

WATAUGA COUNTY, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2001 & 2000

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Watauga County, North Carolina, taken as a whole.

The combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Holder, Copeland & Associates, P.A.

September 13, 2001

WATAUGA COUNTY, NORTH CAROLINA

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WATAUGA COUNTY, NORTH CAROLINA

County Officials

County Commissioners

Jimmy Hodges	Vilas, North Carolina	Chairman
James Coffey	Boone, North Carolina	Vice-Chairman
Sue Sweeting	Blowing Rock, North Carolina	
Patricia Wilkie	Deep Gap, North Carolina	
Jack D. Lawrence, Sr.	Boone, North Carolina	

County Officers

Jeff Hedrick	Boone, North Carolina	Attorney
Robert Nelson	Boone, North Carolina	County Manager
Doris Isaacs	Boone, North Carolina	Finance Officer
Larry McLean	Boone, North Carolina	Tax Administrator (1)
Kelvin Byrd	Zionville, North Carolina	Tax Administrator (1)
Glenn D. Hodges	Blowing Rock, North Carolina	Clerk of Court
James C. (Red) Lyons	Boone, North Carolina	Sheriff
Wanda Scott	Boone, North Carolina	Register of Deeds

(1) Larry McLean retired as Tax Administrator as of July 2, 2001. Kelvin Byrd became Tax Administrator as of that date.

FINANCIAL SECTION

HOLDER, COPELAND & ASSOCIATES, P. A.

BRYCE HOLDER, CPA
LUKE COPELAND, CPA

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DORINDA POWELL, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Watauga County, North Carolina

We have audited the accompanying general purpose financial statements of Watauga County, North Carolina as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of Watauga County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of AppalCART. Those financial statements were audited by another auditor 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 auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of another auditor, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Watauga County, North Carolina, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2001 on our consideration of Watauga County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Watauga County, North Carolina, taken as a whole.

The combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Holder, Copeland & Associates, P.A.

September 13, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS

WATAUGA COUNTY, NORTH CAROLINA
 Combined Balance Sheet - All Fund Types and Account Groups
 and Discretely Presented Component Units
 June 30, 2001

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups		Total	Component Units	
	General	Special Revenue	Capital Project	Enterprise	Agency	General Fixed Assets	General L/T Debt	Primary Government	Watauga County EDC	AppalCART
ASSETS AND OTHER DEBITS										
ASSETS:										
Cash and equivalents	\$ 12,047,128	6,535,415	--	3,118,484	219,252	--	--	21,920,279	1,049	371,413
Receivables (net):										
Taxes	531,076	39,921	--	--	--	--	--	570,997	--	--
Accounts	2,504,602	88,668	--	215,934	--	--	--	2,809,204	--	55,239
Tax refunds	64,127	--	--	--	--	--	--	64,127	--	--
Due from other funds	60,425	--	--	--	--	--	--	60,425	--	--
Other assets	264,567	--	--	--	--	--	--	264,567	--	82,948
Fixed assets	--	--	--	2,634,580	--	29,591,595	--	32,226,175	11,137	663,786
OTHER DEBITS:										
Amts. avail. for ret. of debt	--	--	--	--	--	--	6,807	6,807	--	--
Provision for ret. of L/T debt	--	--	--	--	--	--	21,495,041	21,495,041	--	--
TOTAL ASSETS AND OTHER DEBITS	\$ 15,471,925	6,664,004	--	5,968,998	219,252	29,591,595	21,501,848	79,417,622	12,186	1,173,386
LIABILITIES, EQUITY										
OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$ 629,594	44,856	--	154,885	219,252	--	--	1,048,587	--	25,529
Other liabilities	--	--	--	--	--	--	--	--	--	--
Due to other funds	--	60,425	--	--	--	--	--	60,425	--	--
Deferred revenue	715,116	50,585	--	104,559	--	--	--	870,260	--	18,819
General obligation bonds payable-										
current	--	--	--	75,000	--	--	1,467,000	1,542,000	--	--
Compensated absences payable	--	--	--	33,213	--	--	542,872	576,085	--	39,033
General obligation bonds payable	--	--	--	635,000	--	--	15,871,200	16,506,200	--	--
Installment purchase payable	--	--	--	71,948	--	--	3,620,776	3,692,724	--	--
TOTAL LIABILITIES	1,344,710	155,866	--	1,074,605	219,252	--	21,501,848	24,296,281	--	83,381
EQUITY AND OTHER CREDITS:										
Contributed Capital	--	--	--	954,967	--	--	--	954,967	--	2,485,741
Investment in fixed assets	--	--	--	--	--	29,591,595	--	29,591,595	11,137	--
Retained Earnings <deficit>, unreserved	--	--	--	3,939,426	--	--	--	3,939,426	--	-1,395,736
Fund balances										
Reserved by state statute	2,894,261	28,243	--	--	--	--	--	2,922,504	--	--
Reserved for encumbrances	670,494	2,580	--	--	--	--	--	673,074	--	--
Reserved for LEO spec. sep. all.	75,840	--	--	--	--	--	--	75,840	--	--
Desig. for subseq. years exp.	3,451,396	6,477,315	--	--	--	--	--	9,928,711	--	--
Undesignated	7,035,224	--	--	--	--	--	--	7,035,224	1,049	--
TOTAL EQUITY AND OTHER CREDITS	14,127,215	6,508,138	--	4,894,393	--	29,591,595	--	55,121,341	12,186	1,090,005
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 15,471,925	6,664,004	--	5,968,998	219,252	29,591,595	21,501,848	79,417,622	12,186	1,173,386

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

WATAUGA COUNTY, NORTH CAROLINA
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 All Governmental Fund Types
 and Discretely Presented Component Unit
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types			Total (Memorandum Only)	Component Unit
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Primary Government</u>	<u>Watauga County EDC</u>
REVENUES:					
Ad valorem taxes	\$ 14,080,416	680,130	--	14,760,546	--
Local Option Sales Taxes	7,759,738	--	--	7,759,738	--
Other taxes	449,504	--	--	449,504	--
Unrestricted intergovernmental	341,074	--	--	341,074	7,500
Restricted intergovernmental	4,122,857	381,871	--	4,504,728	--
Permits and fees	541,479	272,152	--	813,631	--
Sales and service	453,329	--	--	453,329	--
Investment earnings	919,945	285,204	--	1,205,149	25
Miscellaneous	524,906	--	--	524,906	--
Donations	--	--	--	--	--
TOTAL REVENUES	29,193,248	1,619,357	--	30,812,605	7,525
EXPENDITURES:					
Current:					
General government	4,533,765	--	--	4,533,765	--
Public safety	3,942,873	924,611	--	4,867,484	--
Economic and physical development	669,877	317,262	--	987,139	74,920
Human services	6,637,311	--	--	6,637,311	--
Cultural and recreational	1,081,238	--	--	1,081,238	--
Intergovernmental:					
Education	8,111,873	--	--	8,111,873	--
Debt Service:					
Principal retirement	1,745,320	--	--	1,745,320	--
Interest and fees	1,195,552	--	--	1,195,552	--
Capital outlay	--	5,000	--	5,000	--
TOTAL EXPENDITURES	27,917,809	1,246,873	--	29,164,682	74,920
REVENUES OVER (UNDER) EXPENDITURES	1,275,439	372,484	--	1,647,923	(67,395)
OTHER FINANCING SOURCES (USES)					
Proceeds of installment purchases	--	--	--	--	--
Proceeds from general obligation bonds	--	--	--	--	--
Operating transfers to component units	(119,864)	--	--	(119,864)	--
Operating transfers from primary government	--	--	--	--	67,364
Transfers (to) from other funds	(364,730)	(345,646)	--	(710,376)	--
TOTAL OTHER FINANCING SOURCES (USES)	(484,594)	(345,646)	--	(830,240)	67,364
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	790,845	26,838	--	817,683	(31)
FUND BALANCE AT BEGINNING OF YEAR	13,324,118	6,481,300	12,252	19,817,670	1,080
RESIDUAL EQUITY TRANSFERS IN (OUT)	12,252	--	(12,252)	--	--
FUND BALANCE AT END OF YEAR	\$ 14,127,215	6,508,138	--	20,635,353	1,049

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

WATAUGA COUNTY, NORTH CAROLINA
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - General and Special Revenue Funds
 and Discretely Presented Component Unit
 For the Fiscal Year Ended June 30, 2001

	General Fund			Special Revenue			Component unit Watauga County EDC General Fund		
	Budget	Actual	Variance Fav (Unfav.)	Budget	Actual	Variance Fav (Unfav.)	Budget	Actual	Variance Fav (Unfav.)
REVENUES:									
Ad valorem taxes	\$ 13,586,479	14,080,416	493,937	693,416	680,130	(13,286)	--	--	--
Local option sales tax	7,568,628	7,759,738	191,110	--	--	--	--	--	--
Other taxes	801,500	449,504	(351,996)	--	--	--	--	--	--
Unrestricted intergovernmental	336,632	341,074	4,442	--	--	--	7,500	7,500	--
Restricted intergovernmental	4,358,879	4,122,857	(236,022)	486,547	381,871	(104,676)	--	--	--
Permits and fees	524,400	541,479	17,079	260,000	272,152	12,152	--	--	--
Sales and service	456,945	453,329	(3,616)	--	--	--	--	--	--
Investment earnings	468,000	919,945	451,945	3,920	285,204	281,284	--	25	25
Miscellaneous	173,106	524,906	351,800	--	--	--	--	--	--
Donations	--	--	--	--	--	--	--	--	--
TOTAL REVENUES	28,274,569	29,193,248	918,679	1,443,883	1,619,357	175,474	7,500	7,525	25
EXPENDITURES:									
Current:									
General government	5,773,594	4,533,765	1,239,829	--	--	--	--	--	--
Public safety	4,093,495	3,942,873	150,622	1,104,502	924,611	179,891	--	--	--
Economic and physical development	947,042	669,877	277,165	374,547	317,262	57,285	74,864	74,920	(56)
Human services	7,002,721	6,637,311	365,410	--	--	--	--	--	--
Cultural and recreational	1,161,673	1,081,238	80,435	--	--	--	--	--	--
Intergovernmental:									
Education	8,114,854	8,111,873	2,981	--	--	--	--	--	--
Debt Service									
Principal Retirement	1,745,346	1,745,320	26	--	--	--	--	--	--
Interest and fees	1,196,632	1,195,552	1,080	--	--	--	--	--	--
Capital projects	--	--	--	710,459	5,000	705,459	--	--	--
TOTAL EXPENDITURES	30,035,357	27,917,809	2,117,548	2,189,508	1,246,873	942,635	74,864	74,920	(56)
REVENUES OVER (UNDER) EXPENDITURES	(1,760,788)	1,275,439	3,036,227	(745,625)	372,484	1,118,109	(67,364)	(67,395)	(31)
OTHER FINANCING SOURCES (USES)									
Proceeds from lease purchase	--	--	--	--	--	--	--	--	--
Operating transfers to component units	(119,864)	(119,864)	--	--	--	--	67,364	67,364	--
Operating transfers from primary government	--	--	--	--	--	--	--	--	--
Transfers (to) from other funds	(118,690)	(364,730)	(246,040)	(591,686)	(345,646)	246,040	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	(238,554)	(484,594)	(246,040)	(591,686)	(345,646)	246,040	67,364	67,364	--
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ (1,999,342)	790,845	2,790,187	(1,337,311)	26,838	1,364,149	--	(31)	(31)
APPROPRIATED FUND BALANCE	1,999,342		(1,999,342)	1,337,311		(1,337,311)	--	--	--
REVENUES, OTHER SOURCES AND, APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES & OTHER USES	--	790,845	790,845	--	26,838	26,838	--	(31)	(31)
FUND BALANCE AT BEGINNING OF YEAR		13,324,118			6,481,300			1,080	
RESIDUAL EQUITY TRANSFER IN (OUT)		12,252			--			--	
FUND BALANCE AT END OF YEAR	\$	14,127,215			6,508,138			1,049	

