	\$ -	\$ 357,195
Total right to use assets	357,195	-	-	357,195
Less accumulated amortization for:				
Leased land	90,634	74,123	-	164,757
Total accumulated amortization	90,634	74,123	-	164,757
Right to use assets, net	266,561	(74,123)	-	192,438

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2025, were as follows:

	Vendors	Salaries and benefits	Due to other governments	Negative cash to tie to Exhibit A	Total
Governmental activities:					
General	\$ 1,215,951	\$ 550,144	\$ 1,075,690	\$ -	\$ 2,841,785
Valle Crucis Project	1,950,316	-	-	-	1,950,316
Hurricane Helene Disaster	4,929,652	-	-	(1,252,195)	3,677,457
Other governmental funds	1,079,168	-	592,958	(29,276)	1,642,850
Total-governmental activities	\$ 9,175,087	\$ 550,144	\$ 1,668,648	\$ (1,281,471)	\$ 10,112,408
Business-type activities:					
Solid Waste	\$ 358,125	\$ 49,006	\$ 33,676	\$ -	\$ 440,807

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to 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 Statue 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, 2025, was 15.04% of compensation for law enforcement officers and 13.68% 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 \$2,406,476 for the year ended June 30, 2025.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

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

At June 30, 2025, the County reported a liability of \$10,713,613 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the County's proportion was 0.15892% (measured as of June 30, 2024), which was a decrease of 0.00459% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the County recognized pension expense of \$3,253,936. At June 30, 2025, 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	\$ 1,877,431	\$ 12,623
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,456,509	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	114,440	140,194
Town contributions subsequent to the measurement date	2,406,476	-
Total	<u>\$ 5,854,856</u>	<u>\$ 152,817</u>

\$2,406,476 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2026	\$ 1,044,711
2027	2,080,272
2028	335,270
2029	(164,690)
Total	<u>\$ 3,295,563</u>

At June 30, 2025, the Authority reported a liability of \$159,840 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Authority's

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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, 2025, the Authority's proportion was 0.00237% (measured as of June 30, 2024), which was a decrease of 0.00001% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Authority recognized pension expense of \$51,992. At June 30, 2025, 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	\$ 28,010	\$ 188
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	21,730	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	3,714	659
Authority contributions subsequent to the measurement date	38,292	-
Total	\$ <u>91,746</u>	\$ <u>847</u>

\$38,292 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 17,285
2027	31,947
2028	5,832
2029	(2,457)
2030	-
Thereafter	-
Total	\$ <u>52,607</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25%
Investment rate of return	6.5 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, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

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

The target allocation and best estimates or arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Sensitive	6.0%	4.3%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2024 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset to changes in the discount rate. The following presents the proportionate share of the net pension asset calculated using the discount rate of 6.5 percent, as well as what the proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
County's proportionate share of the net pension liability (asset)	\$ 18,984,836	\$ 10,713,613	\$ 3,909,395

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Authority's proportionate share of the net pension liability (asset)	\$ 283,241	\$ 159,840	\$ 58,326

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

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

The data required regarding the membership of the Watauga County Law Enforcement Separation Allowance Plan was furnished by the County and the NC Local Governmental Employees' Retirement System. The following table summarizes the membership of the Plan as of June 30, 2024, the valuation date:

Retirees receiving benefits	2
Inactive members entitled to but not receiving benefits	0
Active plan members	47
Total	<u>49</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 year ended June 30, 2025, the County contributed \$194,350, or 6.49% 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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Based on service, ranging from 3.25 to 7.75 percent, including inflation
Investment rate of return	3.93 percent, net of pension plan investment expense, including inflation

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

Discount rate. The discount rate used to measure the total pension liability was 3.93%. 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, 2024.

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 3.93% 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, 2024.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension liability calculated using the discount rate of 3.93 percent, as well as what the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.93 percent) or one percentage point higher (4.93 percent) than the current rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net pension liability	\$1,031,781	\$862,049	\$707,408

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

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balance as of June 30, 2023; measurement date	\$1,308,515	\$860,978	\$447,537
Changes for the year:			
Service cost	96,447	-	96,447
Interest	50,278	-	50,278
Benefit changes	-	-	-
Difference between expected and actual experience	603,230	-	603,230
Changes of assumptions or other inputs	(45,962)	-	(45,962)
Contributions – employer	-	264,958	(264,958)
Contributions – employee	-	-	-
Net investment income	-	35,523	(35,523)
Benefits paid	(54,958)	(54,958)	-
Plan administrative expenses	-	(11,000)	11,000
Net changes	649,035	234,523	414,512
Balance as of June 30, 2024; measurement date	\$1,957,550	\$1,095,501	862,049

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For the Year Ended June 30, 2025

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 3.65% to 3.93% to reflect the change in the Municipal Bond Rate. There were no changes between the measurement date of the net pension liability and the County's reporting date that are expected to have a significant effect on the net pension liability.

For the year ended June 30, 2025, the County recognized pension expense of \$184,733. 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, 2025 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of the June 30, 2024 measurement date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	501,151	-
Net difference between projected and actual earnings on pension plan investments	15,085	-
Changes of assumptions and other inputs	2,064	-
Benefit payments and administrative expenses subsequent to the measurement date	41,650	-
Total	<u>559,950</u>	<u>-</u>

The County paid \$41,650 in benefit payments and \$0 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2026	\$ 60,533
2027	57,435
2028	54,104
2029	60,387
2030	68,545
Thereafter	217,296
Total	<u>\$ 518,300</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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

Contributions for the year ended June 30, 2025 were \$243,794, which consisted of \$168,627 from the County and \$75,167 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, 2025 to these plans were \$1,073,661 which consisted of \$668,793 from the County and \$404,868 from employees. No amounts were forfeited.

e. Register of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year, and for the foreseeable future, is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$11,692 for the year ended June 30, 2025.

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

At June 30, 2025, the County reported an asset of \$70,400 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2025, the County's proportion was .61095%, which was a decrease of .021% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the County recognized pension expense of \$28,365. At June 30, 2025, 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	\$ 1,546	\$ 1,259
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	27,187	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,462	465
County contributions subsequent to the measurement date	11,692	-
Total	<u>\$ 42,887</u>	<u>\$ 1,724</u>

\$11,692 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2026	\$	13,962
2027		12,943
2028		2,468
2029		98
2030		-
Total	<u>\$</u>	<u>29,471</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25
Investment rate of return	3.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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

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

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class and is 100% invested in the Bond Index External Investment Pool. The long term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Discount rate. The discount rate used to measure the total pension asset was 3.0%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.0 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
County's proportionate share of the net pension liability (asset)	(\$46,646)	(\$70,400)	(90,408)

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

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

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2023. The net pension liability (asset) for LEOSA was measured as of June 30, 2024, with an actuarial valuation date of June 30, 2024. The County's proportion of the net pension liability (asset) was based on the County's share of contributions to the pension plan relative

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 10,713,613	\$ (70,400)	\$ -	\$ 10,643,213
Proportion of the Net Pension Liability (Asset)	0.15892%	0.61095%	n/a	n/a
Net Pension Liability	-	-	\$ 862,049	\$ 862,049
Pension Expense	\$ 3,253,936	\$ 23,865	\$ 184,733	\$ 3,462,534

At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 1,877,431	\$ 1,546	\$ 501,151	\$ 2,380,128
Changes of assumptions	-	-	2,064	2,064
Net difference between projected and actual earnings on pension plan investments	1,456,509	27,187	15,085	1,498,781
Changes in proportion and differences between County contributions and proportionate share of contributions	114,440	2,462	-	116,902
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	2,406,476	11,692	41,650	2,459,818
Total	<u>\$ 5,854,856</u>	<u>\$ 42,887</u>	<u>\$ 559,950</u>	<u>\$ 6,457,693</u>
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 12,623	\$ 1,259	\$ -	\$ 13,882
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	140,194	465	-	140,659
Total	<u>\$ 152,817</u>	<u>\$ 1,724</u>	<u>\$ -</u>	<u>\$ 154,541</u>

g. Other Postemployment Benefit for Health Insurance

Plan Description

Plan Administration. Under a County resolution as of September 1, 2001, Watauga County administers the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan that is

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

used to provide postemployment benefits other than pensions (OPEB) for all retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the County. The County has elected to partially pay the future overall cost of coverage for these benefits. The HCB Plan is available to qualified retirees at up to 75% of the monthly premium, until the age of 65 or until Medicare eligible, whichever is sooner based on years of creditable service with the County. The Board of Commissioners may amend the benefit provisions. The HCB Plan is in the County's report as a pension trust fund with funds held in an irrevocable trust. A separate report was not issued for the Plan.

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

Plan Membership. At June 30, 2024, the HCB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	20
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>238</u>
Total	<u>258</u>

Benefits Provided. The HCB plan provides healthcare benefits for retirees. The County pays a percentage of the cost of coverage for employees' benefits through private insurers.

Contributions. The Board of Commissioners established the contribution requirements of plan members and these requirements may be amended by the Board. The Board establishes rates based on an actuarially determined rate. Per a County resolution, the County is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. The County's contribution is dependent on the employee's number of years of creditable service with the County. Retirees pay the difference in the premium less their subsidy based on years of service in the chart below. For the current year, the County contributed \$612,813.

County contributions to HCB Plan based on creditable years of service

10 years in LGERS with last 5 years with Watauga County	\$0 - 100% retiree responsibility
20 years in LGERS with last 10 years with Watauga County	50% supplement
21 years in LGERS with last 10 years with Watauga County	52.5% supplement
22 years in LGERS with last 10 years with Watauga County	55% supplement
23 years in LGERS with last 10 years with Watauga County	57.5% supplement
24 years in LGERS with last 10 years with Watauga County	60% supplement
25 years in LGERS with last 10 years with Watauga County	62.5% supplement
26 years in LGERS with last 10 years with Watauga County	65% supplement
27 years in LGERS with last 10 years with Watauga County	67.5% supplement
28 years in LGERS with last 10 years with Watauga County	70% supplement
29 years in LGERS with last 10 years with Watauga County	72.5% supplement
30 years in LGERS with last 10 years with Watauga County	75% supplement

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

Investments

Investment policy. The HCB Plan's policy in regards to the allocation of invested assets is established by the County Financial Policy used by management. It is the policy of the County to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio and staggered maturities. Investments are valued at fair value. The current asset allocation policy is in 100% fixed income investments with an expected long term rate of return of 3.93 percent.

Rate of return. For the year ended June 30, 2025, the annual money weighted rate of return on investments, net of investment expense, was 3.93 percent.

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2025 were as follows:

Total OPEB Liability	\$ 7,377,585
Plan fiduciary net position	3,511,423
County's net OPEB liability	<u>\$ 3,866,162</u>

Plan fiduciary net position as a percentage of Total OPEB Liability is 47.6%.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	Based on service, ranging from 7.75 percent for Uniformed Employees grading down to 3.25 percent over 40 years, and 8.25% for General Employees grading down to 3.25 percent over 35 years, including inflation
Discount rate	3.93 percent
Healthcare cost trend rates	6.5 percent, then 7.25 percent decreasing by .25 percent per year, 4.50 percent ultimate rate
Healthy mortality rates	
Pre-retirement	(General) Pub-2010 General Employees table, projected generationally using Scale: MP-2019 (Uniformed) Pub-2010 Safety Employees table, projected generationally using Scale: MP-2019.
Post-retirement	(General): Pub-2010 General Retiree table, set forward two years and multiplied by 96% for males, unadjusted for females, projected generationally using Scale MP-2019. (Uniformed): Pub-2010 Safety Retiree table, set forward one year and multiplied by 97%, projected generationally using Scale MP-2019.

Total OPEB liabilities were rolled forward to June 30, 2024 and June 30, 2023 for the employer and the plan, respectively, utilizing updated procedures incorporating the actuarial assumptions.

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

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Notes to the Financial Statements For the Year Ended June 30, 2025

of return by the major target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

Discount rate. The discount rate used to measure the total OPEB liability was 3.93 percent. The discount rate incorporates a municipal bond rate which is 3.93 percent as reported in the Bond Buyer for the 20 Year general obligation bonds as of June 30, 2024.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93 percent)	Discount Rate (3.93 percent)	1% Increase (4.93 percent)
Net OPEB liability (asset)	\$ 4,598,483	\$ 3,866,162	\$ 3,212,491

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

	1% Decrease in Trend Rates	Healthcare Cost Trend Rate	1% Increase in Trend Rates
Net OPEB liability (asset)	\$ 3,100,005	\$ 3,866,162	\$ 4,767,631

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2025, the County reported a net OPEB liability of \$3,866,162. The total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2024.