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

WATAUGA COUNTY, NORTH CAROLINA
 Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Deficit)
 Proprietary Fund Type and Discretely Presented Component Unit
 For the Fiscal Year Ended June 30, 2001

	Primary Government <u>Enterprise Fund</u>	Component Unit <u>AppalCART</u>
OPERATING REVENUES:		
Landfill revenues	\$ 2,300,850	--
Miscellaneous	5,368	7,536
Farebox and local route revenues	--	589,121
Garage service revenues	--	4,503
Elderly/handicapped revenue	--	33,531
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	2,306,218	634,691
	<hr/>	<hr/>
OPERATING EXPENSES:		
Administration	--	249,857
Operating	--	1,013,211
Education	--	1,491
Landfill operations	2,475,820	--
Depreciation	154,407	260,688
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	2,630,227	1,525,247
	<hr/>	<hr/>
OPERATING LOSS	(324,009)	(890,556)
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES):		
Interest earned on investments	125,163	22,092
Gain (loss) on disposition of fixed assets	(714)	1,615
Interest on long-term debt	(53,836)	--
Section 18 grant revenues	--	556,966
Miscellaneous revenue	--	--
	<hr/>	<hr/>
NET NONOPERATING REVENUE (EXPENSE)	70,613	580,673
	<hr/>	<hr/>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	(253,396)	(309,883)
	<hr/>	<hr/>
Capital Contributions	--	266,597
Operating transfers from other funds	710,376	--
Operating transfers from primary government	--	52,500
	<hr/>	<hr/>
TOTAL OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	710,376	319,097
	<hr/>	<hr/>
NET INCOME (LOSS)	456,980	9,214
	<hr/>	<hr/>
RETAINED EARNINGS (DEFICIT) - July 1	3,482,446	(1,404,950)
	<hr/>	<hr/>
RETAINED EARNINGS (DEFICIT) - June 30	\$ 3,939,426	(1,395,736)
	<hr/> <hr/>	<hr/> <hr/>

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

WATAUGA COUNTY, NORTH CAROLINA
 Combined Statement of Cash Flows
 Proprietary Fund Type and Discretely Presented Component Unit
 For the Fiscal Year Ended June 30, 2001

	Primary Government <u>Enterprise Fund</u>	Component Unit <u>AppalCART</u>
Cash flows from operating activities:		
Cash received from customers and grants	\$ 2,312,032	638,010
Cash paid for goods and services	(1,935,957)	(545,405)
Cash paid to employees for services	<u>(559,234)</u>	<u>(723,862)</u>
Net cash used by operating activities	<u>(183,159)</u>	<u>(631,257)</u>
Cash flows from noncapital financing activities:		
Operating transfers from other funds	710,376	--
Operating transfers from primary government	--	52,500
Section 18 grant revenues	--	556,966
Miscellaneous non-operating revenues	<u>--</u>	<u>--</u>
Net cash provided by noncapital financing activities	<u>710,376</u>	<u>609,466</u>
Cash flows from capital and related financing activities:		
Proceeds on disposition of assets	--	1,615
Principal paid on long-term debt	(159,429)	--
Interest paid on long-term debt	(53,836)	--
Acquisition of capital assets	(18,365)	(288,170)
Capital Grant Revenues	<u>--</u>	<u>266,597</u>
Net cash used by capital & related financing activities	<u>(231,630)</u>	<u>(19,958)</u>
Cash flows from investing activities:		
Interest earned on investments	<u>125,163</u>	<u>22,092</u>
Net increase (decrease) in cash and cash equivalents	420,750	(19,657)
Cash and cash equivalents - July 1	<u>2,697,734</u>	<u>391,070</u>
Cash and cash equivalents - June 30	<u>\$ 3,118,484</u>	<u>371,413</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (324,009)	(890,556)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	154,407	260,688
(Increase) decrease in accounts receivable	(5,003)	55,819
Increase (decrease) in accrued vacation	8,753	2,031
Increase (decrease) in accounts payable	(28,124)	(5,898)
(Increase) decrease in inventories	--	(53,341)
Increase (decrease) in deferred revenues	10,817	--
Decrease in prepaid expenses	<u>--</u>	<u>--</u>
Total adjustments	<u>140,850</u>	<u>259,299</u>
Net cash used by operating activities	<u>\$ (183,159)</u>	<u>(631,257)</u>

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

Note 1 - Summary of Significant Accounting Policies:

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

A. Reporting Entity:

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

Watauga County Economic Development Commission

The Watauga County Economic Development Commission is an association established pursuant to North Carolina G.S. 158 operating as an Economic Development Commission in Boone, North Carolina. The governing body consists of nine board members appointed by the participating governmental entities. Watauga County Board of Commissioners appoints a majority of the governing body of the Economic Development Commission. The County provides some financial support to the Economic Development Commission, but it is not responsible for the debts of the Economic Development Commission. The Economic Development Commission designates its own management, approves its own budget, and maintains its own accounting system. Watauga County Economic Development Commission, which has a June 30 year-end, is presented as if it were a governmental fund. On September 16, 1997, the Economic Development Commission entered into a contractual agreement with the Boone Area Chamber of Commerce whereas the Boone Area Chamber of Commerce is now to provide all the economic development activities in the area. The Chamber of Commerce is also to provide a Director, staffing support, office space, equipment, and furniture.

AppalCART

AppalCART operates mainly in Watauga County in the northwest part of North Carolina, providing transportation services to the various areas and residents within Watauga County.

Watauga County's Board of Commissioners appoints the seven-member governing board of AppalCART and AppalCART operates within the County's boundaries for the benefit of the County's residents. The County provides some financial support to AppalCART but it is not responsible for the debts of AppalCART except when such are expressly granted by statute or by the consent of the Board of Commissioners of Watauga County. The Board of Commissioners of Watauga County has the authority to terminate the existence of AppalCART at any time, provided a 60-Day written notice is given to AppalCART, and all property and assets of AppalCART shall automatically become the property of Watauga County and the County shall succeed to all rights, obligations and liabilities of AppalCART. AppalCART designates its own management, approves its own budget, and maintains its own accounting system; however, AppalCART is fiscally accountable to Watauga County, and the County has the authority to examine all records and accounts at any time. AppalCART, which has a June 30 year-end, is presented as if it were a proprietary fund.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Complete financial statements for each of the individual component units may be obtained at the administrative offices of those entities.

Watauga County Economic Development Commission
130 Poplar Grove Connector, Boone, NC 28607

AppalCART
274 Winklers Creek Road, Boone, NC 28607

B. Basis of Presentation - Fund Accounting:

The accounts of the County are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The County has the following fund categories (further divided by fund type) and account groups:

Governmental Funds are used to account for Watauga County's general governmental activities. Governmental funds include the following fund types:

General Fund - The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains six Special Revenue Funds: the Fire Districts Fund, the E-911 Telephone Surcharge Fund, the Revaluation Fund, the Capital Reserve Fund, the Substance Abuse Tax Fund, and the Lynnhaven II LLC Project Fund.

Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The County has one Capital Project Fund within its governmental fund types: the Watauga High School Athletic Complex.

Proprietary Funds include the following fund type:

Enterprise Funds - Enterprise Funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

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

body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Watauga County has one enterprise fund: the Solid Waste Fund.

Fiduciary Funds account for the assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds include the following funds:

Agency Funds - Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains five Agency Funds: the Social Services Fund, which accounts for moneys deposited with the Social Services Department for the benefit of certain individuals; the Health Benefits Fund, the Library Trust Fund, the Surety Bond Fund and the Vehicle Tax- Towns Fund.

The laws governing the County's Deferred Compensation plan have changed pursuant to the provisions of Internal Revenue Code Section 457. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County. The law now requires all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Accordingly, the Deferred Compensation Plan is no longer reported within the County's Agency Funds.

Account Groups - The General Fixed Assets Account Group is used to account for fixed assets that are not accounted for in proprietary or trust funds. The General Long-Term Debt Account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements for these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. As required for periods after June 15, 2000 by Statement 33 of the Government Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions*, the County has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital. No adjustment to the balance of the contributed capital account is required.

Basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

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

All funds of the County are maintained on the cash basis during the year. At year-end, the accounting ledgers are adjusted in order to present the financial statements on the modified accrual basis. The governmental fund types and agency funds are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim as arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. State shared revenues, sales tax, property taxes, federal grants funding federal mandates, and most donations are examples of nonexchange transactions.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Watauga County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the county. For those motor vehicles registered under the staggered system and for vehicles newly-registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered.

The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2000 through February 2001 apply to the fiscal year ended June 30, 2001. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements. For those motor vehicles which are renewed and billed under the annual system, taxes are due on May 1 of each year, and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2001 because they are intended to finance the County's operations during the 2002 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Proprietary funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

As permitted by generally accepted accounting principles, the County has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data:

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue, and the enterprise funds. All annual appropriations lapse at the fiscal year-end.

Project ordinances are adopted for the capital projects fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and enterprise funds, and at the object level for the capital projects funds. The balances in the Capital Reserve Fund will be appropriated when transferred to a capital projects fund in accordance with the project ordinance adopted for the reserve fund. The budget officer is authorized by the budget ordinance to transfer appropriations within a fund up to 10% of the total departmental appropriation; however, any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

As required by State law [G.S. 159-26(d)], the County maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent year's budget.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

E. Assets, Liabilities and Fund Equity:

1. Deposits and Investments

All deposits of the County, AppalCART and Watauga County Economic Development Commission are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County, AppalCART and Economic Development Commission may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, AppalCART and Economic Development Commission 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 Economic Development Commission to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County, AppalCART, and the Economic Development Commission's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities, an SEC-registered money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

2. Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Watauga County Economic Development Commission and AppalCART consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State Law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2001. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

4. Allowances for Doubtful Accounts

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

5. Inventory

The inventories of AppalCART are maintained for fuel oil; valuation is at lower of cost or market on a last-in, last-out basis.

6. Fixed Assets

The County's and Economic Development Commission's general fixed assets are recorded at original cost. Donated assets are listed at the market value at the date of donation. Certain items acquired before July 1, 1976 are recorded at an estimated original cost. The total of such estimates is not considered large enough that the errors would be material when fixed assets are considered as a whole.

Public domain or infrastructure general fixed assets are not capitalized because such assets are immovable and of value only to the County.

On July 1, 1989, the County established the Solid Waste Enterprise Fund to account for the operations of the landfill. At this time, all landfill assets were transferred to this fund at original cost less accumulated depreciation from date of purchase. Property, plant, and equipment acquired after July 1, 1989 are recorded at original cost at the time of acquisition. Property, plant, and equipment donated to the Solid Waste Enterprise Fund are recorded at the estimated fair market value at the date of donation. Plant assets of the County are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 2% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other proprietary fund assets of the County are depreciated on a class life basis at the following rates:

Furniture and office equipment	10%
Maintenance and construction equipment	12%
Medium and heavy motor vehicles	16%
Automobiles and light trucks	30%

Fixed assets of AppalCART are recorded at original cost at the time of acquisition. Assets are depreciated on a straight-line class life basis using the following useful lives:

Office furniture and equipment	10 years
Maintenance and shop equipment	8 years
Vehicles	6 years
Land improvements	10 years

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

7. Long-term Debt

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For the proprietary fund types, material bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. The County's long-term debt for solid waste purposes is carried in the Solid Waste Fund rather than in the General Long-Term Debt Account Group. The debt service requirements for the solid waste debt are being met by solid waste revenues, but the taxing power is pledged to make these payments if solid waste revenues should ever be insufficient. Long-term debt for other purposes is included in the General Long-Term Debt Account Group. The debt service requirements for all of the debt carried in the General Long-Term Debt Account Group are appropriated annually in the General Fund.

8. Fund Equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts which remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Reserved for employees' retirement system - portion of total fund balance available for appropriation to pay retirement benefits when due.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2001 - 2002 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

F. Revenues, Expenditures, and Expenses:

1. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers-out" in the General Fund and "Transfers-in" in the receiving fund. The County's General Fund also transfers funds to AppalCART and the Economic Development Commission.

2. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The vacation policy of AppalCART provides for the accumulation of up to two hundred and forty (240) hours earned vacation leave. Any excess cannot be carried over to the next year. For the County, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. The County's liability for accumulated earned vacation and the salary related payments as of June 30, 2001 is recorded in the General Long-Term Debt Account Group. For the County's proprietary fund and AppalCART, an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

The sick leave policies of the County and AppalCART provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes for the County. Since neither entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

The County adopted and implemented the Annual Vacation Leave Conversion Policy effective December 31, 1993. The policy states that at the end of each benefit year on January 1 any County employees with accrued annual vacation leave in excess of thirty (30) days or two hundred and forty (240) hours shall have this leave converted to sick leave. This converted sick leave shall be used in the same manner as accrued sick leave and may be used for authorized sick leave purposes. And, like regular sick leave, any unused converted sick leave may be counted toward creditable service at retirement up to a maximum of 12 total sick days per year of service.

WATAUGA COUNTY, NORTH CAROLINA

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001**

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

G. Total (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as, "Total (Memorandum Only) - Primary Government" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles for the primary government. Interfund eliminations have not been made in the aggregation of this data.

H. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Note 2 - Stewardship, Compliance and Accountability:

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

Noncompliance with North Carolina General Statutes

There were no instances of noncompliance with North Carolina General Statutes.

Note 3 - Detail Notes on All Funds and Account Groups:

A. Assets

1. Deposits

All of the County's, AppalCART's and Economic Development Commission'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 or Economic Development Commission'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 Economic Development Commission, 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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

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

The State Treasurer does not confirm this information with the County, AppalCART, or the Economic Development Commission or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, AppalCART or the Economic Development Commission under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2001, the County's deposits had a carrying amount of \$15,560,169 and a bank balance of \$16,212,880. Of the bank balance, \$221,675 was covered by federal depository insurance, and \$32,652 in non-interest bearing deposits and \$15,958,553 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2001, Watauga County had \$1,685 cash on hand.

At June 30, 2001, the carrying amount of deposits for Watauga County Economic Development Commission was \$1,049 and the bank balance was \$1,049. All of the bank balance was covered by federal depository insurance.

At June 30, 2001, the carrying amount of deposits for AppalCART was \$8,806 and the bank balance was \$238,879. Of the bank balance, \$100,000 was covered by federal depository insurance and \$138,879 was covered by collateral held under the Pooling method.

2. Investments

At year end, the County's investments consisted of investments with the North Carolina Capital Management Trust. AppalCART's investments consisted of its investment with the North Carolina Capital Management Trust. The County's and AppalCART's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County and AppalCART do not own any identifiable securities in these mutual funds.

At June 30, 2001, the County's investments consisted of \$6,358,425 in the North Carolina Capital Management Trust's Cash Portfolio.

At June 30, 2001, AppalCART's investments consisted of \$362,607 in the North Carolina Capital Management Trust.

These amounts reflect both the reported and fair value.

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

In accordance with the general statutes, agriculture, horticulture, and forest land 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 preceding fiscal years, along with the accrued interest from the original due date.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 296,821	83,852	380,673
1999	313,135	60,278	373,413
2000	292,183	29,949	322,132
2001	<u>298,150</u>	<u>--</u>	<u>298,150</u>
Total	<u>\$1,200,289</u>	<u>174,079</u>	<u>1,374,368</u>

4. Receivables - Allowances for Doubtful Accounts

For the County, the amounts presented in Exhibit A, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>06/30/01</u>
General Fund:	
Property taxes	\$ 380,036
Special Revenue Fund	
Property taxes	<u>6,148</u>
Total	\$ <u>386,184</u>

5. Fixed Assets

A summary of changes in the County's general fixed assets follows:

By type:

	<u>Balance</u>				<u>Balance</u>
	<u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2001</u>
Land	\$ 1,814,338	339,160	--	--	2,153,498
Buildings	22,978,811	414,001	59,510	--	23,333,302
Equipment	4,320,224	268,444	613,040	--	3,975,628
Leasehold improvements	36,953	--	--	--	36,953
Construction in progress	<u>--</u>	<u>92,214</u>	<u>--</u>	<u>--</u>	<u>92,214</u>
Total	\$ <u>29,150,326</u>	<u>1,113,819</u>	<u>672,550</u>	<u>--</u>	<u>29,591,595</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

By function:

	Balance				Balance	
	<u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2001</u>	
General government	\$ 5,908,265	821,264	211,114	157,393	6,675,808	
Public safety	3,046,276	164,706	271,943	<40,862>	2,898,177	
Environmental protection	37,102		--	2,779	--	34,323
Human service	13,872,320		15,024	58,996	891	13,829,239
Economic and physical development	457,966	2,621	25,493	--	435,094	
Cultural and recreational	2,690,386		17,990	98,343	<117,422>	2,492,611
Education	3,138,011	--	3,882	--	3,134,129	
Construction in progress	--	<u>92,214</u>	--	--	--	<u>92,214</u>
Total	<u>\$29,150,326</u>	<u>1,113,819</u>	<u>672,550</u>	<u>--</u>	<u>29,591,595</u>	

Reconciliation of additions:

Capital outlay expenditures	\$1,094,276
Special Revenue - public safety	<u>19,543</u>

\$1,113,819

A summary of changes in the Economic Development Commission's general fixed assets follows:

	Balance			Balance
	<u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2001</u>
Equipment	\$ <u>11,137</u>	<u>--</u>	<u>--</u>	\$ <u>11,137</u>

6. Summary of Proprietary Fund Fixed Assets

The fixed assets for the proprietary fund of the County at June 30, 2001 are as follows:

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building	\$ 866,320	\$ 151,753	\$ 714,567
Land and land improvements	1,540,108	86,485	1,453,623
Leasehold improvements	280,255	142,490	137,765
Equipment	1,106,020	899,958	206,062
Furniture and fixtures	157	127	30
Vehicles	<u>725,629</u>	<u>603,096</u>	<u>122,533</u>
Total	\$ <u>4,518,489</u>	\$ <u>1,883,909</u>	\$ <u>2,634,580</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

The following is a summary of proprietary fund type fixed assets for AppalCART at June 30, 2001:

		<u>Fixed</u>	<u>Accumulated</u>	
		<u>Assets</u>	<u>Depreciation</u>	<u>Net</u>
Office furniture and equipment		\$ 115,080	\$ 74,846	\$ 40,234
Shop equipment		141,015	114,476	26,539
Vehicles		2,118,933	1,574,188	544,745
Land improvement	<u>121,047</u>	<u>68,779</u>	<u>52,268</u>	
	Total	<u>\$2,496,075</u>	<u>\$1,832,289</u>	<u>\$ 663,786</u>

A. Liabilities:

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description

Watauga County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.63%, respectively, of annual covered payroll. The contribution requirements of members and of Watauga County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2001, 2000, and 1999 were \$653,821, \$610,258, and \$578,890, respectively. The contributions made by the County equaled the required contributions for each year.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description

Watauga County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers.

The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance is reported in the County's report as a reservation of general fund equity.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2000, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2	
Terminated plan members entitled to but not yet receiving benefits	0	
Active plan members	<u>31</u>	
Total		<u>33</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 reserving Fund Balance. 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 paid by the County.

The annual required contribution for the current year was determined as part of the December 31, 2000 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9 to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unreserved actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2000 was 30 years.

3 Year Trend Information

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net End of Year</u> <u>Obligation</u>
06/30/01	\$14,139	43.71%	\$ 59,781
06/30/00	14,295	61.13	51,822
06/30/99	12,104	79.29	59,781

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

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

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.

Funding Policy

Article 12E of G.S. Chapter 143 requires 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, 2001 were \$47,888, which consisted of \$41,820 from the County and \$6,300 from the law enforcement officers.

d. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all full-time employees (other than those participating in the supplemental retirement income plans) permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description

Watauga County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any 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.

Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2001, the County's required and actual contributions were \$12,853.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

f. Other Postemployment Benefits - Watauga County

The County has elected to provide death benefits to law enforcement 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 and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State.

Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2001, the County made contributions to the State for death benefits of \$1,170. The County's required contributions for employees engaged in law enforcement represented .14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

g. Retirement System - AppalCART

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

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

This rate of contribution is subject to change due to funding constraints. The contribution requirement for June 30, 2001 amounted to \$54,337.

2. Deferred Revenues

The balance in deferred revenues for Watauga County at year-end is composed of the following elements:

	<u>Prepaid Taxes Not Yet Earned</u>	<u>Prepaid Fees Not Yet Earned</u>	<u>Taxes Receivable (net)</u>	<u>Fees Receivable</u>	<u>Total Deferred Revenues</u>
General Fund	\$184,040	--	531,076	--	715,116
Enterprise Fund	--	2,192	--	102,367	104,559
Fire Districts Fund	<u>10,673</u>	<u>--</u>	<u>39,912</u>	<u>--</u>	<u>50,585</u>
Total	<u>\$194,713</u>	<u>2,192</u>	<u>570,988</u>	<u>102,367</u>	<u>870,260</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

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

The balance in deferred revenues for AppalCART at year end is composed of the following:

2001

Z. Smith Reynolds Grant	\$ 18,819
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The grant is to be used for a restricted purpose and, accordingly, is not reflected as income until such expenditure is made. Management does not anticipate spending these revenues in the current period.

3. Summary Disclosure of Significant Commitments

The County had no significant commitments as of June 30, 2001.

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health and dental insurance for county employees. The pools are audited annually by Certified Public Accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through multi-state public entity captive commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the county is reinsured through the pool for individual losses in excess of 115% of expected claims. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000. 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 carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

5. Claims and Judgements

As of June 30, 2001, the County had no claims or judgements outstanding.

6. Long-Term Obligations

a. Capital Leases

The County has entered into agreements to lease certain equipment and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

The following schedule provides information regarding the capital leases entered into by the County:

In the Enterprise Fund:

1996 Volvo EZ Pack Trash Truck	02/13/96	20	Quarterly	7,274.83
1998 Volvo Trash Truck	10/10/97	12	Quarterly	11,367.15

The following is an analysis of the assets recorded under capital leases at June 30:

	In the General Fixed Asset	
In the Enterprise Fund:	<u>2001</u>	<u>2000</u>
Classes of property:		
Vehicles	\$ <u>261,674</u>	<u>261,674</u>

All of the capital leases were paid in full during the fiscal year, therefore, the County has no future minimum lease obligations as of June 30, 2001.

b. Installment Purchase

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

The County has one installment purchase serviced by the Solid Waste Fund. This installment purchase was executed on February 3, 2000 for the acquisition of a John Deere Front Loader and requires twelve quarterly principal payments of 11,991 and interest at 4.64% compounded quarterly.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

The County also has two installment purchases serviced by the General Fund. The first installment purchase was executed on November 1, 1997 for construction and renovation of the Human Services Center and requires sixty quarterly principal and interest payments of \$72,318.