At June 30, 2025, the components of the net OPEB liability of the County, as measured at June 30, 2024, were as follows:

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.65 percent in 2023 to 3.93 percent in 2024.

For the year ended June 30, 2025, the County recognized OPEB expense of \$3,104,075. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 627,261
Changes of assumptions	-	559,744
Net Difference between projected and actual earnings on plan investments	-	14,755
County contributions subsequent to the measurement date	612,813	-
Total	\$ 612,813	\$ 1,201,760

\$612,813 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a decrease in the net OPEB

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2026	\$	(155,612)
2027		(190,461)
2028		(201,349)
2029		(244,847)
2030		(222,113)
Thereafter		(187,378)
	\$	<u>(1,201,760)</u>

h. Other Employment Benefits

Death Benefits

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

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

i. Retirement Plan - AppalCART

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

3. Closure and Postclosure Care Costs – Solid Waste Landfill and the Land Clearing Inert Debris (LCID)

Solid Waste Landfill - On April 8, 1994, the County stopped accepting municipal solid waste at the County's landfill, and closure procedures were initiated. State and federal laws and regulations required the County to place a final cover on its landfill facility and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Groundwater testing continues, as required by NCDENR. Due to a NCDENR directive, in fiscal year 2004-2005, a methane collection system was installed to prevent the potential for offsite migration. Further remedial actions are not anticipated unless groundwater conditions change. The County has recognized all post-closure costs as of June 30, 2025.

(LCID) - State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting debris, the County

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as each balance sheet date. The \$495,461 reported as landfill closure and postclosure care liability at June 30, 2025 represents a cumulative amount reported to date based on the use of 23% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2025.

4. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources as of June 30, 2025 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources Statement of Net Position	Governmental Funds Balance Sheet
Deferred Outflows of Resources:			
Changes in assumptions, pension and OPEB	\$ 2,064	\$ 511,046	\$ -
Pensions and OPEB - difference between expected and actual experience	2,216,792	585,473	-
Pensions and OPEB - difference between projected and actual investment earnings	1,372,065	13,471	-
Pensions and OPEB - change in proportion and difference between employer contributions and proportionate share of contributions	106,946	128,462	-
Contributions to pension and OPEB plans in the current year	2,809,953	-	-
FEMA disaster discovery	-	-	58,777
Note Receivable (General)	-	-	12,215,529
Prepaid taxes not yet earned (General)	-	5,166	5,166
Taxes receivable, net (General)	-	-	1,145,182
Opioid Settlement (Opioid Settlement)	-	-	3,187,416
Lease receivable (General)	-	817,602	817,602
Taxes receivable, net (Special Revenue)	-	-	148,315
Total deferred outflows of resources	<u>\$ 6,507,819</u>	<u>\$ 2,061,221</u>	<u>\$ 17,577,987</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$135,429,542 for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2,000,000 per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$250,000 up to a \$2 million limit for liability coverage, \$4,000,000 of aggregate annual losses in excess of \$5,000 per occurrence for property, \$1,000 per occurrence for auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers'

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

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 \$824,000 for certain flood-prone structures. The County carries flood insurance to avoid possible significant loss.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are covered by a blanket bond for \$250,000. The Finance Officer is bonded for \$1,000,000. The Tax Administrator, Register of Deeds, and County Manager (as Deputy Finance Director) are each individually bonded for \$50,000 each. The Sheriff is bonded for \$25,000.

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

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

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

6. Long-term Obligations

a. Leases

Serviced by the Enterprise Fund:

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

The first agreement was executed in September 2013 to lease land and requires 240 monthly payments varying between \$300 to \$375. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$28,693 at June 30, 2025. The right to use asset is discussed in more detail in the right to use asset section of this note.

\$ 31,424

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

The second agreement was executed in September 2006 to lease land and requires 240 monthly payments varying between \$175 to \$250. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$3,203 at June 30, 2025. The right to use asset is discussed in more detail in the right to use asset section of this note.

3,427

The third agreement was executed in May 2013 to lease land and requires 240 monthly payments of \$100. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$7,828 at June 30, 2025. The right to use asset is discussed in more detail in the right to use asset section of this note.

8,323

The fourth agreement was executed in February 2015 to lease land and requires 240 monthly payments of \$300. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$27,698 at June 30, 2025. The right to use asset is discussed in more detail in the right to use asset section of this note.

29,421

The fifth agreement was executed in November 2013 to lease land and requires 240 monthly payments varying between \$300 to \$399. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.39%, which is the stated rate in the lease agreement. As a result of the lease, the County has recorded a right to use asset with a net book value of \$24,774 at June 30, 2025. The right to use asset is discussed in more detail in the right to use asset section of this note.

26,329

Total Enterprise Fund leases

\$ 98,924

Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

<u>Years Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	12,438	3,038	\$ 15,476
2027	10,335	2,636	12,971
2028	10,177	2,292	12,469
2029	10,754	1,935	12,689
2030	11,201	1,558	12,759
2031-2035	44,019	2,361	46,380
Total	<u>\$ 98,924</u>	<u>\$ 13,820</u>	<u>\$ 112,744</u>

b. Installment Purchase

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

The first and second installment direct placement purchase agreements were executed on June 28, 2012 to refinance the construction of the new high school. These installment purchases were refinanced June 28, 2012 into limited obligation bonds. The limited obligations bonds were issued in two series, A and B. Series A is for a principal amount of \$45,045,000 with terms ranging from 2016 to 2028. The Series A bonds were partially refunded on October 2, 2019. The refunded portion totaled \$17,390,000 with a new principal balance of \$19,240,000. The refunding was undertaken to reduce total debt service payments by \$677,245 over the remaining life of the purchase agreements. The Series A bonds have an outstanding balance at June 30, 2025 of \$10,670,000. Series B was for \$10 million with a term of three years and a set rate of 1.81 percent and this series paid out in fiscal year 2014-15.

The third direct placement installment purchase agreement was for limited obligations bonds and was executed in the amount \$18,490,000 for the construction of the community recreation center on October 25, 2018. The installment purchase calls for annual payments of principal and semi-annual payments of interest for a period of 15 years. The annual principal payments range from \$1,320,000 to \$1,325,000. The outstanding balance as of June 30, 2025 is \$10,565,000. Proceeds from the LOBs included a premium of \$1,723,277 which will be amortized and expensed in interest over the life of the installment purchase agreement.

The fourth direct placement installment purchase agreement was for limited obligations bonds and was executed in the amount \$31,800,000 for the construction of the Valle Crucis School on October 27, 2022. The installment purchase calls for annual payments of principal and semi-annual payments of interest for a period of 20 years. The annual principal payments range from \$965,000 to \$1,625,000. The outstanding balance as of June 30, 2025 is \$27,585,000. Proceeds from the LOBs included a premium of \$2,997,003 which will be amortized and expensed in interest over the life of the installment purchase agreement.

The County obtained a \$895,478 Hurricane Helene Cash Flow note issued March 3, 2025 0% interest, payable in annual installments with the final payment June 30, 2030. The annual principal payments range from \$1 to \$358,190. The County's outstanding note from direct borrowings related to governmental activities of \$895,478 is not secured by a pledge of the faith and credit of the state of North Carolina or of the County but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to the County from the state may be withheld by the state and applied to the payment of the outstanding note. The outstanding balance as of June 30, 2025 is \$895,478.

For Watauga County, the future minimum payments as of June 30, 2025, including \$15,237,505 of interest, are:

<u>Years Ending June 30,</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 6,545,001	\$ 2,138,015	\$ 8,683,016
2027	6,589,548	1,899,685	8,489,233
2028	6,644,096	1,660,005	8,304,101
2029	3,208,643	1,444,100	4,652,743
2030	3,303,190	1,297,100	4,600,290
2031-2035	12,070,000	4,440,000	16,510,000
2036-2040	8,115,000	2,103,450	10,218,450
2041-2042	3,240,000	255,150	3,495,150
Total	<u>\$49,715,478</u>	<u>\$ 15,237,505</u>	<u>\$64,952,983</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

b. General Obligation Indebtedness

The County has no general obligation debt outstanding or authorized as of June 30, 2025. At June 30, 2025, Watauga County had a legal debt margin of \$1,122,575,787.

c. Advance Refunding

In June 2012, the County issued \$55,045,000 in limited obligation bonds to refinance the installment purchase loans for the land and construction of the 2010 high school. These funds refinanced the original debt remaining of \$61,000,000 plus interest and expenses. This resulted in premiums totaling \$5,206,201 to be amortized over the remaining eight-year life of the new debt. On October 2, 2019, the County issued \$19,240,000 of limited obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in a refunded escrow held by US Bank. As a result, the refunded bonds are decreased and the liability has been removed from the governmental activities column of the statement of net position. Due to the refunding of the Series A limited obligation bonds the premium on advance refunding liability was reduced by \$1,639,207. A liability for the balance of the premium of \$429,315 and the annual amortization of interest expense is in the government-wide statements.

d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2025:

	Beginning Balance, Restated	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchases	\$ 55,390,000	-	\$ 6,570,000	\$48,820,000	\$ 6,545,000
Cash Flow Disaster Response Loan	-	895,478	-	895,478	1
Net pension liability (LGERS)	9,887,070	-	105,541	9,781,529	-
Total pension liability (LEOSSA)	447,537	414,512	-	862,049	-
Net OPEB liability	1,951,766	1,578,040	-	3,529,806	-
Premium on LOBS	3,731,270	-	264,735	3,466,535	264,735
Premium on advance refunding	572,420	-	143,105	429,315	143,105
Compensated absences	1,627,126	74,345	-	1,701,471	181,343
Total	<u>\$ 73,607,189</u>	<u>\$ 2,962,375</u>	<u>\$ 7,083,381</u>	<u>\$69,486,183</u>	<u>7,134,184</u>
Business-Type Activities:					
Net pension liability (LGERS)	\$ 942,141	-	\$ 10,057	\$ 932,084	\$ -
Net OPEB liability	185,984	150,372	-	336,356	-
Accrued landfill closure and post closure costs	495,461	-	-	495,461	-
Leases	110,949	-	12,025	98,924	12,438
Compensated absences	142,221	34,099	-	176,320	36,990
Total	<u>\$ 1,876,756</u>	<u>\$ 184,471</u>	<u>\$ 22,082</u>	<u>\$ 2,039,145</u>	<u>\$ 49,428</u>
Discretely presented component units:					
AppalCART					
Lease liabilities	\$ 248,008	\$ -	\$ 63,627	\$ 184,381	\$ 66,731
Compensated absences	118,338	168,665	112,430	174,573	112,430
Total	<u>\$ 366,346</u>	<u>\$ 168,665</u>	<u>\$ 176,057</u>	<u>\$ 358,954</u>	<u>\$ 179,161</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2025

Watauga County TDA

Net pension liability (LGRS)	\$ 157,365	\$ 2,475	\$ -	\$ 159,840	\$ -
Compensated absences	92,297	35,492	-	127,789	127,789
Total	<u>\$ 249,662</u>	<u>\$ 37,967</u>	<u>\$ -</u>	<u>\$ 287,629</u>	<u>\$ 127,789</u>

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, 2025, consist of the following:

From the General Fund to the Capital Projects Fund to accumulate resources for future capital acquisitions	\$18,416,719
From the ARPA Project Fund to the Capital Projects Fund	242,037
From the Capital Projects Fund to the 911 Building Capital Project Fund	12,337,307
From the Capital Projects Fund to the General Fund	10,594,939
Total	<u>\$ 41,591,002</u>

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$197,628,227	\$ 8,079,157
Less long-term debt	48,820,000	98,924
Less LOBs premium	3,466,535	-
Less Advance refunding premium	429,315	-
Net investment in capital assets	<u>\$144,912,377</u>	<u>\$ 7,980,233</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	\$79,024,854
Less:	
Stabilization by State Statute	21,056,868
Leases	33,506
Appropriated in future years'	297,501
Register of Deeds Automation/Enhancement	125,717
Remaining fund balance	<u>\$57,511,262</u>

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

Encumbrances: General Fund - \$11,929,518
 Enterprise Fund - \$61,413

Note 3 - Joint Ventures

The County participates in a joint venture to operate Appalachian Regional Library with two other local governments. Each participating government appoints four board members to the twelve-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because of the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2025. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$818,990 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, 2025. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$1,030,000 to the Health Department to supplement its activities. Complete financial statements for the Health Department can be obtained from the Health Department's offices at 126 Poplar Grove Connector Road, Boone, NC 28607.