The second installment purchase was executed on December 1, 1998 for the renovation of the East Annex Building and the Watauga County Health Department and requires forty quarterly principal and interest payments of \$51,219. For Watauga County, the future minimum payments as of June 30, 2001, including \$951,679 interest, are

Year Ending June 30	General Long-Term Debt	Solid Waste Fund
2002	\$ 494,148	50,469
2003	494,148	24,400
2004	494,148	--
2005	494,148	--
2006	494,148	--
Next 5 years	1,954,156	--
Thereafter	<u>144,636</u>	<u>--</u>
Total	<u>\$4,569,532</u>	<u>74,869</u>

c. General Obligation Indebtedness

The County's general obligation bonds financed by the governmental funds are accounted for in the General Long-Term Debt Account Group. Those general obligation bonds issued to finance the construction of solid waste disposal facilities utilized in the operations of the Solid Waste Fund and which are being retired by its resources are reported as long-term debt in the Solid Waste Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

Bonds payable at June 30, 2001 consist of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

\$2,411,400 1988 Farmers Home Administration Loan Discount Purchase Program bonds due in semiannual installments through June 1, 2003; interest at 8.22%	\$ 563,200
\$7,500,000 1993 School Facility Serial Bonds due in semiannual installments through June 1, 2014; interest at 4.40%	\$ 4,875,000
\$9,400,000 1994 School Facility Serial Bonds due in semiannual installments through June 1, 2015; interest at 5.70% - 5.90%	\$ 6,550,000

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

\$7,100,000 1996 School Facility Serial
Bonds due in semiannual installments
through June 1, 2015; interest at
5.10% - 5.20% \$ 5,350,000

Serviced by the Solid Waste Fund:

\$1,385,000 1991 Solid Waste Disposal
Bonds due in semiannual installments
through June 1, 2011; interest at 6.10% \$ 710,000

Total \$ 18,048,200

Annual debt service requirements to maturity for the County's general obligation bonds, including interest of \$6,920,793 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Solid</u> <u>Waste Fund</u>	<u>General Long-Term</u> <u>Debt Account Group</u>	<u>Total</u>
2003	114,370	2,335,823	2,450,193
2004	109,720	1,953,375	2,063,095
2005	105,070	1,891,475	1,996,545
2006	100,420	1,829,575	1,929,995
Next 5 years	392,350	8,214,875	8,607,225
Thereafter	--	5,412,525	5,412,525
Total	\$ <u>940,875</u>	<u>24,028,118</u>	<u>24,968,993</u>

At June 30, 2001 Watauga County had a legal debt margin of \$233,531,501.

d. Changes in General Long-Term Debt

The following is a summary of changes in the County's long-term debt for the fiscal year ended June 30, 2001.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2001</u>
By type:				
General obligation debt	\$ 18,779,800		1,441,600	17,338,200
Installment purchase contracts	3,924,496	--	303,720	3,620,776
Compensated absences	463,320	479,039	399,487	542,872
Total	\$ <u>23,167,616</u>	<u>479,039</u>	<u>2,144,807</u>	<u>21,501,848</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

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

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2001</u>
By purpose:				
Hospital	\$ 804,800	--	241,600	563,200
Schools	17,975,000	--	1,200,000	16,775,000
Building and land	3,924,496	--	303,720	3,620,776
Compensated absences	463,320	479,039	399,487	542,872
Total	\$ <u>23,167,616</u>	<u>479,039</u>	<u>2,144,807</u>	<u>21,501,848</u>

C. Interfund Receivables and Payables:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Special Revenue		
Lynnhaven II		
LLC Project	--	60,425
General Fund	<u>60,425</u>	<u>--</u>
Total:	\$ <u>60,425</u>	<u>60,425</u>

D. Fund Equity

Enterprise Fund - Contributed Capital

On July 1, 1989, the County established the Solid Waste Enterprise Fund to account for the operations of the landfill. At this time, all landfill assets were transferred to this fund at original cost less accumulated depreciation from date of purchase, as well as landfill long-term debts. The net difference between the net asset value and the long-term debts was considered as contributed capital from the General Fund. As required by GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the County is recognizing capital contributions from external sources as revenue rather than as contributed capital.

Note 4 - Joint Ventures:

The County participates in a joint venture to operate Appalachian Regional Library with two other local governments. Each participating government appoints four board members to the twelve-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2001. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$315,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 148 Library Drive, West Jefferson, NC 28694.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

Note 4 - Joint Ventures continued:

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, 2001. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$425,687 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 141 Health Center Drive, Boone, NC 28607.

The County also participates in a joint venture to operate New River Behavioral Health Care with four other local governments. Each participating government appoints one County Commissioner to the Governing Board and they in turn appoint the other members. None of the participating governments have any equity interest in the Behavioral Health Care Department, so no equity interest has been reflected in the financial statements at June 30, 2001. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$206,492 to the Behavioral Health Care Department to supplement its activities. Complete financial statements for the Behavioral Health Care Department can be obtained at 895 State Farm Road, Suite 508, Boone, NC 28607.

Note 5 - Jointly Governed Organizations:

The County communally governs Caldwell Community College and Technical Institute with one other local government and the community college system of the State of North Carolina. The County appoints two members of its fourteen member Board of Trustees. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$540,003 to Caldwell Community College and Technical Institute to supplement its activities. Complete financial statements for the College can be obtained at 2855 Hickory Boulevard, Hudson, NC, 28638.

Note 6 - Contracts:

The County contracts with Watauga Medics, Inc. for ambulance service. The contract requires the County to provide the physical plant for Watauga Medics, Inc. The yearly subsidy amounted to \$713,746 for the fiscal year ended June 30, 2001.

Note 7 - Supplemental and Additional Supplemental One-Half of One Percent

Local Government Sales and Use Taxes:

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2001 the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for public school capital outlays.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

Note 8 - Public School Building Bond Act of 1997:

The General Assembly passed the Public School Building Bond Act of 1997 to provide for the issuance of \$1.8 billion in State bonds to be used for making grants to counties for qualified public school capital outlay projects. The Department of Public Instruction is responsible for project approval and the distribution of funds. The principal amounts of bonds or notes issued by the State in any twelve month period may not exceed \$450 million.

Of the total \$1.8 billion authorized, \$30 million will be allocated as grants to counties that have small county school systems, after considering whether the counties demonstrate both greater than average school construction needs and high property tax rates. The primary allocation of \$1.77 billion will be distributed to all counties based on the average daily membership, the ability to pay, and the growth rate of the school administrative units located within each county.

The distribution of the primary allocation is subject to the satisfaction of certain match requirements by the counties. Match requirements may be satisfied by non-State expenditures for public school facilities made on or after January 1, 1992. Watauga County's matching requirements of \$.50 for each dollar of allocated bond proceeds has been fulfilled.

Because the County has met its matching requirement, the County recognizes revenues equal to the liabilities incurred for approved project expenditures. Watauga County requests bond funds by project to be transferred to an account established by Watauga County Board of Education for payment of invoices. To date, the County has expended \$3,046,686 of their total allocation of \$3,858,443.

Note 9 - School Facilities Finance Act of 1987:

The General Assembly passed the School Facilities Finance Act of 1987 (Act) to assist county governments in meeting their public school facility capital needs. The Act created two State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the

Office of State Budget and Management and the Critical School Facilities Fund administered by the State Board of Education. The Public School Building Capital Fund may also be used to finance equipment needs under the local school unit's technology plan.

Public School Building Capital Fund

This program is funded using a portion of the corporate income taxes, which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. For the period from 10/1/99 to 9/30/2000, the applicable fraction was one-fourteenth (1/14) of the net collections; for periods after 9/30/2000 the applicable fraction is five sixty-ninths (5/69) of the net collections of corporate taxes.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 9 - School Facilities Finance Act of 1987 (continued):

Monies in the fund are allocated to Watauga County on the basis of the average daily membership (ADM) for Watauga County Board of Education as determined by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County. At June 30, 2001, the balance of the County's ADM allocation account was \$149,941. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a county match.

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. The County received approval for an allocation of \$585,000 from the State for the boiler replacements at Watauga High School and Cove Creek Elementary School. The County must match this balance on the basis of one dollar for every three dollars of State funds. As of June 30, 2001, the County's disbursing account had a balance of \$589,158.

Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's General Fund as a restricted intergovernmental revenue.

Critical School Facilities Needs Fund

This program is funded by the net collections of State income taxes imposed on corporations and received by the Department of Revenue. Each quarter, the Department of Revenue deposits \$2.5 million into the fund.

The Commission on School Facility Needs established a priority list of the counties receiving grants. The Commission on School Facility Needs has since been abolished.

Grants are awarded by the State Board of Education based on the grant priority list. A joint application must be made by the Watauga County Board of Commissioners and the Watauga County Board of Education. At June 30, 2001, the Boards had not submitted a grant application.

Note 10 - Benefit Payments Issued by the State:

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 136,651	--
Medicaid	11,976,806	6,135,918
Food Stamp Program	1,132,354	--

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2001

Note 11 - Summary Disclosure of Significant Contingencies:

Federal and State Assisted Programs

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

Groundwater Contamination/Landfill Closure

In March 1993, the County's engineers found groundwater contamination at the County's landfill site which exceeded State and Federal maximum contaminant levels for some constituents. On April 8, 1994, the County stopped accepting municipal solid waste at the County's landfill, and closure procedures were initiated. The County's engineers developed an assessment plan, which was approved by the NCDEHNR Solid Waste Management Division, to determine the extent, nature, and source of the contamination. The County installed groundwater monitoring wells in and around the landfill property to test for the presence of possible contaminants. On January 12, 1996, the County's engineers issued a Remedial Investigation and Alternative Report which proposed a remedial cap with some supplemental steps (including some continued assessment monitoring activities). In February 1996, the Board of Commissioners approved the engineer's proposal with some adjustments based on public comment. The County, after advertisement and bidding, awarded a contract for construction of the cap in May 1996. The approximate cost to date of the assessment and remedial cap is \$2,700,000. The capping project is complete and groundwater conditions remain stable. Groundwater testing continues, although on a reduced scope. Further remedial actions are not anticipated unless groundwater conditions change.

Note 12 - Additional Information:

Watauga Hospital Incorporated, a North Carolina nonprofit corporation that operates Watauga Medical Center and the County have borrowed \$8,300,000 primarily for the purpose of financing or reimbursing Watauga Hospital Incorporated for all or a portion of the (1) constructing and equipping a three-story addition to the existing Medical Center facilities, (2) renovating certain portions of the existing Medical Center facilities and (3) acquiring certain capital equipment. Should Watauga Hospital Incorporated default on the bonds, the County is obligated to make payments with respect to the borrowing of bond proceeds. These payments would be made only from revenues of the Medical Center, or any Medical Center facility owned by the County replacing the Medical Center whether in whole or in part and whether or not located on the site of the Medical Center. These bonds are not collateralized by the faith, credit, and taxing power of the County.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.

- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.