Note 4 - Jointly Governed Organization

The County communally governs Caldwell Community College and Technical Institute with one other government and the community college system of the State of North Carolina. The County appoints two members of its fourteen members Board of Trustees. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$1,129,350 to Caldwell Community College and Technical Institute to supplement its activities. Complete financial statements for the College can be obtained at 2855 Hickory Boulevard, Hudson, NC 28638.

The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$48,633 and purchased services in the amount of \$25,790 with the Council during the fiscal year ended June 30, 2025. The County was the sub recipient of three grants totaling \$355,602. The first grant is for \$320,784 in Home and Community Care Block Grant funds and the second is for \$19,964 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 \$14,854 from the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council. Complete financial statements for the Council can be obtained at 468 New Market Blvd., Boone, NC 28607.

Note 5 - Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Year Ended June 30, 2025

provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 6 - Prior Period Adjustment/Correction of Error

The County implemented Government Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, July 1, 2024. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As a result, the County recognized an additional \$290,418 in compensated absences for sick leave as of June 30, 2025, resulting in a decrease in beginning net position of the same amount. The County also had a restatement due to the Processing Plant not being feasible and therefore eliminated resulting in a reduction in fund balance of \$100,763 for receivables that were previously recognized. The prior period adjustment is reflected in the nonmajor special revenue fund, Processing Plant, and the General Fund.

Note 7 - Subsequent Events

For the year ended June 30, 2025, the County has evaluated subsequent events for potential recognition and disclosure through January 30, 2026 – the date the financial statements were available to be issued.

The County is currently awaiting reimbursement from FEMA and the State of North Carolina for various projects related to Hurricane Helene.

The County has received two additional cash flow loans in fiscal year 2026 for \$590,884 and \$3,268,632.

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

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

	2025**	2024**	2023**	2022**	2021**	2020**	2019**	2018**	2017**	2016*
Total pension liability										
Service cost	\$ 96,447	\$ 95,201	\$ 103,956	100,463	\$ 65,966	\$ 59,759	\$ 57,398	\$ 57,127	\$ 24,305	\$ 49,129
Interest	50,278	45,864	29,684	28,211	30,823	30,735	26,308	25,578	14,474	26,460
Benefit changes	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	603,230	-	(11,373)	-	37,151	-	25,317	(173,460)	(33,229)	-
Changes of assumptions and other inputs	(45,962)	(12,518)	(156,813)	2,166	271,350	29,530	(21,390)	(50,285)	60,466	11,037
Benefit payments, including refunds of member contributions	(54,958)	(40,873)	(29,790)	(43,436)	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
Net change in total pension liability	649,035	87,674	(64,336)	87,404	360,857	84,933	61,389	(158,439)	58,915	63,324
Total pension liability-beginning	1,308,515	1,220,841	1,285,177	1,197,773	836,916	751,983	690,594	849,033	790,118	726,794
Total pension liability-ending (a)	\$ 1,957,550	\$ 1,308,515	\$ 1,220,841	\$ 1,285,177	\$ 1,197,773	\$ 836,916	\$ 751,983	\$ 690,594	\$ 849,033	\$ 790,118
Plan net position										
Contributions-employer	\$ 264,958	\$ 40,873	\$ 129,790	137,936	\$ 139,433	\$ 130,091	\$ 109,744	\$ 143,399	\$ 7,101	\$ 71,302
Contributions-member	-	-	-	-	-	-	-	-	-	-
Net investment income	35,523	20,265	525	163	13,682	11,387	5,867	752	428	706
Benefit payments, including refunds of member contributions	(54,958)	(40,873)	(29,790)	(43,436)	(44,433)	(35,091)	(26,244)	(17,399)	(7,101)	(23,302)
Administrative expense	(11,000)	-	(10,500)	(10,000)	(10,000)	(9,519)	(18,500)	(457)	-	(236)
Refund of contributions	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan net position	234,523	20,265	90,025	84,663	98,682	96,868	70,867	126,295	428	48,470
Plan net position-beginning	860,978	840,713	750,688	666,025	567,343	470,475	399,608	273,313	272,885	224,415
Plan net position-ending (b)	\$ 1,095,501	\$ 860,978	\$ 840,713	\$ 750,688	\$ 666,025	\$ 567,343	\$ 470,475	\$ 399,608	\$ 273,313	\$ 272,885
Net pension liability-ending (a) - (b)	\$ 862,049	\$ 447,537	\$ 380,128	\$ 534,489	\$ 531,748	\$ 269,573	\$ 281,508	\$ 290,986	\$ 575,720	\$ 517,233

*Information is as of the Measurement date of June 30, 2024

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

Notes to schedule:

Benefit changes None

Assumption changes The assumed rate of return was increased from 3.65% to 3.93% based on the change in the 20-year exempt municipal bond index rate.

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

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

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

	2025**	2024**	2023**	2022**	2021**	2020**	2019**	2018**	2017**	2016*
Total pension liability (TPL)	\$ 1,957,550	\$ 1,308,515	\$ 1,220,841	\$ 1,285,177	\$ 1,197,773	\$ 836,916	\$ 751,983	\$ 690,594	\$ 849,033	\$ 790,118
Plan net position	1,095,501	860,978	840,713	750,688	666,025	567,343	470,475	399,608	273,313	272,885
Net pension liability	\$ 862,049	\$ 447,537	\$ 380,128	\$ 534,489	\$ 531,748	\$ 269,573	\$ 281,508	\$ 290,986	\$ 575,720	\$ 517,233
Ratio of plan net position to total pension liability	55.96%	65.80%	68.86%	58.41%	55.61%	67.79%	62.56%	57.86%	32.19%	34.54%
Covered payroll	2,993,492	2,811,225	2,722,736	2,307,552	2,307,552	2,005,514	2,005,514	1,837,013	1,883,580	1,837,735
Net pension liability as a percentage of covered payroll	28.80%	15.92%	13.96%	23.16%	23.04%	13.44%	14.04%	15.84%	30.57%	28.15%

*Information is as of the Measurement date of June 30, 2024

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

Notes to schedule:

The TPL was measured based on data as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality

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

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

Schedule of County Contributions
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined employer contribution	\$ 197,766	\$ 165,181	\$ 182,840	\$ 172,076	\$ 109,031	\$ 103,230	\$ 88,544	\$ 109,308	\$ 95,479	\$ 60,285
Contributions in relation to the contractually required contribution	194,350	264,958	40,873	129,790	137,936	139,433	130,091	109,744	143,399	39,727
Contribution deficiency (excess)	<u>\$ 3,416</u>	<u>\$ (99,777)</u>	<u>\$ 141,967</u>	<u>\$ 42,286</u>	<u>\$ (28,905)</u>	<u>\$ (36,203)</u>	<u>\$ (41,547)</u>	<u>\$ (436)</u>	<u>\$ (47,920)</u>	<u>\$ 20,558</u>
County's covered payroll	\$ 2,993,492	\$ 2,811,225	\$ 2,722,736	\$ 2,307,552	\$ 2,307,552	\$ 2,005,514	\$ 2,005,514	\$ 1,837,013	\$ 1,823,288	\$ 1,883,580
Contributions as a percentage of covered payroll	6.49%	9.43%	1.50%	5.62%	5.98%	6.95%	6.49%	5.97%	7.86%	2.11%

Notes to schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates for the year ended June 30, 2024:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Remaining amortization period	7.5 years remaining as of June 30, 2023, measurement date
Asset valuation method	Market value of assets
Investment Rate of Return	3.93%, including inflation, net of pension plan investment expense
Inflation	2.50%
Salary increases	Based on service ranging from 3.25 to 7.75%, including inflation and productivity.
Mortality	Pre-retirement mortality rates are based on Pub-2010 Safety Employees tables, projected forward generationally using Scale MP-2019. Post-retirement: mortality rates for the period after retirement based on Pub-2010 Safety Retirees tables, set forward one year and multiplied by .97, then projected generationally using Scale MP-2019.

Watauga County, North Carolina
Other Post Employment Benefits Irrevocable Trust

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 279,001	\$ 279,611	\$ 350,496	\$ 336,542	\$ 273,893	\$ 248,114	\$ 204,963	\$ 245,616	\$ 196,127
Interest	180,320	172,564	118,227	116,375	157,322	162,144	133,400	104,379	128,565
Benefit changes	2,925,057	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(502,463)	(166,887)	116,866	(164,860)	(299,908)	(114,921)	705,179	(166,570)	-
Changes of assumptions and other inputs	(109,442)	(108,328)	(1,006,651)	20,845	710,395	124,063	(491,388)	(209,201)	264,995
Benefit payments, including refunds of member contributions	(111,300)	(110,300)	(103,800)	(126,500)	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
Net change in total OPEB liability	2,661,173	66,660	(524,862)	182,402	701,902	277,900	430,054	(133,576)	468,987
Total OPEB liability-beginning	4,716,412	4,649,752	5,174,614	4,992,212	4,290,310	4,012,410	3,582,356	3,715,932	3,246,945
Total OPEB liability-ending (a)	7,377,585	4,716,412	4,649,752	5,174,614	4,992,212	4,290,310	4,012,410	3,582,356	3,715,932
Plan fiduciary net position									
Contributions-employer	\$ 937,400	\$ 110,300	\$ 349,000	\$ 293,500	\$ 257,800	\$ 264,000	\$ 264,800	\$ 872,800	\$ 207,436
Contributions-member	-	-	-	-	-	-	-	-	-
Net investment income	120,661	125,887	1,714	6,607	42,295	32,752	22,310	10,714	7,889
Benefit payments, including refunds of member contributions	(111,300)	(110,300)	(103,800)	(126,500)	(139,800)	(141,500)	(122,100)	(107,800)	(120,700)
Administrative expense	(14,000)	-	(13,500)	(13,000)	(13,000)	(12,538)	(25,000)	-	(4,800)
Net change in plan fiduciary net position	932,761	125,887	233,414	160,607	147,295	142,714	140,010	775,714	89,825
Plan fiduciary net position-beginning	2,578,662	2,452,775	2,219,361	2,058,754	1,911,459	1,768,745	1,628,735	853,021	763,196
Plan fiduciary net position-ending (b)	3,511,423	2,578,662	2,452,775	2,219,361	2,058,754	1,911,459	1,768,745	1,628,735	853,021
Net OPEB liability-ending (a) - (b)	\$ 3,866,162	\$ 2,137,750	\$ 2,196,977	\$ 2,955,253	\$ 2,933,458	\$ 2,378,851	\$ 2,243,665	\$ 1,953,621	\$ 2,862,911
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	47.60%	54.67%	52.75%	42.89%	41.24%	44.55%	44.08%	45.47%	22.96%
Covered employee payroll	\$ 17,996,541	\$ 15,860,793	\$ 15,361,543	\$ 14,077,047	\$ 11,825,259	\$ 11,825,259	\$ 11,480,834	\$ 10,715,512	\$ 10,160,128
Plan Net OPEB Liability as percentage of covered employee payroll	21.48%	13.48%	14.30%	20.99%	24.81%	20.12%	19.54%	18.23%	28.18%

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

Notes to Schedule

Benefit changes None

Changes of assumptions For 2024 the discount rate changed from 3.65% to 3.93%

Watauga County, North Carolina
Other Post Employment Benefits Irrevocable Trust

Schedule of County Contributions
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 441,608	\$ 414,785	\$ 474,735	\$ 468,418	\$ 282,753	\$ 272,198	\$ 227,672	\$ 253,925	\$ 179,656	\$ 171,685
Contributions in relation to the actuarially determined contribution	612,813	937,400	110,300	349,000	293,500	257,800	264,000	256,000	872,800	207,436
Contribution deficiency (excess)	<u>\$ (171,205)</u>	<u>\$ (522,615)</u>	<u>\$ 364,435</u>	<u>\$ 119,418</u>	<u>\$ (10,747)</u>	<u>\$ 14,398</u>	<u>\$ (36,328)</u>	<u>\$ (2,075)</u>	<u>\$ (693,144)</u>	<u>\$ (35,751)</u>
Covered payroll	\$ 17,996,541	\$ 15,860,793	\$ 15,361,543	\$ 14,077,047	\$ 13,633,944	\$ 11,825,259	\$ 11,480,834	\$ 10,745,512	\$ 10,160,128	\$ 10,512,790
Contributions as a percentage of covered payroll	3.41%	5.91%	0.72%	2.48%	2.15%	2.18%	2.30%	2.38%	8.59%	1.97%

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, 2024

Discount rate

3.65% as of June 30, 2023 and 3.93% as of June 30, 2024 measurement

Actuarial cost method

Entry age actuarial cost method

Amortization method

Closed 30 year level dollar as of June 30, 2020

Remaining amortization period

26-years from June 30, 2024

Asset valuation method

Market Value

Inflation rate

2.50%

Based on service, 7.75% for Uniformed Employees grading down to 3.25% over 40 years, and 8.25% for General Employees grading down to 3.25% over 35 years, including inflation and productivity

Salary increases

3.25% for fiscal year 2025

Investment rate of return

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

Mortality

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

Healthcare trend costs

6.5% for 2025 decreasing to 4.50 for 2037 and later.