- Notes to the Required Schedules for the Law Enforcement Officers' special Separation Allowance

Schedule 1

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Reserved Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll for Year Ending on Val Date (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
12/31/95	\$ 21,120	\$ 86,499	65,379	24.42	611,442	10.69 %
12/31/96	35,840	91,799	55,959	39.04	638,974	8.76
12/31/97	35,840	101,057	65,217	35.47	703,831	9.26
12/31/98	45,840	131,268	85,428	34.92	758,755	11.26
12/31/99	55,840	135,027	79,187	41.35	777,266	10.19
12/31/2000	65,840	237,850	172,010	27.68	809,782	21.24

* The County has not established a pension trust fund. It has elected to reserve a portion of general fund balance to pay benefits when due. However, this reservation of general fund balance is not legally binding.

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

Year Ended June 30	Annual Required Contribution	Percentage Reserved	%
1992	\$ 8,459	63.00	%
1993	7,649	71.90	
1994	9,008	55.51	
1995	9,024	58.63	
1996	12,168	43.47	
1997	11,537	81.74	
1998	12,835	77.91	
1999	15,150	66.01	
2000	15,203	65.78	

Reservations of general fund balance were not made in accordance with the actuarially determined contribution requirements.

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

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

Valuation date	12/31/00
Actuarial cost method	Project unit created
Amortization method	Level dollar closed
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9 - 9.8%
Includes inflation at	3.75%
Cost of living adjustments	N/A

GENERAL FUND

The General Fund Accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

WATAUGA COUNTY, NORTH CAROLINA
 General Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
ASSETS :		
Cash and equivalents	\$ 12,047,128	11,220,757
Taxes receivable	531,076	504,694
Accounts receivable	2,504,602	2,901,910
Tax refunds receivable	64,127	85,398
Due from other funds	60,425	11,563
Other assets	<u>264,567</u>	<u>22,513</u>
TOTAL ASSETS	\$ <u>15,471,925</u>	<u>14,746,835</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts payable	\$ 629,594	762,247
Deferred revenue	715,116	629,693
Due to other funds	<u>--</u>	<u>30,777</u>
TOTAL LIABILITIES	<u>1,344,710</u>	<u>1,422,717</u>
FUND BALANCES:		
Reserved by state statute	2,894,261	3,021,385
Reserved for encumbrances	670,494	509,250
Reserved for LEO special separation allowance	75,840	65,840
Designated for subsequent years expenditures	3,451,396	3,264,928
Undesignated	<u>7,035,224</u>	<u>6,462,715</u>
TOTAL FUND BALANCES	<u>14,127,215</u>	<u>13,324,118</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>15,471,925</u>	<u>14,746,835</u>

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	Budget	2001 Actual	Variance	2000 Actual
Revenues:				
Taxes - ad valorem:				
Current year	\$	13,670,580		12,703,989
Prior years		320,836		345,558
Advertising and interest		89,000		97,631
Total Taxes - ad valorem	<u>13,586,479</u>	<u>14,080,416</u>	<u>493,937</u>	<u>13,147,178</u>
Local Option Sales Taxes:				
Article 39 one percent		4,384,426		4,356,754
Article 40 one-half of one percent		1,694,875		1,673,036
Article 41 one-half of one percent		1,680,437		1,659,258
Total Taxes - Local Option Sales	<u>7,568,628</u>	<u>7,759,738</u>	<u>191,110</u>	<u>7,689,048</u>
Taxes - other:				
Intangibles		--		382,925
Real estate transfer tax		305,781		297,031
Animal tax		1,507		1,280
ABC - .05/bottle		15,177		15,456
Wireless 911 tax		--		77,762
Gross receipts tax - county		24,798		--
Other		102,241		96,846
Total Taxes - other	<u>801,500</u>	<u>449,504</u>	<u>(351,996)</u>	<u>871,300</u>
Unrestricted intergov. rev.:				
Payments in lieu of taxes		7,483		7,106
50% revenue loss - homestead		29,195		29,195
80% Retail/Wholesale Reimb.		148,597		147,981
Manufacturer's Invent. Reimb.		62,032		62,032
Food Stamp Pur. Tax Reimb.		22,839		22,793
Inventory Tax Reimb.		70,928		72,138
Total Unrestricted intergov. rev.	<u>336,632</u>	<u>341,074</u>	<u>4,442</u>	<u>341,245</u>
Restricted intergov. revenues:				
Grants-Federal & State		3,960,408		3,563,884
Public School Facility Funds		55,704		40,138
POA-Town of Boone		6,000		6,000
Court facilities fees		100,745		90,251
Total Restricted intergov. revenues	<u>4,358,879</u>	<u>4,122,857</u>	<u>(236,022)</u>	<u>3,700,273</u>

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	2001		2000
	Budget	Actual	Variance
			Actual
Permits and fees:			
Gun permits		10,525	13,955
Serving civil summons		15,023	15,754
Jail and officer fees		38,593	31,774
Drug fees awarded by court		4,258	781
Planning and inspection fees		213,127	158,997
Marriage license		8,160	10,109
Register of deeds fees		247,533	210,119
Fire inspection fees		4,260	4,228
Total Permits and fees	524,400	541,479	17,079
Sales and service:			
Land sales		--	60,525
POA income svc. - soc. serv.		14,043	15,000
Recreation department revenues		321,036	313,548
Sales of tax maps		1,067	2,478
Data processing fees		1,222	1,010
Rich Mtn. antenna rental		2,500	2,500
Copy revenue		16,309	15,236
Tax collection fees-Towns		53,616	52,013
Jail medical service		2,046	--
Other		41,490	67,085
Total Sales and service	456,945	453,329	(3,616)
Investment earnings:			
Interest earned on investments	468,000	919,945	451,945
Miscellaneous:	173,106	524,906	351,800
TOTAL REVENUES	28,274,569	29,193,248	918,679
EXPENDITURES:			
General Government			
Governing body:			
Operating expenses	50,088	50,039	49
Administration:			
Salaries and benefits		145,929	133,035
Operating expenses		9,893	12,122
Total Administration	159,210	155,822	3,388
Finance:			
Salaries and benefits		215,907	205,146
Operating expenses		41,900	42,428
Capital outlay		--	--
Total Finance	293,730	257,807	35,923

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	2001		2000
	Budget	Actual	Variance
			Actual
Tax Supervisor:			
Salaries and benefits		677,158	656,320
Operating expenses		132,097	169,249
Capital outlay		25,180	9,983
Total Tax Supervisor	851,307	834,435	16,872
Tax Revaluation:			
Salaries and benefits		69,554	25,743
Operating expenses		83,607	13,255
Capital outlay		--	9,913
Total Tax Revaluation	255,125	153,161	101,964
Legal Services:			
Operating expenses	37,200	22,467	14,733
Court facilities:			
Operating expenses		1,516	13,629
Capital outlay		15,092	24,448
Total Court facilities	18,800	16,608	2,192
Elections:			
Salaries and benefits		106,860	91,188
Operating expenses		58,695	68,831
Capital outlay		--	10,816
Total Elections	236,421	165,555	70,866
Register of Deeds:			
Salaries and benefits		259,984	241,005
Operating expenses		65,392	89,513
Capital outlay		2,128	--
Total Register of Deeds	368,751	327,504	41,247
General administration:			
Operating expenses		222,279	194,009
Capital outlay		666,022	1,665
Total General administration	1,199,113	888,301	310,812
Total General administration	1,199,113	888,301	310,812

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	2001		2000
	Budget	Actual	Variance
			Actual
Data processing:			
Salaries and benefits		132,534	90,033
Operating expenses		109,615	105,317
Capital outlay		73,606	114,998
Total Data processing	506,795	315,755	191,040
Maintenance:			
Salaries and benefits		681,154	541,564
Operating expenses		43,160	34,718
Capital outlay		1	38,624
Total Maintenance	785,613	724,315	61,298
Public Buildings			
Courthouse:			
Operating expenses		136,418	88,091
Capital outlay		1,003	5,805
Total Courthouse	233,642	137,421	96,221
East Courthouse Annex:			
Operating expenses		21,332	30,351
Capital outlay		14,768	76,164
Total East Courthouse Annex	67,273	36,100	31,173
Ginn House:			
Operating expenses	13,725	13,375	350
Emergency Management:			
Operating expenses	5,800	31	5,769
Hannah:			
Operating expenses		33,575	48,250
Capital outlay		26,365	16,782
Total Hannah	72,421	59,940	12,481
Animal Shelter:			
Operating expenses	6,925	4,082	2,843
Old Cove Creek School			
Operating expenses	14,533	11,408	3,125
New Health Department			
Operating expenses		--	11,857
Capital Outlay		78,921	--
Total New Health Department	246,040	78,921	167,119
Public Building-APPALCART:			
Operating expenses	2,291	1,199	1,092

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	Budget	2001 Actual	Variance	2000 Actual
New Library:				
Operating expenses	30,551	24,824	5,727	24,016
Caldwell College & Tech. Inst:				
Operating expenses	3,900	1,135	2,765	5,423
Watauga Comm. Center:				
Operating expenses	18,992	15,013	3,979	10,117
Law Enforcement Center:				
Operating expenses		29,008		42,566
Capital outlay		--		--
Total Law Enforcement Center	39,321	29,008	10,313	42,566
West Courthouse Annex:				
Operating expenses		20,717		43,659
Capital outlay		--		--
Total West Courthouse Annex	37,314	20,717	16,597	43,659
Human Services Center:				
Operating expenses		54,813		58,790
Capital Outlay		--		6,227
Total Human Services Center	62,041	54,813	7,228	65,017
Appalachian Enterprise Center:				
Operating expenses	11,000	7,460	3,540	253
Prison Camp Site				
Operating expenses	28,293	15,589	12,704	15,250
Recreation Administration Center:				
Operating expenses	2,140	1,333	807	--
Aquatics Center:				
Operating expenses	79,713	79,713	--	--
Opt./Maintenance Facility:				
Operating expenses	19,561	18,490	1,071	--
Recreation Fields/Parks:				
Operating expenses	15,965	11,424	4,541	--
Total Public Buildings	1,011,441	621,996	389,445	488,042
Total General Government	5,773,594	4,533,765	1,239,829	3,506,028
Public Safety				
Sheriff's department:				
Salaries and benefits		1,138,969		1,086,115
Operating expenses		138,954		139,210
Capital outlay		87,832		180,158
Total Sheriff's department	1,399,574	1,365,755	33,819	1,405,483

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	2001		2000
	Budget	Actual	Variance
			Actual
Communications:			
Salaries and benefits		264,966	239,639
Operating expenses		23,516	19,893
Total Communications	311,728	288,482	23,246
Jail:			
Salaries and benefits		294,130	280,830
Operating expenses		163,653	142,099
Capital outlay		1,544	--
Total Jail	470,677	459,327	11,350
Emerg. Mgt. & Fire Protect.:			
Salaries and benefits		139,553	127,692
Operating expenses		351,924	351,175
Capital outlay		16,505	--
Total Emerg. Mgt. & Fire Protect.	523,598	507,982	15,616
Planning and Inspections:			
Salaries and benefits		317,328	307,687
Operating expenses		32,986	30,865
Capital outlay		3,668	19,498
Total Planning and Inspections	375,376	353,982	21,394
Medical examiner:			
Operating expenses	22,000	11,700	10,300
Ambulance and rescue squad:	794,900	776,038	18,862
Operating expenses			818,809
Animal control:			
Salaries and benefits		79,829	61,746
Operating expenses		19,190	18,059
Capital outlay		46,006	--
Total Animal control	161,060	145,025	16,035
Forestry:			
Operating expenses	34,582	34,582	--
Total Public Safety	4,093,495	3,942,873	150,622
			3,875,351

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	2001		2000
	Budget	Actual	Variance
			Actual
Economic & Physical Development			
Elderly & Disabled Transportation:			
Operating expenses	33,353	29,630	3,723
Special Appropriations:	612,489	379,548	232,941
Cooperative extension:			
Salaries and benefits		141,769	134,690
Operating expenses		19,068	18,343
Capital outlay		--	5,789
Total Cooperative extension	163,753	160,837	2,916
Soil conservation:			
Salaries and benefits		67,233	63,904
Operating expenses		9,378	8,864
Capital outlay		--	--
Total Soil conservation	87,447	76,611	10,836
Golden Leaf Grant			
Salaries and benefits		3,795	--
Operating expenses		16,835	--
Capital outlay		2,621	--
Total Golden Leaf Grant	50,000	23,251	26,749
Total Economic & Physical Development	947,042	669,877	277,165
Human Services			
Public health:			
Operating expenses	425,687	425,687	--
Mental health:			
Operating expenses	392,549	375,057	17,492
Social services - admin.:			
Salaries and benefits		1,740,138	1,545,574
Operating expenses		221,419	180,094
Capital outlay		6,666	4,186
Total Social services - admin.	1,992,630	1,968,223	24,407
Beneficiary payments:	1,738,731	1,674,553	64,178
State foster care and daycare			
Room & Board		6,000	6,705
Other		70	150
Purchase-daycare XX		605,904	539,494
Total State foster care and daycare	700,843	611,974	88,869

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	2001		2000
	Budget	Actual	Variance
			Actual
Project on aging:			
Salaries and benefits		1,236,266	1,168,720
Operating expenses		247,549	255,917
Capital outlay		8,358	6,628
Total Project on aging	1,660,939	1,492,173	168,766
Veterans service officer:			
Salaries and benefits		85,642	80,592
Operating expenses		4,002	6,457
Capital outlay		--	--
Total Veterans service officer	91,342	89,644	1,698
Total Human Services	7,002,721	6,637,311	365,410
Education			
Public Schools - current		6,449,244	5,650,183
Public Schools - capital outlay		1,121,127	672,121
Community College - current		501,502	549,332
Community College - capital outlay		40,000	22,000
Total Education	8,114,854	8,111,873	2,981
Cultural and recreational			
Library:			
Operating expenses	315,000	315,000	--
Sesquicentennial Activities:			
Operating expenses	--	--	17,014
Recreation:			
Salaries and benefits		385,881	398,844
Operating expenses		183,344	160,718
Capital outlay		15,057	16,310
Total Recreation	645,598	584,282	61,316
Aquatics:			
Salaries and benefits		142,267	146,131
Operating expenses		20,350	81,398
Capital outlay		--	--
Total Aquatics	180,570	162,617	17,953

Watauga County, North Carolina
 General Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2000)

	Budget	2001 Actual	Variance	2000 Actual
Recreation - Maintenance:				
Salaries and benefits		--		151,215
Operating expenses		6,168		55,719
Capital outlay		13,171		4,919
Total Recreation - Maintenance	20,505	19,339	1,166	211,853
Total Cultural and recreational	1,161,673	1,081,238	80,435	1,332,268
Debt Service				
Principal retirement		1,745,320		1,727,650
Interest & fees		1,195,552		1,290,916
Total Debt Service	2,941,978	2,940,872	1,106	3,018,566
TOTAL EXPENDITURES	30,035,357	27,917,809	2,117,548	25,363,828
Excess (deficiency) of revenues over expenditures	(1,760,788)	1,275,439	3,036,227	2,495,725
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	1,595,116	1,349,076	(246,040)	611,903
Fund balance appropriated	1,999,342	--	(1,999,342)	--
Operating transfers to other funds	(1,713,806)	(1,713,806)	--	(1,824,010)
Operating transfers to component units	(119,864)	(119,864)	--	(116,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,760,788	(484,594)	(2,245,382)	(1,328,107)
Excess (deficiency) of revenues over expenditures & other sources (uses) \$	--	790,845	790,845	1,167,618
Fund balances at beginning of year		13,324,118		12,109,321
Residual equity transfer		12,252		47,179
Fund balances at end of year		<u>\$ 14,127,215</u>		<u>13,324,118</u>

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Fire District Fund – This fund accounts for the ad valorem tax levies of twelve fire districts in Watauga County.

Revaluation Fund – This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.

Capital Reserve Fund – This fund was established in accordance with North Carolina law to account for the accumulation of resources to be used for various construction projects. When a construction project begins, a fund will be transferred to a Capital Projects Fund based on the Capital project ordinance.

E-911 Telephone Surcharge Fund – This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.

Substance Abuse Tax Fund – This fund accounts for the accumulation of resources to be used for the prevention of substance abuse and related crimes.

Lynnhaven II LLC Project Fund – This fund accounts for the accumulation of loan funds to help finance the construction of a nursing care facility.

WATAUGA COUNTY, NORTH CAROLINA
Special Revenue Funds
Combining Balance Sheet
June 30, 2001
(With Comparative Totals for June 30, 2000)

	Fire Districts	Revaluation	Capital Reserve	E-911 Telephone Surcharge	Substance Abuse Tax	Lynnhaven II LLC Project	Combining Totals	
							2001	2000
ASSETS:								
Cash and equivalents	\$ 54,086	74,069	5,935,108	425,483	46,669	--	6,535,415	6,476,295
Other assets	--	--	--	--	--	--	--	--
Accounts receivable	--	--	--	28,243	--	60,425	88,668	50,091
Taxes receivable	39,921	--	--	--	--	--	39,921	43,244
Due from other funds	--	--	--	--	--	--	--	30,777
TOTAL ASSETS	\$ 94,007	74,069	5,935,108	453,726	46,669	60,425	6,664,004	6,600,407
LIABILITIES AND FUND BALANCE:								
LIABILITIES:								
Accounts payable	\$ 43,422	--	--	655	779	--	44,856	57,181
Deferred revenue	50,585	--	--	--	--	--	50,585	50,363
Due to other funds	--	--	--	--	--	60,425	60,425	11,563
TOTAL LIABILITIES	94,007	--	--	655	779	60,425	155,866	119,107
FUND BALANCES:								
Reserved by state statue	--	--	--	28,243	--	--	28,243	38,528
Reserved for encumbrances	--	--	--	2,580	--	--	2,580	1,736
Designated for subsequent years expenditures	--	74,069	5,935,108	422,248	45,890	--	6,477,315	6,441,036
TOTAL FUND BALANCE	--	74,069	5,935,108	453,071	45,890	--	6,508,138	6,481,300
TOTAL LIABILITIES AND FUND BALANCE	\$ 94,007	74,069	5,935,108	453,726	46,669	60,425	6,664,004	6,600,407

WATAUGA COUNTY, NORTH CAROLINA
Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2001
(With Comparative Totals For the Fiscal Year Ended June 30, 2000)

	Fire Districts	Revaluation	Capital Reserve	E-911 Telephone Surcharge	Substance Abuse Tax	Lynnhaven II LLC Project	Combining Totals	
							2001	2000
Revenues:								
Ad valorem taxes	\$ 680,130	--	--	--	--	--	680,130	643,406
Permits and fees	--	--	--	272,152	--	--	272,152	261,279
Donations	--	--	--	--	--	--	--	--
Investment earnings	4,841	4,907	261,572	13,368	516	--	285,204	316,271
Unrestricted intergovernmental revenues	--	--	--	--	--	--	--	--
Restricted intergovernmental revenues	--	--	--	61,160	3,449	317,262	381,871	81,354
Total revenues	684,971	4,907	261,572	346,680	3,965	317,262	1,619,357	1,302,310
Expenditures:								
Economic and physical development	--	--	--	--	--	317,262	317,262	55,520
General government	--	--	5,000	--	--	--	5,000	--
Education	--	--	--	--	--	--	--	--
Public safety	684,971	--	--	222,919	16,721	--	924,611	864,574
Debt service	--	--	--	--	--	--	--	22,128
Total expenditures	684,971	--	5,000	222,919	16,721	317,262	1,246,873	942,222
Excess (deficiency) of revenues over expenditures	--	4,907	256,572	123,761	(12,756)	--	372,484	360,088
Other financing sources (uses):								
Proceeds of capital leases	--	--	--	--	--	--	--	--
Operating transfers in (out)	--	(76,946)	(347,130)	78,430	--	--	(345,646)	351,261
Total other financing sources(uses)	--	(76,946)	(347,130)	78,430	--	--	(345,646)	351,261
Excess (deficiency) of revenues and other sources over expenditures	--	(72,039)	(90,558)	202,191	(12,756)	--	26,838	711,349
Fund balance at beginning of year	--	146,108	6,025,666	250,880	58,646	--	6,481,300	5,770,183
Residual Equity Transfer	--	--	--	--	--	--	--	(232)
Fund balance at end of year	\$ --	74,069	5,935,108	453,071	45,890	--	6,508,138	6,481,300

WATAUGA COUNTY, NORTH CAROLINA
 Fire Districts Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2000)

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 693,416	680,130	(13,286)	643,406
Investment earnings	--	4,841	4,841	5,446
Total revenues	693,416	684,971	(8,445)	648,852
Expenditures:				
Public safety:				
Beaver Dam Fire District	43,849	41,658	2,191	39,531
Blowing Rock Fire District	86,374	85,907	467	81,339
Boone Fire District	122,909	122,373	536	114,795
Cove Creek Fire District	85,957	85,101	856	81,189
Deep Gap Fire District	42,652	42,484	168	37,671
Foscoe Fire District	151,249	149,759	1,490	143,901
Meat Camp Fire District	48,683	48,453	230	46,500
Meat Camp/Creston Fire District	1,464	1,192	272	1,169
Shawneehaw Fire District	29,511	29,246	265	27,489
Stewart Simmons Fire District	23,243	22,326	917	21,191
Todd Fire District	12,712	12,502	210	12,242
Zionville Fire District	44,813	43,970	843	41,835
Total expenditures	693,416	684,971	8,445	648,852
Excess (deficiency) of revenues over expenditures	\$ <u>693,416</u>	--	<u>--</u>	--
Fund balance at beginning of year		--		--
Fund balance at end of year		\$ <u>--</u>		<u>--</u>

WATAUGA COUNTY, NORTH CAROLINA
 Revaluation Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Investment earnings	\$ --	4,907	4,907	10,907
Expenditures:				
General government	--	--	--	--
Excess (deficiency) of revenues over expenditures	--	4,907	4,907	10,907
Other financing sources (uses):				
Operating transfers:				
From General Fund	--	--	--	100,000
To General Fund	(79,946)	76,946	--	(187,258)
Total Operating Transfers	--	--	--	(87,258)
Excess (deficiency) of revenues and other sources (uses) over expenditures	(79,946)	72,039	4,907	(76,351)
Appropriated fund balance	79,946	--	(76,946)	--
Excess (deficiency) of revenues, other sources (uses), and appropriated fund balance over expenditures	\$ --	(72,039)	(72,039)	(76,351)
Fund balance at beginning of year		146,108		222,459
Fund balance at end of year		\$ 74,069		146,108

WATAUGA COUNTY, NORTH CAROLINA
 Capital Reserve Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2000)