Watauga County, North Carolina										Schedule 6
Other Post Employment Benefits Irrevocable Trust										
Schedule of Investment Returns Last Nine Fiscal Years										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	
Annual money-weighted rate of return, net of investment expense	4.04%	5.13%	0.07%	0.31%	2.15%	1.80%	1.32%	0.87%	0.98%	

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County's proportion of the net pension liability (asset) %	0.15892%	0.16351%	0.17077%	0.16648%	0.16311%	0.16478%	0.16559%	0.16785%	0.17390%	0.17404%
County's proportionate share of the net pension liability (asset) \$	\$ 10,713,613	\$ 10,829,211	\$ 9,633,867	\$ 2,553,131	\$ 5,828,615	\$ 4,500,013	\$ 3,928,361	\$ 2,564,283	\$ 3,690,741	\$ 781,083
County's covered employee payroll	\$ 15,710,261	\$ 15,121,526	\$ 13,638,044	\$ 12,397,522	\$ 12,134,733	\$ 11,777,037	\$ 11,330,399	\$ 10,813,081	\$ 10,682,801	\$ 10,536,590
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	68.20%	71.61%	70.64%	20.59%	48.03%	38.21%	34.67%	23.71%	34.55%	7.41%
Plan fiduciary net position as a percentage of the total pension liability **	83.30%	82.49%	90.70%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

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

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

Local Governmental Employees' Retirement System

Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,406,476	2,065,633	1,865,907	1,575,748	1,284,035	1,113,164	937,359	861,878	798,115	732,167
Contributions in relation to the contractually required contribution	2,406,476	2,065,633	1,865,907	1,575,748	1,284,035	1,113,164	937,359	861,878	798,115	732,167
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
County's covered payroll	17,245,294	15,710,261	15,121,526	13,638,044	12,397,522	12,134,733	11,777,037	11,330,399	10,813,081	10,682,801
Contributions as a percentage of covered payroll	13.95%	13.15%	12.34%	11.55%	10.36%	9.17%	7.96%	7.61%	7.38%	6.85%

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

Register of Deeds' Supplemental Pension Fund (RODSPF)

Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County's proportion of the net pension liability (asset) %	(0.61095)	(0.63195)	(0.62472)	(0.67590)	(0.62201)	(0.56359)	(0.61613)	(0.65062)	(0.66734)	(0.65929)
County's proportionate share of the net pension liability (asset) \$	\$ (70,400)	\$ (75,941)	\$ (82,713)	\$ (129,861)	\$ (142,552)	\$ (111,264)	\$ (102,050)	\$ (111,054)	\$ (124,766)	\$ (152,800)
Plan fiduciary net position as a percentage of the total pension liability **	133.61%	135.74%	139.04%	156.53%	173.62%	164.44%	153.31%	153.77%	160.17%	197.29%

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

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

Watauga County, North Carolina
County's Contributions

Register of Deeds' Supplemental Pension Fund (RODSPF)

Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 11,692	\$ 10,014	\$ 9,141	\$ 7,891	\$ 8,112	\$ 5,956	\$ 5,357	\$ 5,273	\$ 5,653	\$ 5,452
Contributions in relation to the contractually required contribution	11,692	10,014	9,141	7,891	8,112	5,956	5,357	5,273	5,653	5,452
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

		Required Supplementary Information									
		Local Governmental Employees' Retirement System									
		Last Ten Fiscal Years*									
		2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability (asset) %		0.00237%	0.00238%	0.00242%	0.00217%	0.00207%	0.00252%	0.00262%	0.00276%	0.00289%	0.00287%
Authority's proportionate share of the net pension liability (asset) \$		\$ 159,840	\$ 157,365	\$ 136,523	\$ 33,279	\$ 73,970	\$ 68,819	\$ 62,155	\$ 42,165	\$ 61,334	\$ 12,880
Authority's covered payroll		\$ 246,007	\$ 213,162	\$ 194,005	\$ 175,870	\$ 173,791	\$ 175,557	\$ 155,123	\$ 153,328	\$ 142,786	\$ 125,271
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		64.97%	73.82%	70.37%	18.92%	42.56%	39.20%	40.07%	27.50%	42.96%	10.28%
Plan fiduciary net position as a percentage of the total pension liability**		83.30%	82.49%	84.14%	92.00%	92.00%	94.18%	91.47%	98.09%	98.79%	102.64%

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

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

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

**Required Supplementary Information
Last Ten Fiscal Years**

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 38,292	\$ 32,756	\$ 25,610	\$ 21,226	\$ 17,897	\$ 15,619	\$ 13,761	\$ 12,227	\$ 11,247	\$ 10,241
Contributions in relation to the contractually required contribution	38,292	32,756	25,610	21,226	17,897	15,619	13,761	12,227	11,247	10,241
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 281,560	\$ 246,007	\$ 213,162	\$ 194,005	\$ 175,870	\$ 173,791	\$ 175,557	\$ 155,123	\$ 153,328	\$ 142,786
Contributions as a percentage of covered payroll	13.60%	13.32%	12.01%	10.94%	10.18%	8.99%	7.84%	7.88%	7.34%	7.17%

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance
REVENUES:			
Taxes - ad valorem:			
Current year		\$ 45,960,736	
Prior years		500,191	
Advertising and interest		179,253	
Total Taxes - ad valorem	\$ 45,407,982	46,640,180	\$ 1,232,198
Taxes - other:			
Local option sales taxes		20,860,594	
Real estate transfer tax		960,735	
ABC Bottle tax		24,755	
Heavy equipment rental tax		14,990	
Gross receipts tax		75,722	
Video programming tax		203,100	
Total Taxes - other	22,172,800	22,139,896	(32,904)
Unrestricted Intergovernmental:			
Miscellaneous revenues from Towns		3,364,279	
Medicaid hold harmless		2,885,092	
Tax collection fees		192,648	
Occupancy tax administrative fee		45,701	
Payments in lieu of taxes		35,229	
Total Unrestricted Intergovernmental	5,679,229	6,522,949	843,720
Restricted Intergovernmental:			
Grants-Federal and State		4,991,989	
Public School Building Capital Fund - Lottery		316,670	
Court facilities fees		65,614	
Total Restricted Intergovernmental	7,507,954	5,374,273	(2,133,681)
Permits and Fees:			
Sheriff's office permits and fees		106,540	
Planning and inspection fees		400,885	
Register of deeds fees		282,031	
Fire inspection fees		31,918	
Child Support fees		27,554	
Total Permits and Fees	796,439	848,928	52,489
Sales and Services:			
POA services		7,893	
TDA Financial and other services		24,000	
Recreation fees		2,009,900	
Reimbursement for inmates		8,612	
Rent		215,683	
Lease revenue		180,552	
DMV notary/passport processing fees		225,867	
Town of Boone consolidated 911		436,737	
Town of Beech Mountain medic services		434,828	
Election revenues		5	
Total Sales and Service	3,203,926	3,544,077	340,151
Investment earnings:	151,000	3,382,748	3,231,748
Miscellaneous:			
Other		3,151,499	
Donations		564,138	
Total Miscellaneous	4,142,701	3,715,637	(427,064)
TOTAL REVENUES	89,062,031	92,168,688	3,106,657

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance
EXPENDITURES:			
General Government			
Governing Body:			
Salaries and benefits		\$ 63,200	
Operating expenses		8,196	
Total Governing Body	\$ 71,452	71,396	\$ 56
Administration:			
Salaries and benefits		659,315	
Operating expenses		13,531	
Total Administration	681,100	672,846	8,254
Finance:			
Salaries and benefits		355,861	
Operating expenses		122,726	
Total Finance	637,252	478,587	158,665
Tax Administration:			
Salaries and benefits		886,217	
Operating expenses		385,901	
Total Tax Administration	1,356,421	1,272,118	84,303
Tax Revaluation:			
Operating expenses		243,361	
Total Tax Revaluation	554,618	243,361	311,257
Tag Office:			
Salaries and benefits		289,140	
Operating expenses		3,892	
Total Tag Office	316,106	293,032	23,074
Legal Services:			
Operating expenses	116,000	82,307	33,693
Court facilities:			
Operating expenses	2,000	864	1,136
Board of Elections:			
Salaries and benefits		423,900	
Operating expenses		148,664	
Total Board of Elections	578,105	572,564	5,541
Register of Deeds:			
Salaries and benefits		611,595	
Operating expenses		73,284	
Capital outlay		8,817	
Total Register of Deeds	724,442	693,696	30,746
General Administration:			
Operating expenses		1,181,586	
Total General Administration	2,078,050	1,181,586	896,464
Information Technologies:			
Salaries and benefits		614,197	
Operating expenses		637,462	
Capital outlay		135,972	
Total Information Technologies	1,429,885	1,387,631	42,254

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance
Maintenance:			
Salaries and benefits		\$ 1,927,019	
Operating expenses		38,130	
Capital outlay		11,787	
Total Maintenance	\$ 2,026,928	1,976,936	\$ 49,992
Public Buildings:			
Operating expenses		2,483,013	
Capital outlay		1,635,276	
Total Public Buildings	7,256,327	4,118,289	3,138,038
Total General Government	17,828,686	13,045,213	4,783,473
Public Safety			
Sheriff's Office:			
Salaries and benefits		5,448,082	
Operating expenses		593,398	
Capital outlay		526,490	
Total Sheriff's Office	7,035,238	6,567,970	467,268
Detention Center:			
Salaries and benefits		2,265,242	
Operating expenses		730,742	
Capital outlay		4,995	
Total Detention Center	3,315,262	3,000,979	314,283
Emergency Services:			
Salaries and benefits		1,608,966	
Operating expenses		72,891	
Capital outlay		3,183,507	
Total Emergency Services	14,069,834	4,865,364	9,204,470
Emergency Management:			
Salaries and benefits		442,136	
Operating expenses		2,206,431	
Capital outlay		71,115	
Total Emergency Management	2,779,492	2,719,682	59,810
Planning and Inspections:			
Salaries and benefits		808,132	
Operating expenses		53,763	
Total Planning and Inspections	861,941	861,895	46
Other Emergency Services:	2,810,383	2,641,254	169,129
Animal Control:			
Salaries and benefits		231,399	
Operating expenses		9,178	
Total Animal Control	240,670	240,577	93
Total Public Safety	31,112,820	20,897,721	10,215,099
Transportation			
Transportation:	265,221	265,221	-
Economic and Physical Development			
Special Appropriations:	744,914	645,919	98,995
Economic Development:	193,845	100,826	93,019
Total Economic and Physical Development	938,759	746,745	192,014