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
Revenues:				
Donations	\$ --	--	--	--
Investment earnings	--	261,572	261,572	285,829
Restricted intergovernmental	45,000	--	(45,000)	--
Total revenues	<u>45,000</u>	<u>261,572</u>	<u>216,572</u>	<u>285,829</u>
Expenditures:				
Capital projects	710,459	5,000	705,459	--
Education	--	--	--	--
Total expenditures	<u>710,459</u>	<u>5,000</u>	<u>705,459</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	<u>(665,459)</u>	<u>256,572</u>	<u>922,031</u>	<u>285,829</u>
Other financing sources (uses):				
Operating transfers - in (out):				
From general fund	925,000	925,000	--	863,164
To general fund	(1,518,170)	(1,272,130)	246,040	(413,312)
To capital projects	--	--	--	--
Total other financing sources (uses)	<u>(593,170)</u>	<u>(347,130)</u>	<u>246,040</u>	<u>449,852</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>(1,258,629)</u>	<u>(90,558)</u>	<u>1,168,071</u>	<u>735,681</u>
Appropriated fund balance	<u>1,258,629</u>	<u>--</u>	<u>(1,258,629)</u>	<u>--</u>
Excess (deficiency) of revenues, other sources (uses), and appropriated fund balance over expenditures	<u>\$ --</u>	<u>(90,558)</u>	<u>(90,558)</u>	<u>735,681</u>
Fund balance at beginning of year		6,025,666		5,243,038
Residual Equity Transfer		--		46,947
Fund balance at end of year		<u>\$ 5,935,108</u>		<u>6,025,666</u>

WATAUGA COUNTY, NORTH CAROLINA
 E-911 Telephone Surcharge Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2000)

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
Revenues:				
Permits and fees: 911 subscriber fees	\$ 260,000	272,152	12,152	261,279
Restricted intergovernmental: Wireless 911 funds	40,030	61,160	21,130	--
Investment earnings	3,170	13,368	10,198	13,401
Total revenues	<u>303,200</u>	<u>346,680</u>	<u>43,480</u>	<u>274,680</u>
Expenditures:				
Public safety:				
911 system subscriber fees:				
Salaries and wages	45,249	44,940	309	31,442
Operating expenses	212,962	161,366	51,596	103,936
Capital outlay	6,695	3,030	3,665	72,223
Total 911 system subscriber fees	<u>264,906</u>	<u>209,336</u>	<u>55,570</u>	<u>207,601</u>
Wireless 911:				
Operating expenses	106,660	1,316	105,344	--
Capital outlay	11,770	12,267	(497)	--
Total wireless 911	<u>118,430</u>	<u>13,583</u>	<u>104,847</u>	<u>--</u>
Total Public Safety	<u>383,336</u>	<u>222,919</u>	<u>160,417</u>	<u>207,601</u>
Debt service	--	--	--	22,128
Total expenditures	<u>383,336</u>	<u>222,919</u>	<u>160,417</u>	<u>229,729</u>
Excess (deficiency) of revenues over expenditures	<u>(80,136)</u>	<u>123,761</u>	<u>203,897</u>	<u>44,951</u>
Other financing sources (uses):				
Operating transfer from General Fund	<u>78,430</u>	<u>78,430</u>	<u>--</u>	<u>(11,333)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	(1,736)	202,191	203,927	33,618
Appropriated fund balance	<u>1,736</u>	<u>--</u>	<u>(1,736)</u>	<u>--</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>\$ --</u>	<u>202,191</u>	<u>202,191</u>	<u>33,618</u>
Fund balance at beginning of year		<u>250,880</u>		<u>217,262</u>
Fund balance at end of year		<u>\$ 453,071</u>		<u>250,880</u>

WATAUGA COUNTY, NORTH CAROLINA
 Substance Abuse Tax Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Investment earnings	\$ 750	516	(234)	688
Restricted intergovernmental	27,000	3,449	(23,551)	25,834
Total revenues	<u>27,750</u>	<u>3,965</u>	<u>(23,785)</u>	<u>26,522</u>
Expenditures:				
Public Safety	27,750	16,721	11,029	8,121
Excess (deficiency) of revenues over expenditures	--	(12,756)	(12,756)	18,401
Appropriated fund Balance	--	--	--	--
Excess (deficiency) of revenues, other sources (uses), and appropriated fund balance over expenditures	\$ <u> --</u>	(12,756)	<u>(12,756)</u>	18,401
Fund balance at beginning of year		58,646		40,245
Fund balance at end of year		\$ <u>45,890</u>		<u>58,646</u>

WATAUGA COUNTY, NORTH CAROLINA
 Lynnhaven II LLC Project
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Restricted intergovernmental	\$ 374,547	317,262	(57,285)	25,933
Total revenues	<u>374,547</u>	<u>317,262</u>	<u>(57,285)</u>	<u>25,933</u>
Expenditures:				
Capital Outlay	\$ 374,547	317,262	57,285	25,933
Excess (deficiency) of revenues over expenditures	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Appropriated fund Balance	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Excess (deficiency) of revenues, other sources (uses), and appropriated fund balance over expenditures	<u>\$ --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Fund balance at beginning of year		<u> --</u>		<u> --</u>
Fund balance at end of year		<u>\$ --</u>		<u> --</u>

CAPITAL PROJECTS FUNDS

Capital projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Parks and Recreation – High School Athletic Complex Fund – This fund is used to account for the construction of the athletic complex. The project is being financed through State grants.

WATAUGA COUNTY, NORTH CAROLINA
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 2001
 (With Comparative Totals for June 30, 2000)

	Parks and Recreation High School Athletic Complex	Combining Totals	
		June 30 2001	June 30 2000
Assets:			
Cash and equivalents	\$ --	--	12,252
Accounts receivable	--	--	--
Tax refunds receivable	--	--	--
Due from other funds	--	--	--
	--	--	--
Total Assets	\$ --	--	12,252
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	--	--	--
Due to Other Funds	--	--	--
	--	--	--
Total Liabilities	\$ --	--	--
Fund Balance:			
Reserved by state statute	--	--	--
Reserved for encumbrances	--	--	--
Designated for future expenditures	--	--	12,252
	--	--	12,252
Total Fund Balance	--	--	12,252
Total Liabilities and Fund Balance	\$ --	--	12,252

WATAUGA COUNTY, NORTH CAROLINA
 Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	Parks & Rec High School Athletic	Combining Totals	
		June 30 2001	June 30 2000
Revenues:			
Donations	\$ --	--	--
Restricted intergovernmental revenues	--	--	20,302
Investment earnings	--	--	3,717
Total Revenues	<u> --</u>	<u> --</u>	<u> 24,019</u>
Expenditures:			
Capital Projects			109,453
Debt Service	--	--	--
Total Expenditures	<u> --</u>	<u> --</u>	<u> 109,453</u>
Excess (deficiency) of revenues over expenditures	<u> --</u>	<u> --</u>	<u> (85,434)</u>
Other financing sources (uses):			
Operating transfers - in (out):			
From capital reserve fund	--	--	--
From general fund	--	--	--
From enterprise fund	--	--	--
Installment purchase proceeds	--	--	--
Proceeds from general obligation bonds	--	--	--
Total other financing sources (uses)	<u> --</u>	<u> --</u>	<u> --</u>
Increase (decrease) in fund balance	--	--	(85,434)
Fund balance at beginning of year	12,252	12,252	144,633
Residual equity transfer	<u>(12,252)</u>	<u>(12,252)</u>	<u>(46,947)</u>
Fund balance at end of year	<u>\$ --</u>	<u> --</u>	<u> 12,252</u>

WATAUGA COUNTY, NORTH CAROLINA
Parks and Recreation - High School Athletic Complex
Statement of Revenues and Expenditures and Changes in
Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2001

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental revenues	\$ 250,000	250,000	--	250,000	--
Investment earnings	13,992	14,876	--	14,876	884
Total revenues	263,992	264,876	--	264,876	884
Expenditures:					
Construction	263,992	252,624	--	252,624	11,368
Excess (deficiency) of revenues over expenditures	--	12,252	--	12,252	12,252
Increase (decrease) in fund balance	\$ --	12,252	--	12,252	12,252
Fund balance at beginning of year			12,252		
Residual Equity Transfer			(12,252)		
Fund balance at end of year			\$ --		

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government’s council has decided that the periodic determination of net income is appropriate for accountability purposes.

WATAUGA COUNTY, NORTH CAROLINA
Solid Waste Fund
Statement of Revenues and Expenditures
Budget and Actual (NON-GAAP)
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2000)

	2001		Variance Favorable (Unfavorable)	2000
	Budget	Actual		Actual
REVENUES:				
Operating revenues:				
Landfill revenues	\$ 2,266,664	2,300,850	34,186	2,519,076
Miscellaneous	7,000	5,368	(1,632)	550
Total operating revenues	<u>2,273,664</u>	<u>2,306,218</u>	<u>32,554</u>	<u>2,519,626</u>
Non-operating revenues:				
Interest earned on investments	90,000	125,163	35,163	128,501
Sale of fixed assets	--	--	--	6,106
Total non-operating revenues	<u>90,000</u>	<u>125,163</u>	<u>35,163</u>	<u>134,607</u>
TOTAL REVENUES	<u>2,363,664</u>	<u>2,431,381</u>	<u>67,717</u>	<u>2,654,233</u>
OTHER FINANCING SOURCES:				
Operating transfers from other funds	710,376	710,376	--	860,845
Proceeds of lease purchase	--	--	--	143,895
Fund balance appropriated	73,044	--	(73,044)	--
TOTAL OTHER FINANCING SOURCES	<u>783,420</u>	<u>710,376</u>	<u>(73,044)</u>	<u>1,004,740</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>3,147,084</u>	<u>3,141,757</u>	<u>(5,327)</u>	<u>3,658,973</u>
EXPENDITURES:				
Landfill operations:				
Salaries and wages	574,986	559,234	15,752	564,483
Operating expenses	2,323,082	1,907,833	415,249	1,965,548
Total landfill operations	<u>2,898,068</u>	<u>2,467,067</u>	<u>431,001</u>	<u>2,530,031</u>
Budgetary appropriations:				
Interest paid	53,848	53,836	12	58,149
Debt principal	159,418	159,429	(11)	170,026
Capital outlay	35,750	18,365	17,385	181,595
Total budgetary appropriations	<u>249,016</u>	<u>231,630</u>	<u>17,386</u>	<u>409,770</u>
TOTAL EXPENDITURES	<u>3,147,084</u>	<u>2,698,697</u>	<u>448,387</u>	<u>2,939,801</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ --</u>	<u>443,060</u>	<u>443,060</u>	<u>719,172</u>

Note: Prepared on the budgetary basis which is modified accrual.

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Budget and Actual (NON-GAAP)
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2000)

	2001	2000
Reconciliation from budgetary basis (modified accrual) to full accrual:		
Revenues and other sources over (under) expenditures and other uses	\$ 443,060	\$ 719,172
Reconciling items:		
Capital outlays	18,365	181,595
Depreciation	(154,407)	(147,873)
Payment of debt principal	159,429	170,026
Lease purchase proceeds	--	(143,895)
Gain (loss) on disposal of fixed assets	(714)	(5,393)
(Increase) decrease in accrued vacation pay	(8,753)	13,846
Total reconciling items	13,920	68,306
Net income (loss)	\$ 456,980	\$ 787,478

Note: Prepared on the budgetary basis which is modified accrual.

AGENCY FUNDS

Agency Funds are used to account for assets held by the county as an agent for individuals and/or other governments.

Social Services Fund – This fund accounts for the Social Services Department for the benefit of certain individuals in the county.

Surety Bonds Fund – This fund accounts for moneys held by the county for bonds on subdivisions within the county as determined by the Planning and Inspections Department.