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance
Environmental Protection			
Cooperative Extension:			
Salaries and benefits		\$ 336,683	
Operating expenses		19,565	
Capital outlay		25,627	
Total Cooperative Extension	\$ 438,214	381,875	\$ 56,339
Soil and Water Conservation:			
Salaries and benefits		160,341	
Operating expenses		12,454	
Capital outlay		163,316	
Total Soil and Water Conservation	1,147,693	336,111	811,582
Total Environmental Protection	1,585,907	717,986	867,921
Human Services			
Public Health:	1,030,000	1,030,000	-
Mental Health:	171,794	171,794	-
Social Services:			
Salaries and benefits		4,419,597	
Operating expenses		311,243	
Capital outlay		73,399	
Beneficiary payments		1,251,367	
Total Social Services	7,404,481	6,055,606	1,348,875
Project on Aging:			
Salaries and benefits		1,325,001	
Operating expenses		208,416	
Total Project on Aging	1,924,202	1,533,417	390,785
Veterans Services:			
Salaries and benefits		162,339	
Operating expenses		2,773	
Total Veterans Services	169,473	165,112	4,361
Total Human Services	10,699,950	8,955,929	1,744,021
Education			
Public Schools - current		17,580,079	
Public Schools - capital outlay		3,493,883	
Community College - current		1,079,350	
Community College - capital outlay		50,000	
Total Education	23,299,947	22,203,312	1,096,635
Cultural and Recreational			
Library:	818,990	818,990	-
Recreation:			
Salaries and benefits		1,817,529	
Operating expenses		245,640	
Capital outlay		64,972	
Total Recreation	2,510,848	2,128,141	382,707
Total Cultural and Recreational	3,329,838	2,947,131	382,707
Debt Service			
Principal retirement		6,570,000	
Interest and fees		2,400,112	
Total Debt Service	8,972,112	8,970,112	2,000
TOTAL EXPENDITURES	98,033,240	78,749,370	19,283,870
Revenues over (under) expenditures	(8,971,209)	13,419,318	22,390,527

Watauga County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	\$ 10,000	\$ 56,058	\$ 46,058
Transfers to Capital Projects Fund	(18,416,719)	(18,416,719)	-
Transfers from Capital Projects Fund	10,594,939	10,594,939	-
Fund balance appropriated	<u>16,782,989</u>	<u>-</u>	<u>(16,782,989)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,971,209</u>	<u>(7,765,722)</u>	<u>(16,736,931)</u>
Net change in fund balance	\$ <u>-</u>	<u>5,653,596</u>	\$ <u>5,653,596</u>
Fund balance, beginning of year		73,371,258	
Fund balance, end of year		\$ <u>79,024,854</u>	

Watauga County, North Carolina
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ <u>-</u>	\$ <u>1,539,212</u>	\$ <u>1,539,212</u>
	<u>-</u>	<u>1,539,212</u>	<u>1,539,212</u>
Expenditures:			
General government	<u>18,658,756</u>	<u>-</u>	<u>18,658,756</u>
Revenues over (under) expenditures	<u>(18,658,756)</u>	<u>1,539,212</u>	<u>20,197,968</u>
Other financing sources (uses):			
Transfer from other funds	18,658,756	18,658,756	-
Transfer to other funds	(22,932,246)	(22,932,246)	-
Appropriated fund balance	<u>22,932,246</u>	<u>-</u>	<u>(22,932,246)</u>
Total other financing sources (uses)	<u>18,658,756</u>	<u>(4,273,490)</u>	<u>(22,932,246)</u>
Net change in fund balance	\$ <u><u>-</u></u>	(2,734,278)	\$ <u><u>(2,734,278)</u></u>
Fund balance, beginning of year		<u>34,417,090</u>	
Fund balance, end of year		\$ <u><u>31,682,812</u></u>	

Watauga County, North Carolina
Valle Crucis School Project Fund
Schedule of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
Donation of land - Watauga County Schools	\$ 1,105,000	\$ 1,105,000	\$ -	\$ 1,105,000	\$ -
Donations	115,000	115,000	-	115,000	-
Total intergovernmental	<u>1,220,000</u>	<u>1,220,000</u>	<u>-</u>	<u>1,220,000</u>	<u>-</u>
Investment earnings	<u>-</u>	<u>2,847,047</u>	<u>876,586</u>	<u>3,723,633</u>	<u>3,723,633</u>
Total revenues	<u>1,220,000</u>	<u>4,067,047</u>	<u>876,586</u>	<u>4,943,633</u>	<u>3,723,633</u>
Expenditures:					
Capital outlay - land	1,305,000	1,286,142	1,285	1,287,427	17,573
Building and improvements	50,932,964	26,812,826	17,518,871	44,331,697	6,601,267
Professional services	<u>3,094,000</u>	<u>3,191,782</u>	<u>477,448</u>	<u>3,669,230</u>	<u>(575,230)</u>
Total expenditures	<u>55,331,964</u>	<u>31,290,750</u>	<u>17,997,604</u>	<u>49,288,354</u>	<u>(6,043,610)</u>
Revenues over (under) expenditures	<u>(54,111,964)</u>	<u>(27,223,703)</u>	<u>(17,121,018)</u>	<u>(44,344,721)</u>	<u>9,767,243</u>
Other financing sources:					
Proceeds from installment obligations issued	31,800,000	31,800,000	-	31,800,000	-
Premium on installment obligations	2,997,002	2,997,002	-	2,997,002	-
Transfer from other Funds	<u>19,314,962</u>	<u>19,314,962</u>	<u>-</u>	<u>19,314,962</u>	<u>-</u>
Total other financing sources	<u>54,111,964</u>	<u>54,111,964</u>	<u>-</u>	<u>54,111,964</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>26,888,261</u>	<u>(17,121,018)</u>	<u>\$ 9,767,243</u>	<u>\$ 9,767,243</u>
Fund balance at beginning of year			<u>26,888,261</u>		
Fund balance at end of year			<u>\$ 9,767,243</u>		

Watauga County, North Carolina
Opioid Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental Opioid settlement funds	\$ <u>686,140</u>	\$ <u>464,229</u>	\$ <u>(221,911)</u>
Total revenues	<u>686,140</u>	<u>464,229</u>	<u>(221,911)</u>
Expenditures:			
Human services	<u>686,140</u>	<u>646,139</u>	<u>40,001</u>
Total expenditures	<u>686,140</u>	<u>646,139</u>	<u>40,001</u>
Net change in fund balance	\$ <u><u>-</u></u>	(181,910)	\$ <u><u>(181,910)</u></u>
Fund balance, beginning of year		<u>810,179</u>	
Fund balance, end of year		\$ <u><u>628,269</u></u>	

Schedule 5

Watauga County, North Carolina
Hurricane Helene Disaster Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental			
FEMA reimbursement	\$ 10,000,000	\$ 3,520,352	\$ (6,479,648)
Total revenues	<u>10,000,000</u>	<u>3,520,352</u>	<u>(6,479,648)</u>
Expenditures:			
General government	<u>10,895,478</u>	<u>9,141,030</u>	<u>1,754,448</u>
Total expenditures	<u>10,895,478</u>	<u>9,141,030</u>	<u>1,754,448</u>
Revenues over (under) expenditures	<u>(895,478)</u>	<u>(5,620,678)</u>	<u>(8,234,096)</u>
Other financing sources (uses):			
Proceeds from State Cash Flow loan	<u>895,478</u>	<u>895,478</u>	<u>-</u>
Total other financing sources (uses)	<u>895,478</u>	<u>895,478</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	(4,725,200)	\$ <u>(8,234,096)</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		\$ <u>(4,725,200)</u>	

Watauga County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Nonmajor Special Revenue Funds								Capital Project Funds				
	Federal Equitable Sharing Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Funds	Occupancy Tax Fund	Representative Payee Fund	Deed of Trust Fund	Fines and Forfeitures Fund	SCIF Project Fund	Processing Plant Project Fund	Emergency 911 Building Project Fund	Opiold McKinsey Settlement Fund	Total Nonmajor Governmental Funds
ASSETS:													
Restricted cash and cash equivalents	\$ 127,835	\$ 39,342	\$ 144,864	\$ -	\$ 261,561	\$ 27,007	\$ 12,235	\$ 6,912	\$ 13,930	\$ 890,999	\$ 10,369,536	\$ 27,756	\$ 11,921,977
Due from other governments	-	-	18,844	27,048	-	-	-	-	-	-	59,181	-	105,073
Accounts receivable	21,541	-	-	-	-	-	-	-	-	-	-	-	21,541
Taxes receivable, net	-	-	-	148,315	312,250	-	-	-	-	-	-	-	460,565
Total assets	\$ 149,376	\$ 39,342	\$ 163,708	\$ 175,363	\$ 573,811	\$ 27,007	\$ 12,235	\$ 6,912	\$ 13,930	\$ 890,999	\$ 10,428,717	\$ 27,756	\$ 12,509,156
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:													
Liabilities:													
Accounts payable and accrued liabilities	-	314	1,670	27,048	-	4,199	-	-	125	7,723	1,038,089	-	1,079,168
Unearned revenue	-	-	-	-	-	-	-	-	-	1,000,000	-	-	1,000,000
Due to other governments	-	-	-	-	573,811	-	12,235	6,912	-	-	-	-	592,958
Total Liabilities	-	314	1,670	27,048	573,811	4,199	12,235	6,912	125	1,007,723	1,038,089	-	2,672,126
Deferred Inflows of Resources:													
Taxes receivable	-	-	-	148,315	-	-	-	-	-	-	-	-	148,315
Total deferred inflows of resources	-	-	-	148,315	-	-	-	-	-	-	-	-	148,315
Fund Balances:													
Restricted for:													
Stabilization by State Statute	-	-	18,844	-	-	-	-	-	-	-	59,181	-	78,025
General government	-	-	-	-	-	-	-	-	13,805	-	-	-	13,805
Health services	-	-	-	-	-	22,808	-	-	-	-	-	27,756	50,564
Unassigned	-	-	-	-	-	-	-	-	-	(116,724)	-	-	(116,724)
Public Safety	149,376	39,028	143,194	-	-	-	-	-	-	-	9,331,447	-	9,663,045
Total fund balances	149,376	39,028	162,038	-	-	22,808	-	-	13,805	(116,724)	9,390,628	27,756	9,688,715
Total liabilities, deferred inflows of resources, and fund balances													
	\$ 149,376	\$ 39,342	\$ 163,708	\$ 175,363	\$ 573,811	\$ 27,007	\$ 12,235	\$ 6,912	\$ 13,930	\$ 890,999	\$ 10,428,717	\$ 27,756	\$ 12,509,156

Watauga County, North Carolina
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

Nonmajor Special Revenue Funds															Capital Project Funds				
Federal Equitable Sharing Fund	State Substance Abuse Tax Fund	Emergency Telephone System Fund	Fire Districts Fund	Occupancy Tax Fund	Representative Payee Fund	Deed of Trust Fund	Fines and Forfeitures Fund	SCIF Project Fund	Processing Plant Project Fund	Emergency 911 Building Project Fund	ARP Project Fund	Opioid McKinsey Settlement Fund	Total Nonmajor Governmental Funds						
\$ -	\$ -	\$ -	\$ 5,203,135	\$ -	\$ 193,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,203,135						
-	-	-	-	3,570,109	-	-	-	-	-	-	-	-	3,764,027						
-	-	-	-	-	-	44,324	-	-	-	-	-	-	44,324						
-	-	-	-	-	-	-	189,283	-	-	-	-	-	189,283						
-	29,401	276,118	-	-	-	-	-	192,209	-	-	-	27,756	525,484						
21,541	-	-	-	-	-	-	-	-	-	-	-	-	21,541						
5,170	1,679	3,751	-	-	-	-	-	30	-	232,516	9,726	-	252,872						
26,711	31,080	279,869	5,203,135	3,570,109	193,918	44,324	189,283	192,239	-	232,516	9,726	27,756	10,000,666						
EXPENDITURES																			
-	-	-	-	-	-	44,324	189,283	188,446	15,961	-	-	-	438,014						
-	-	-	-	3,570,109	-	-	-	-	-	-	-	-	3,570,109						
-	20,087	234,266	5,203,135	-	190,892	-	-	-	-	2,775,673	-	-	8,233,161						
-	-	-	-	-	-	-	-	-	-	-	-	-	190,892						
-	20,087	234,266	5,203,135	3,570,109	190,892	44,324	189,283	188,446	15,961	2,775,673	-	-	12,432,176						
Excess (deficiency) of revenues over expenditures																			
26,711	10,993	45,603	-	-	3,026	-	-	3,793	(15,961)	(2,543,157)	9,726	27,756	(2,431,510)						
OTHER FINANCING SOURCES (USES)																			
-	-	-	-	-	-	-	-	-	-	-	(242,037)	-	(242,037)						
-	-	-	-	-	-	-	-	-	-	12,337,307	-	-	12,337,307						
Total other financing sources and uses																			
-	-	-	-	-	-	-	-	-	-	12,337,307	(242,037)	-	12,095,270						
26,711	10,993	45,603	-	-	3,026	-	-	3,793	(15,961)	9,794,150	(232,311)	27,756	9,663,760						
122,665	28,035	116,435	-	-	19,782	-	-	10,012	-	(403,522)	232,311	-	125,718						
Prior period adjustment																			
-	-	-	-	-	-	-	-	-	(100,763)	-	-	-	(100,763)						
122,665	28,035	116,435	-	-	19,782	-	-	3,793	(100,763)	(403,522)	232,311	-	24,955						
Fund balances, end of year																			
\$ 149,376	\$ 39,028	\$ 162,038	\$ -	\$ -	\$ 22,808	\$ -	\$ -	\$ 13,805	\$ (116,724)	\$ 9,390,628	\$ -	\$ 27,756	\$ 9,688,715						

Watauga County, North Carolina
Federal Equitable Sharing Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental - Federal	\$ 23,000	\$ -	\$ (23,000)
Other income	-	21,541	21,541
Investment earnings	<u>-</u>	<u>5,170</u>	<u>5,170</u>
Total revenues	<u>23,000</u>	<u>26,711</u>	<u>3,711</u>
Expenditures:			
Public safety	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>26,711</u>	<u>26,711</u>
Other financing sources (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>26,711</u>	<u>\$ 26,711</u>
Fund balance, beginning of year		<u>122,665</u>	
Fund balance, end of year		<u>\$ 149,376</u>	

Watauga County, North Carolina
State Substance Abuse Tax Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental - State	\$ 28,239	\$ 29,401	\$ 1,162
Investment earnings	<u>-</u>	<u>1,679</u>	<u>1,679</u>
Total revenues	<u>28,239</u>	<u>31,080</u>	<u>2,841</u>
Expenditures:			
Public safety	<u>28,239</u>	<u>20,087</u>	<u>8,152</u>
Total expenditures	<u>28,239</u>	<u>20,087</u>	<u>8,152</u>
Revenues over (under) expenditures	<u>-</u>	<u>10,993</u>	<u>10,993</u>
Other financing sources (uses):			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>10,993</u>	<u>\$ 10,993</u>
Fund balance, beginning of year		<u>28,035</u>	
Fund balance, end of year		<u>\$ 39,028</u>	

Watauga County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental:			
Emergency Telephone Surcharge funds	226,133	\$ 226,133	\$ -
911 Radio Grant	49,985	49,985	-
Investment earnings	<u>-</u>	<u>3,751</u>	<u>3,751</u>
Total revenues	<u>276,118</u>	<u>279,869</u>	<u>3,751</u>
Expenditures:			
Public safety:			
Implementation services	5,000	220	4,780
Software	43,715	43,715	-
Training	14,884	9,221	5,663
Telephones	46,534	56,362	(9,828)
Hardware	300,655	123,063	177,592
Furniture	<u>178,800</u>	<u>1,685</u>	<u>177,115</u>
Total expenditures	<u>589,588</u>	<u>234,266</u>	<u>355,322</u>
Other financing sources (uses):			
Appropriated fund balance	<u>313,470</u>	<u>-</u>	<u>(313,470)</u>
Total Other Financing sources (uses):	<u>313,470</u>	<u>-</u>	<u>(313,470)</u>
Net change in fund balance	<u><u>-</u></u>	45,603	\$ <u><u>45,603</u></u>
Fund balance, beginning of year		<u>116,435</u>	
Fund balance, end of year		\$ <u><u>162,038</u></u>	

Watauga County, North Carolina
 Fire Districts Funds
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes	\$ 5,439,708	\$ 5,203,135	\$ (236,573)
Total revenues	<u>5,439,708</u>	<u>5,203,135</u>	<u>(236,573)</u>
Expenditures:			
Public safety:			
Beaver Dam Fire Department	170,750	159,604	
Beech Mountain Fire Department	3,042	2,826	
Blowing Rock Fire Department	819,129	751,665	
Boone Fire Department	1,464,620	1,458,866	
Cove Creek Fire Department	385,406	388,008	
Creston Fire Department	9,432	7,517	
Deep Gap Fire Department	327,421	307,461	
Fall Creek Fire Department	15,669	14,249	
Foscoe Fire Department	870,774	842,517	
Meat Camp Fire Department	378,944	359,481	
Shawneehaw Fire Department	201,837	185,111	
Stewart Simmons Fire Department	511,358	462,118	
Todd Fire Department	89,236	85,729	
Zionville Fire Department	192,090	177,983	
Total expenditures	<u>5,439,708</u>	<u>5,203,135</u>	<u>236,573</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		\$ <u>-</u>	

Watauga County, North Carolina
Occupancy Tax Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Occupancy tax	\$ 5,000,000	\$ 3,570,109	\$ (1,429,891)
Total revenues	<u>5,000,000</u>	<u>3,570,109</u>	<u>(1,429,891)</u>
Expenditures:			
Tourism development	4,950,000	3,524,408	1,425,592
Administrative fee	<u>50,000</u>	<u>45,701</u>	<u>4,299</u>
Total expenditures	<u>5,000,000</u>	<u>3,570,109</u>	<u>1,429,891</u>
Net change in fund balance	\$ <u><u>-</u></u>	-	\$ <u><u>-</u></u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		\$ <u><u>-</u></u>	

Schedule 13

Watauga County, North Carolina
 Representative Payee Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental	\$ <u>246,936</u>	\$ <u>193,918</u>	\$ <u>(53,018)</u>
Total revenues	<u>246,936</u>	<u>193,918</u>	<u>(53,018)</u>
Expenditures:			
Human services			
Payments made for the benefit of beneficiaries	<u>246,936</u>	<u>190,892</u>	<u>56,044</u>
Total expenditures	<u>246,936</u>	<u>190,892</u>	<u>56,044</u>
Net change in fund balance	\$ <u><u>-</u></u>	3,026	\$ <u><u>3,026</u></u>
Fund balance, beginning of year		<u>19,782</u>	
Fund balance, end of year		\$ <u><u>22,808</u></u>	

Watauga County, North Carolina
 Deed of Trust Fund
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Permits and fees			
Register of deeds	\$ 75,000	\$ 44,324	\$ (30,676)
Total revenues	<u>75,000</u>	<u>44,324</u>	<u>(30,676)</u>
Expenditures:			
General government			
Payments of fees collected to the State of N.C.	<u>75,000</u>	<u>44,324</u>	<u>30,676</u>
Total expenditures	<u>75,000</u>	<u>44,324</u>	<u>30,676</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
Fund balance, beginning of year, restated		<u>-</u>	
Fund balance, end of year		\$ <u>-</u>	

Watauga County, North Carolina
Fines and Forfeitures Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Permits and fees			
Register of deeds	\$ 240,000	\$ 189,283	\$ (50,717)
Total revenues	<u>240,000</u>	<u>189,283</u>	<u>(50,717)</u>
Expenditures:			
General government			
Payments of penalties, fines and forfeitures to the Watauga County Board of Education	<u>240,000</u>	<u>189,283</u>	<u>50,717</u>
Total expenditures	<u>240,000</u>	<u>189,283</u>	<u>50,717</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
Fund balance, beginning of year		<u>-</u>	
Prior period restatement - change in accounting principle		-	
Fund balance, beginning of year, restated		<u>-</u>	
Fund balance, end of year		\$ <u>-</u>	

Watauga County, North Carolina
American Rescue Plan Funds
Schedule of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
ARP Funds	\$ 10,911,724	\$ 10,911,724	\$ -	\$ 10,911,724	\$ -
Investment earnings	<u>242,037</u>	<u>232,311</u>	<u>9,726</u>	<u>242,037</u>	<u>-</u>
Total revenues	<u>11,153,761</u>	<u>11,144,035</u>	<u>9,726</u>	<u>11,153,761</u>	<u>-</u>
Expenditures:					
ARP Expenditures	<u>7,750,000</u>	<u>7,750,000</u>	<u>-</u>	<u>7,750,000</u>	<u>-</u>
Total expenditures	<u>7,750,000</u>	<u>7,750,000</u>	<u>-</u>	<u>7,750,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>3,403,761</u>	<u>3,394,035</u>	<u>9,726</u>	<u>3,403,761</u>	<u>-</u>
Other financing sources:					
Transfer to Capital Reserve Fund	242,037	-	242,037	242,037	-
Transfers to General Fund	<u>3,161,724</u>	<u>3,161,724</u>	<u>-</u>	<u>3,161,724</u>	<u>-</u>
Total other financing sources	<u>3,403,761</u>	<u>3,161,724</u>	<u>242,037</u>	<u>3,403,761</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>232,311</u>	(232,311)	\$ <u>-</u>	\$ <u>-</u>
Fund balance at beginning of year			<u>232,311</u>		
Fund balance at end of year			\$ <u>-</u>		

Watauga County, North Carolina
SCIF Project Fund
Schedule of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total-to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
OSBM SCIF funds	\$ 662,500	\$ 470,291	\$ 192,209	\$ 662,500	\$ -
Other miscellaneous revenues	349,650	349,650	-	349,650	-
Investment earnings	<u>-</u>	<u>110</u>	<u>30</u>	<u>140</u>	<u>140</u>
Total revenues	<u>1,012,150</u>	<u>820,051</u>	<u>192,239</u>	<u>1,012,290</u>	<u>140</u>
Expenditures:					
Hannah building roof	449,650	429,825	-	429,825	19,825
County parking deck	362,500	362,500	-	362,500	-
Hannah building road	<u>200,000</u>	<u>17,714</u>	<u>188,446</u>	<u>206,160</u>	<u>(6,160)</u>
Total expenditures	<u>1,012,150</u>	<u>810,039</u>	<u>188,446</u>	<u>998,485</u>	<u>(13,665)</u>
Net change in fund balance	\$ <u><u>-</u></u>	<u><u>10,012</u></u>	3,793	\$ <u><u>13,805</u></u>	\$ <u><u>13,805</u></u>
Fund balance at beginning of year			<u>10,012</u>		
Fund balance at end of year			\$ <u><u>13,805</u></u>		

Watauga County, North Carolina
Processing Plant Project Fund
Schedule of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:					
OSBM grant	\$ 1,000,000	\$ -	\$ -	\$ -	\$ (1,000,000)
ADTF grant	474,450	-	-	-	(474,450)
Tobacco trust	220,236	-	-	-	(220,236)
ARC construction grant	500,000	-	-	-	(500,000)
ARC equipment grant	100,000	-	-	-	(100,000)
EDA infrastructure	817,000	-	-	-	(817,000)
Golden Leaf grant	1,000,000	-	-	-	(1,000,000)
Total revenues	<u>4,111,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,111,686)</u>
Expenditures:					
Equipment	521,819	-	-	-	521,819
Building improvements	3,861,703	-	-	-	3,861,703
Professional services	127,050	100,763	15,961	116,724	10,326
Contingency	101,114	-	-	-	101,114
Total expenditures	<u>4,611,686</u>	<u>100,763</u>	<u>15,961</u>	<u>116,724</u>	<u>(4,494,962)</u>
Revenues over (under) expenditures	<u>(500,000)</u>	<u>(100,763)</u>	<u>(15,961)</u>	<u>(116,724)</u>	<u>383,276</u>
Other financing sources (uses):					
Transfer from other funds	500,000	-	-	-	(500,000)
Total other financing sources	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (100,763)</u>	<u>(15,961)</u>	<u>\$ (116,724)</u>	<u>\$ (116,724)</u>
Fund balance, beginning of year			-		
Prior period adjustment			<u>(100,763)</u>		
Fund balance, beginning, restated			<u>(100,763)</u>		
Fund balance at end of year			<u>\$ (116,724)</u>		

Watauga County, North Carolina
Emergency 911 Building Project Fund
Schedule of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:					
911 Priority grant	\$ 2,797,013	\$ 691,659	\$ -	\$ 691,659	\$ (2,105,354)
Investment earnings	-	2,966	232,516	235,482	235,482
Total revenues	<u>2,797,013</u>	<u>694,625</u>	<u>232,516</u>	<u>927,141</u>	<u>(1,869,872)</u>
Expenditures:					
Equipment	2,797,013	689,725	-	689,725	2,107,288
Land and building	15,837,307	3,908,422	2,775,673	6,684,095	9,153,212
Total expenditures	<u>18,634,320</u>	<u>4,598,147</u>	<u>2,775,673</u>	<u>7,373,820</u>	<u>(11,260,500)</u>
Revenues over (under) expenditures	-	(3,903,522)	(2,543,157)	(6,446,679)	9,390,628
Other financing sources (uses):					
Transfer from other funds	15,837,307	3,500,000	12,337,307	15,837,307	-
Total other financing sources	<u>15,837,307</u>	<u>3,500,000</u>	<u>12,337,307</u>	<u>15,837,307</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(403,522)</u>	9,794,150	\$ <u>9,390,628</u>	\$ <u>9,390,628</u>
Fund balance at beginning of year			<u>(403,522)</u>		
Fund balance at end of year			\$ <u>9,390,628</u>		

Schedule 20

Watauga County, North Carolina
Opioid Fund - McKinsey Settlement
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental Opioid settlement funds	\$ <u>9,889</u>	\$ <u>27,756</u>	\$ <u>17,867</u>
Total revenues	<u>9,889</u>	<u>27,756</u>	<u>17,867</u>
Expenditures:			
Human services	<u>9,889</u>	<u>-</u>	<u>9,889</u>
Total expenditures	<u>9,889</u>	<u>-</u>	<u>9,889</u>
Net change in fund balance	\$ <u><u>-</u></u>	27,756	\$ <u><u>27,756</u></u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		\$ <u><u>27,756</u></u>	

Watauga County, North Carolina

Solid Waste Fund

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

For the Year Ended June 30, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services	\$ 6,567,986	\$ 7,429,966	\$ 861,980
Sale of recycled materials	250,000	346,340	96,340
Total	<u>6,817,986</u>	<u>7,776,306</u>	<u>958,320</u>
Non-operating revenues:			
Miscellaneous revenue	6,800	3,325	(3,475)
Investment earnings	50,000	331,440	281,440
Insurance proceeds	-	747	747
Restricted intergovernmental revenues	155,000	164,477	9,477
Total	<u>211,800</u>	<u>499,989</u>	<u>288,189</u>
Total revenues	<u>7,029,786</u>	<u>8,276,295</u>	<u>1,246,509</u>
Expenditures:			
Landfill operations:			
Salaries and employee benefits		1,952,152	
Other operating expenditures		5,214,078	
Lease payments		12,025	
Total landfill operations	<u>7,412,316</u>	<u>7,178,255</u>	<u>234,061</u>
Recycling operations:			
Salaries and employee benefits		80,237	
Other operating expenses		42,382	
Total recycling operations	<u>138,474</u>	<u>122,619</u>	<u>15,855</u>
Capital outlay:			
Capital outlay		1,740,003	
Total capital outlay	<u>1,740,003</u>	<u>1,740,003</u>	<u>-</u>
Total expenditures	<u>9,290,793</u>	<u>9,040,877</u>	<u>249,916</u>
Revenues under/(over) expenditures	<u>(2,261,007)</u>	<u>(764,582)</u>	<u>1,496,425</u>
Other financing sources:			
Sale of fixed assets	-	71,651	71,651
Transfer to reserve	(132,890)	(132,890)	-
Appropriated fund balance	2,393,897	-	(2,393,897)
Total other financing sources	<u>2,261,007</u>	<u>(61,239)</u>	<u>(2,322,246)</u>
Revenues over expenditures and other sources	<u>\$ -</u>	<u>(825,821)</u>	<u>\$ (825,821)</u>

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

Reconciling items:	
Change in deferred outflow of resources - pensions	(77,567)
Change in net pension liability	10,057
Change in deferred inflow of resources - pensions	(6,220)
Change in deferred outflow of resources - OPEB	(29,937)
Change in deferred inflow of resources - OPEB	(36,431)
Change in net OPEB liability	(150,372)
Capital outlay	1,740,003
Principal retirement	12,025
Transfer from solid waste reserve	132,890
Depreciation and amortization	(471,635)
Change in accrued compensated absences	(34,099)
Total reconciling items	<u>1,088,714</u>

Change in net position \$ 262,893

Schedule 22

Watauga County, North Carolina
Solid Waste Reserve Fund
Schedule of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
Solid waste capital reserve	\$ 132,890	\$ -	\$ 132,890
Total expenditures	<u>132,890</u>	<u>-</u>	<u>132,890</u>
Revenue over(under) expenditures	<u>(132,890)</u>	<u>-</u>	<u>132,890</u>
Other financing sources (uses):			
Transfer from solid waste fund	<u>132,890</u>	<u>132,890</u>	<u>-</u>
Total other financing sources	<u>132,890</u>	<u>132,890</u>	<u>-</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>132,890</u></u>	\$ <u><u>132,890</u></u>

Watauga County, North Carolina
Combining Schedule of Fiduciary Net Position
Irrevocable Trust Funds
For the Year Ended June 30, 2025

	LEO Special Separation Allowance	Other Post Employment Benefits	Totals
Assets			
Cash and cash equivalents	\$ 1,276,672	\$ 4,175,615	\$ 5,452,287
	<u>\$ 1,276,672</u>	<u>\$ 4,175,615</u>	<u>\$ 5,452,287</u>
Net position:			
Assets held in trust for retirement benefits	\$ 1,276,672	\$ 4,175,615	\$ 5,452,287
	<u>\$ 1,276,672</u>	<u>\$ 4,175,615</u>	<u>\$ 5,452,287</u>

Watauga County, North Carolina
Combining Schedule of Changes in Fiduciary Net Position
Irrevocable Trust Funds
For the Year Ended June 30, 2025

	LEO Special Separation Allowance	Other Post Employment Benefits	Totals
Additions:			
Employer contributions	\$ 194,350	\$ 612,813	\$ 807,163
Interest	<u>39,971</u>	<u>167,398</u>	<u>207,369</u>
Total additions	<u>234,321</u>	<u>780,211</u>	<u>1,014,532</u>
Deductions:			
Benefits	41,650	101,519	143,169
Administrative expense	<u>11,500</u>	<u>14,500</u>	<u>26,000</u>
Total deductions	<u>53,150</u>	<u>116,019</u>	<u>169,169</u>
Change in net position	181,171	664,192	845,363
Net position, beginning	1,095,501	3,511,423	4,606,924
Net position, ending	<u><u>\$ 1,276,672</u></u>	<u><u>\$ 4,175,615</u></u>	<u><u>\$ 5,452,287</u></u>

Watauga County, North Carolina
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025

	<u>Municipal Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ (17,559)	\$ 17,954	\$ 395
Total assets	<u>\$ (17,559)</u>	<u>\$ 17,954</u>	<u>\$ 395</u>
Net position:			
Restricted for:			
Individuals, organizations and other governments	(17,559)	17,954	395
Total net position	<u>\$ (17,559)</u>	<u>\$ 17,954</u>	<u>\$ 395</u>

Watauga County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2025

	<u>Municipal Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Totals</u>
Additions:			
Ad valorem taxes for other governments	\$ 10,449,397	\$ -	\$ 10,449,397
Collections on behalf of inmates	-	147,590	147,590
Total additions	<u>10,449,397</u>	<u>\$ 147,590</u>	<u>\$ 10,596,987</u>
Deductions:			
Tax distributions to other governments	10,486,746	-	10,486,746
Payments on behalf of inmates	-	144,479	144,479
Total deductions	<u>10,486,746</u>	<u>144,479</u>	<u>10,631,225</u>
Change in net position	(37,349)	3,111	(34,238)
Net position, beginning	19,790	14,843	34,633
Net position, ending	<u>\$ (17,559)</u>	<u>\$ 17,954</u>	<u>\$ 395</u>

Watauga County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2025

		Uncollected Balance June 30, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
<u>Fiscal year:</u>					
2024	- 2025	\$ -	\$ 46,619,718	\$ 45,955,034	\$ 664,683
2023	- 2024	529,439	-	282,839	246,600
2022	- 2023	195,444	-	75,719	119,725
2021	- 2022	118,436	-	45,579	72,857
2020	- 2021	87,949	-	30,686	57,263
2019	- 2020	68,425	-	18,502	49,923
2018	- 2019	34,649	-	9,965	24,684
2017	- 2018	40,457	-	11,054	29,403
2016	- 2017	20,907	-	4,876	16,031
2015	- 2016	20,625	-	19,861	764
2014	- 2015	13,743	-	13,743	-
		<u>\$ 1,130,074</u>	<u>\$ 46,619,718</u>	<u>\$ 46,467,859</u>	<u>1,281,932</u>
Less: Allowance for uncollectible accounts General Fund					<u>(136,750)</u>
Ad valorem taxes receivable - net General Fund					<u>\$ 1,145,182</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund		\$ 46,640,180
Reconciling items:		
Advertising and interest collected	(179,253)	
Other adjustments	(6,180)	
Prior year releases and refunds	13,112	
Total reconciling items		<u>(172,321)</u>
Total collections and credits		<u>\$ 46,467,859</u>

Watauga County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Year Ended June 30, 2025

				Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
				Property Valuation	Rate
				Amount of Levy	
Original levy:					
Property taxed at current year's rate	\$	13,806,192,165	\$	0.00318	\$
				\$	43,903,693
Motor vehicles		705,850,535		0.00318	
					2,244,605
Penalties		-		4,691	
					4,691
Total		14,512,042,700		46,152,989	
					43,908,384
					2,244,605
Discoveries:					
Property taxed at current year's rate		159,878,541		0.00318	
					560,300
Penalties		-		156	
					162
Total		159,878,541		560,456	
					510,755
					-
Abatements:					
		(29,473,899)		(93,727)	
					(93,727)
					-
Total property valuation	\$	14,642,447,341			
Net levy				46,619,718	44,325,412
Uncollected taxes at June 30, 2025				664,683	664,683
Current year's taxes collected				\$ 45,955,034	\$ 43,660,729
Current levy collection percentage				98.57%	98.50%
					100.00%

Watauga County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Year Ended June 30, 2025

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 13,599,287,727
Personal Property	909,904,975
Public Service Companies	133,254,640
Total Assessed Valuation	\$ 14,642,447,341
Tax Rate per \$100	0.00318
Net Levy (Includes penalties, discoveries, releases and abatements)	\$ <u>46,619,718</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, 2024:

Fire Protection District	Tax Rate per \$100	Net Levy
Beech Mountain Rural	\$ 0.05	\$ 2,830
Blowing Rock	0.05	761,073
Boone Rural	0.06	1,452,850
Cove Creek	0.05	388,998
Cove Creek Rural	0.05	339
Deep Gap	0.05	311,166
Foscoe	0.05	729,253
Foscoe Rural	0.05	114,967
Meat Camp	0.05	364,582
Northwest Watauga	0.05	169,092
Shawneehaw	0.05	176,270
Shawneehaw Rural	0.05	8,769
Stewart Simmons	0.085	460,790
Todd	0.07	85,044
Zionville	0.05	176,964
Total Net Fire Protection District Levies		\$ <u>5,202,987</u>

Watauga County, North Carolina
 Ten Largest Taxpayers
 For the Year Ended June 30, 2025

Taxpayer	Type of Business	2024 Assessed Valuation	Percentage of Total Assessed Valuation	
Blue Ridge Electric Membership Coop	Electric Utility	\$ 95,207,610	0.65	%
Boone Owner LLC	Rental Properties	71,958,400	0.49	
850 Blowing Rock Road (NC) Owner LP	Rental Properties	63,342,030	0.43	
Residence at Peak of Boone LLC	Rental Properties	22,163,580	0.15	
MV of Boone LLC	Rental Properties	39,437,070	0.27	
Residence at Rivers Walk LLC	Rental Properties	30,044,615	0.21	
WSCR Meadowview Owner IX LP	Rental Properties	37,759,120	0.26	
Skyline Terrace Apartments LLC	Commercial Rental Properties	32,833,660	0.22	
BSL Property LLC	Rental Properties	30,645,440	0.21	
Shadowline Student Property LLC	Rental Properties	78,802,670	0.54	
		<u>\$ 502,194,195</u>	<u>3.44</u>	<u>%</u>

Watauga County, North Carolina
 Analysis of Current Tax Levy
 Fire Districts
 For the Year Ended June 30, 2025

	Northwest Watauga Fire District	Beech Mtn. Rural Fire Service District	Blowing Rock Rural Fire District	Boone Rural Fire District	Cove Creek Fire District
Tax rate per \$100	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.06</u>	\$ <u>0.05</u>
Net levy	\$ 169,092	\$ 2,830	\$ 761,073	\$ 1,452,850	\$ 388,998
Uncollected taxes at June 30, 2025	<u>4,557</u>	<u>9</u>	<u>11,158</u>	<u>19,008</u>	<u>5,922</u>
Current year's taxes collected	\$ <u>164,535</u>	\$ <u>2,821</u>	\$ <u>749,915</u>	\$ <u>1,433,842</u>	\$ <u>383,076</u>
Current levy collection percentage	<u>97.31%</u>	<u>99.68%</u>	<u>98.53%</u>	<u>98.69%</u>	<u>98.48%</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 per \$100	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.05</u>
Net levy	\$ 339	\$ 311,166	\$ 729,253	\$ 114,967	\$ 364,582
Uncollected taxes at June 30, 2025	<u>2</u>	<u>10,334</u>	<u>7,872</u>	<u>1,727</u>	<u>11,237</u>
Current year's taxes collected	\$ <u>337</u>	\$ <u>300,832</u>	\$ <u>721,381</u>	\$ <u>113,240</u>	\$ <u>353,345</u>
Current levy collection percentage	<u>99.41%</u>	<u>96.68%</u>	<u>98.92%</u>	<u>98.50%</u>	<u>96.92%</u>

	Shawnheehaw Fire District	Shawnheehaw Rural Fire Service District	Stewart Simmons Fire District	Todd Fire District	Zionville Fire District
Tax rate per \$100	\$ <u>0.05</u>	\$ <u>0.05</u>	\$ <u>0.085</u>	\$ <u>0.07</u>	\$ <u>0.05</u>
Net levy	\$ 176,270	\$ 8,769	\$ 460,790	\$ 85,044	\$ 176,964
Uncollected taxes at June 30, 2025	<u>2,482</u>	<u>253</u>	<u>3,753</u>	<u>1,042</u>	<u>4,383</u>
Current year's taxes collected	\$ <u>173,788</u>	\$ <u>8,516</u>	\$ <u>457,037</u>	\$ <u>84,002</u>	\$ <u>172,581</u>
Current levy collection percentage	<u>98.59%</u>	<u>97.11%</u>	<u>99.19%</u>	<u>98.77%</u>	<u>97.52%</u>

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

Independent Auditor's Report

To the Board of County Commissioners
Watauga County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Watauga County, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Watauga County's basic financial statements, and have issued our report thereon dated January 30, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watauga County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina

January 30, 2026

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Independent Auditor's Report on Compliance for Each Major Federal Program and On Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Watauga County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watauga County, North Carolina, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Watauga County's major federal programs for the year ended June 30, 2025. Watauga County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watauga County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Watauga County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Watauga County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Watauga County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Watauga County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina

January 30, 2026

C. Randolph CPA, PLLC
Certified Public Accountant
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West Jefferson, North Carolina 28694
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Independent Auditor's Report on Compliance for Each Major State Program On Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Watauga County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Watauga County, North Carolina, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Watauga County's major State programs for the year ended June 30, 2025. Watauga County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watauga County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Watauga County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of Watauga County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Watauga County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Watauga County's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

C. Randolph CPA, PLLC

West Jefferson, North Carolina

January 30, 2026

WATAUGA COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2025

I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

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

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

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

The following were audited as major federal program for Watauga County for the fiscal year ended June 30, 2025:

<u>Program Name or Cluster</u>	<u>Assistance Listing No.</u>
Medicaid Cluster	93.778
Disaster Grants – Public Assistance	97.036

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

WATAUGA COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2025

State Awards

Internal control over major state programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ☐yes ☒no

Major State program for Watauga County for the fiscal year ended June 30, 2025, are:

State Program

Round 1 State Cashflow Loan for Disaster Response
Opioid Settlement

Federal Program – State Match

Medicaid Cluster
Disaster Grants – Public Assistance

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

IV. State Award Findings and Questioned Costs

None noted.



WATAUGA COUNTY

FINANCE OFFICE

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

Corrective Action Plan For the Year Ended June 30, 2025

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

IV. State Award Findings and Questioned Costs

None noted.

WATAUGA COUNTY, NORTH CAROLINA

**Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024**

None noted.

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2025

Grantor/Pass-Through Grantor/Program/Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
Passed-through the N.C. Department of Health and Human Services:					
<u>Division of Social Services:</u>					
<u>SNAP Cluster</u>					
Administration:					
Supplemental Nutrition Assistance Program	10.561		396,555	54,137	54,137
Total SNAP Cluster			396,555	54,137	54,137
Total U.S. Department of Agriculture			396,555	54,137	54,137
<u>U.S. Department of Homeland Security</u>					
Passed-through the N.C. Department of Public Safety:					
Emergency Management Performance Grant	97.042		20,625	-	-
Disaster Grants - Public Assistance	97.036		3,558,078	21,052	-
Total U.S. Department of Homeland Security			3,578,703	21,052	-
<u>U.S. Department of Health & Human Services</u>					
<u>Administration on Aging:</u>					
Passed-through High Country Council of Governments:					
<u>Aging Cluster:</u>					
Home and Community Care Block Grant (HCCBG)					
Special Programs for the Aging - Title III B - Access Services	93.044		333	5,667	-
Special Programs for the Aging - Title III C - Congregate Meals	93.045		47,062	2,768	-
Special Programs for the Aging - Title III C - Home Delivered Meals	93.045		114,466	6,733	-
Special Programs for the Aging - Title III C - In-Home Support Service	93.044		135,772	7,987	-
Nutrition Services Incentive Program (NSIP)	93.053		30,936	-	-
Total Aging Cluster			328,570	23,155	-
Passed-through N.C. Department of Insurance:					
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779		7,908	-	-
<u>Administration for Children and Families:</u>					
Passed-through the N.C. Department of Health and Human Services:					
<u>Division of Social Services:</u>					
Family Preservation	93.556		8,002	-	-
<u>Temporary Assistance for Needy Families Cluster:</u>					
Workfirst administrative	93.558		42,593	-	-
WorkFirst services	93.558		193,149	-	-
Total Temporary Assistance for Needy Families Cluster			235,742	-	-
Child Support Enforcement	93.563		225,504	(140)	-
<u>Low-Income Home Energy Assistance Block Grant:</u>					
Administration	93.568		35,205	-	-
Crisis Intervention Payments	93.568		(288)	-	-
Permanency Planning	93.645		20,557	-	-
Social Services Block Grant	93.667		194,380	-	-
Total Low-Income Home Energy Assistance Block Grant:			249,854	-	-
Total Division of Social Services			719,102	(140)	-
<u>Medicaid Cluster:</u>					
Medical Assistance Program:					
Administration	93.778		1,374,571	114,990	-
Total Medical Assistance Program			1,374,571	114,990	-
Division of Social Services:					
Administration					
Health choice	93.767		148,483	47,606	-
Total N.C. Health Choice			148,483	47,606	-
Foster Care and Adoption Cluster (Note 3)					
Adoption Assistance	93.659		5,959	-	-
Title IV-E Foster Care	93.658		298,836	11,004	-
Foster Care - Direct Benefit Payments	96.658		157,404	49,532	-
Adoption/Foster Care Special Provision	93.658		(2,052)	-	-
Total Foster Care and Adoption Cluster (Note 3)			460,147	60,536	-
Subsidized Child Care (Note 3)					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund - Administration	93.596		81,385	-	-
Total Child Care Development Fund Cluster			81,385	-	-
Total Subsidized Child Care (Note 3)			81,385	-	-

<u>Health Care Financing Administration</u>			
Passed-through the N.C. Department of Health and Human Services:			
Medical Assistance Program			
Chafee Foster Care Independence - Direct Benefit Payment	93,674	4,566	1,142
Total Division of Medical Assistance		4,566	1,142
Total U.S. Department of Health & Human Services		3,124,732	247,289
Total Federal Awards		7,099,990	322,478
State Awards:			
<u>N.C. Department of Health and Human Services:</u>			
Passed-through Region D Council of Governments:			
Senior center general purchases	24/25 AANCT3GP	-	14,854
POA ARPA	DAAS-735-ARPA	-	16,559
<u>Division of Social Services</u>			
State Foster Care Benefits Program	State Foster Care 25	-	333,058
Total N.C. Department of Health and Human Services		-	364,471
<u>N.C. Department of Public Safety:</u>			
Division of Administration, Community Programs			
Juvenile Crime Prevention Council Programs		-	169,945
Emergency Management Division:			
Cybersecurity Grant	MOA 2280074	-	11,070
Flood Mitigation Efforts	DRMG2309	-	28,474
Total N.C. Department of Public Safety		-	209,489
<u>N.C. Department of Information Technology</u>			
Priority One 911 Grant	G2022P1	-	49,985
Total N.C. Department of Information Technology		-	49,985
<u>N.C. Department of Public Instruction:</u>			
NC Public School Building Capital-Lottery Proceeds		-	316,670
Public School National Forest Service		-	57
Total N.C. Department of Public Instruction		-	316,727
<u>N.C. Department of Transportation:</u>			
Employment Transportation Operating Assistance		-	14,667
Elderly and Disabled Transportation Assistance		-	95,167
Rural General Public Program		-	75,567
Total N.C. Department of Transportation		-	185,401
<u>N.C. Department of Environmental Quality</u>			
Division of Water Resources:			
UT to Dutch Creek Stream Restoration	CW34296	-	24,350
Valle Crucis Watauga River Access	CW34061	-	57,579
Total N.C. Department of Environmental Quality		-	81,929
<u>N.C. Department of Agriculture and Consumer Services:</u>			
Soil Conservation Assistance	G40100296015SWC	-	3,600
Soil Conservation Technician Cost Sharing	G40100296015SWC	-	26,888
Total N.C. Department of Agriculture		-	30,488
<u>N.C. Department of Natural and Cultural Resources:</u>			
America 250 Grant		-	5,000
Total N.C. Department of Natural and Cultural Resources		-	5,000
<u>N.C. Division of Military and Veteran's Affairs</u>			
NCDMVA Grant	Contract 2025-0080	-	18,289
Veteran's Service Program	143B-1211C4	-	2,273
Total N.C. Division of Veteran's Affairs		-	20,562
<u>N.C. Office of State and Budget Management</u>			
State Capital and Infrastructure Fund		-	192,209
Total N.C. Office of State and Budget Management		-	192,209
<u>N.C. Department of State Treasurer</u>			
Round 1 State Cashflow Loan for Disaster Response		-	895,478
Total N.C. Department of State Treasurer		-	895,478
Total State Awards		-	2,283,465
Other Financial Assistance:			
Opioid Settlement (See Note 4)		-	810,179
Total Federal and State Awards		\$ 7,099,990	\$ 3,416,122
			\$ 540,309

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, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Watauga County, it is not intended to and does not present the financial position, changes in net position or cash flows of Watauga County.

2. Summary of Significant Account Policies:

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

3. Indirect Cost Rate

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

4. Opioid Settlement

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

5. Cluster of Programs:

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

Subsidized Child Care
Foster Care and Adoption

5. Loan outstanding

Watauga County had the following loan balances outstanding as of June 30, 2025. The loans made during the year are included in the SEFSA in the state expenditures presented in the schedule. Balances and transactions during related to these programs are included in the County's basic financial statements.

Program Title	Grantor's Number	Amount Outstanding
Round 1 State Cashflow Loan for Disaster Response		\$ 895,478