Vehicle Tax - Towns Fund – This fund accounts for the proceeds of the motor vehicle taxes that are collected by the county on behalf of the municipalities within the county.

Health Benefits Fund – This fund accounts for moneys collected by the county for the self-funded long-term disability insurance for county employees to pay administrative costs and claims.

Library Trust Fund – This fund is used to account for moneys donated by individuals to help finance the construction of the new public library.

WATAUGA COUNTY, NORTH CAROLINA
 Agency Funds
 Combining Balance Sheet
 June 30, 2001
 (With Comparative Totals for June 30, 2000)

		Social Services Fund	Surety Bonds Fund	Vehicle Tax-Towns Fund	Health Benefits Fund	Library Trust Fund	Totals	
							June 30 2001	June 30 2000
ASSETS:								
Cash and investments	\$	29,031	21,675	7,566	160,980	--	219,252	300,927
LIABILITIES:								
Accounts payable	\$	29,031	21,675	7,566	160,980	--	219,252	300,927

WATAUGA COUNTY, NORTH CAROLINA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Social Services:				
Assets:				
Cash and Investments	\$ 19,116	125,745	115,830	29,031
Liabilities:				
Accounts Payable	19,116	125,745	115,830	29,031
Surety Bond Funds:				
Assets:				
Cash and Investments	67,729	40,432	86,486	21,675
Liabilities:				
Accounts Payable	67,729	40,432	86,486	21,675
Health Benefits:				
Assets:				
Cash and Investments	148,446	12,534	--	160,980
Liabilities:				
Accounts Payable	148,446	12,534	--	160,980
Library Trust:				
Assets:				
Cash and Investments	54,830	17,933	72,763	0
Liabilities:				
Accounts Payable	54,830	17,933	72,763	0
Vehicle Tax-Towns:				
Assets:				
Cash and Investments	10,806	125,804	129,044	7,566
Liabilities:				
Accounts Payable	10,806	125,804	129,044	7,566
Total - All Agency Funds				
Assets:				
Cash and Investments	\$ 300,927	322,448	408,941	219,252
Liabilities:				
Accounts Payable	\$ 300,927	322,448	408,941	219,252

OTHER SCHEDULES

This section contains additional information required on property taxes, transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy – County-wide Levy
- Schedule of Ten Largest Taxpayers
- Analysis of Current Tax Levy – Fire Districts
- Schedule of Transfers
- Schedule of Cash and Investment Balances

Watauga County, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2001

Fiscal year:	Uncollected Balance June 30, 2000	Additions	Collections and Credits	Uncollected Balance June 30, 2001
2000 - 2001	\$ --	14,045,907	13,670,580	375,327
1999 - 2000	345,756	--	222,655	123,101
1998 - 1999	112,211	--	43,435	68,776
1997 - 1998	72,964	--	23,084	49,880
1996 - 1997	48,907	--	12,429	36,478
1995 - 1996	38,923	--	8,220	30,703
1994 - 1995	37,617	--	5,505	32,112
1993 - 1994	31,835	--	3,768	28,067
1992 - 1993	38,194	--	2,731	35,463
1991 - 1992	51,117	--	2,553	48,564
1990 - 1991	35,025	--	35,025	--
	<u>\$ 812,549</u>	<u>14,045,907</u>	<u>14,029,985</u>	<u>828,471</u>

Plus: uncollected 2000 - 2001 ad valorem taxes receivable on annually registered vehicles	82,641
Less: allowance for uncollectible accounts General Fund	<u>(380,036)</u>
Ad valorem taxes receivable - net General Fund	<u>\$ 531,076</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 14,080,416
Reconciling items:	
Advertising and interest collected	(89,000)
Taxes written off	<u>38,569</u>
Total reconciling items	<u>(50,431)</u>
Total collections and credits	<u>\$ 14,029,985</u>

WATAUGA COUNTY, NORTH CAROLINA
 Analysis of Current Tax Levy
 County-Wide Levy
 For the Fiscal Year Ended June 30, 2001

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 2,998,620,642	\$ 0.445	13,282,294	\$ 12,439,425	842,869
Motor vehicles taxes at prior year's rate	108,402,539	0.435	544,059	--	544,059
Penalties	--		4,683	4,683	--
Total	3,107,023,181		13,831,036	12,444,108	1,386,928
Discoveries:					
Current year taxes	52,202,825	0.445	245,636	245,636	--
Prior year taxes	--		34,777	34,777	--
Penalties	--		2,850	2,850	--
Total	52,202,825		283,263	283,263	--
Abatements:	(10,729,748)		(68,392)	(57,323)	(11,069)
Total property v	\$ 3,148,496,258				
Net levy			14,045,907	12,670,048	1,375,859
Uncollected taxes at June 30, 2001			375,327	244,692	130,635
Current year's taxes collected			\$ 13,670,580	12,425,356	1,245,224
Current levy collection Percentage			97.33%	98.07%	90.51%

WATAUGA COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
County-wide Levy
For the Fiscal Year Ended June 30, 2001

Statement 18-A

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio	100%
Real Property	\$ 2,669,637,660
Personal Property	434,604,163
Public Service Companies	<u>44,254,435</u>
Total Assessed Valuation	3,148,496,258
Tax Rate per \$100	0.445
Levy (includes discoveries, releases and abatements)	\$ <u><u>14,045,907</u></u>

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

Fire Protection Districts	\$ <u><u>678,550</u></u>
---------------------------	--------------------------

WATAUGA COUNTY, NORTH CAROLINA
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2001

Statement 18-B

Taxpayer	Type of Business	2001 Assessed Valuation	Percentage of Total Assessed Valuation
Spiritual Center of America	Resort/Real Estate	\$ 30,299,480	.96%
Blue Ridge Electric	Electric Utility	24,730,523	.76
Maharishi Spiritual Center of America	Resort/ Real Estate	18,630,300	.59
Bell South	Telephone Utility	15,777,783	.50
Frank Petersilie/PSI Heavenly Mtn. Resort, Inc.	Real Estate	13,026,370	.41
Beech Mtn. Resort	Resort	9,652,840	.31
Boone Mall	Resort/Real Estate	9,060,513	.29
David Kaplan	Shopping Center	7,705,600	.24
Walmart	Residential	6,911,600	.22
	Shopping Center	<u>6,785,100</u>	<u>.22</u>
		\$ <u>142,580,109</u>	<u>4.50%</u>

WATAUGA COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy
 Fire Districts
 For the Fiscal Year Ended June 30, 2001

	Beaver Dam Fire District	Blowing Rock Fire District	Boone Fire District	Cove Creek Fire District	Deep Gap Fire District	Foscoe Fire District	Meat Camp Fire District	Meat Camp/ Creston Fire District	Shawneehaw Fire District	Stewart Simmons Fire District	Todd Fire District	Zionville Fire District
Tax rate	<u>0.05</u>	<u>0.03</u>	<u>0.02</u>	<u>0.05</u>	<u>0.03</u>	<u>0.05</u>	<u>0.03</u>	<u>0.03</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>
Net levy	\$ 40,939	85,323	121,472	84,297	42,121	147,972	48,306	1,305	28,536	22,114	12,510	43,655
Uncollected taxes at June 30, 2001	<u>1,646</u>	<u>1,851</u>	<u>3,536</u>	<u>2,947</u>	<u>1,699</u>	<u>3,414</u>	<u>2,262</u>	<u>205</u>	<u>918</u>	<u>876</u>	<u>488</u>	<u>2,167</u>
Current year's taxes collected	\$ <u>39,293</u>	<u>83,472</u>	<u>117,936</u>	<u>81,350</u>	<u>40,422</u>	<u>144,558</u>	<u>46,044</u>	<u>1,100</u>	<u>27,618</u>	<u>21,238</u>	<u>12,022</u>	<u>41,488</u>
Current levy collection percentage	<u>95.98%</u>	<u>97.83%</u>	<u>97.09%</u>	<u>96.50%</u>	<u>95.97%</u>	<u>97.69%</u>	<u>95.32%</u>	<u>84.29%</u>	<u>96.78%</u>	<u>96.04%</u>	<u>96.10%</u>	<u>95.04%</u>

WATAUGA COUNTY, NORTH CAROLINA
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2001

Operating Transfers From/To other Funds:	Transfers	
	From	To
General Fund:		
Capital Reserve Fund	\$ 1,272,130	925,000
Solid Waste Fund		710,376
Revaluation Fund	76,946	
E-911 Telephone Surcharge Fund		78,430
Special Revenue Funds:		
Capital Reserve Fund		
General Fund	925,000	1,272,130
Revaluation Fund		76,946
General Fund		
E-911 Telephone Surcharge Fund	78,430	
Proprietary:		
Solid Waste		
General Fund	710,376	
Total operating transfers - other funds	\$ 3,062,882	3,062,882
Operating Transfers From/To Component Units:		
General Fund:		
Component units - discretely presented		
Watauga County Economic Development Commission	\$ 67,364	
AppalCART	52,500	
Component Units - discretely presented:		
Watauga County Economic Development Commission		
General Fund		67,364
AppalCART		
General Fund	52,500	
Total operating transfers - component units	\$ 119,864	119,864
Residual Equity Transfers From/To Other Funds		
General Fund:	\$	12,252
Capital Projects Funds:		
Parks and Recreation - High School Athletic Complex	12,252	
Total residual equity transfers	\$ 12,252	12,252

WATAUGA COUNTY, NORTH CAROLINA
 Schedule of Cash and Investment Balances
 June 30, 2001

	Cost	Market Value
Cash and investments in the form of:		
Cash:		
On hand	\$ 1,685	1,685
In demand deposits	15,538,494	15,538,494
Certificates of deposit	21,675	21,675
Total cash	15,561,854	15,561,854
Investments:		
N.C. Capital Management Trust	6,358,425	6,358,425
Total Cash and Investments	\$ 21,920,279	21,920,279

Distribution by funds:

General fund	\$ 12,047,128
Special revenue funds	
Fire districts	54,086
Revaluation fund	74,069
Capital Reserve	5,935,108
E-911 Telephone Surcharge	425,483
Substance Abuse Tax Fund	46,669
Capital projects fund	--
Fiduciary fund	219,252
Proprietary fund	3,118,484
Total	\$ 21,920,279

COMPLIANCE SECTION

HOLDER, COPELAND & ASSOCIATES, P. A.

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DORINDA POWELL, CPA

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

To the Board of County Commissioners
Watauga County, North Carolina

We have audited the general purpose financial statements of Watauga County, North Carolina, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 13, 2001. We did not audit the financial statements of AppalCART. Those financial statements were audited by another auditor 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 auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Watauga County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Holder, Copeland & Associates, P.A.

September 13, 2001

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DORINDA POWELL, CPA

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

To the Board of County Commissioners
Watauga County, North Carolina

Compliance

We have audited the compliance of Watauga County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2001. Watauga County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Watauga County's management. Our responsibility is to express an opinion on Watauga County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Watauga County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Watauga County's compliance with those requirements.

In our opinion, Watauga County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Holder, Copeland & Associates, P.A.

September 13, 2001

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DORINDA POWELL, CPA

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

To the Board of County Commissioners
Watauga County, North Carolina

Compliance

We have audited the compliance of Watauga County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2001. Watauga County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Watauga County's management. Our responsibility is to express an opinion on Watauga County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Watauga County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Watauga County's compliance with those requirements.

In our opinion, Watauga County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Holder, Copeland & Associates, P.A.

September 13, 2001

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2001

I. Summary of Auditor-s Results

- A. An unqualified opinion was issued on the financial statements of Watauga County.
- B. Our audit of the general purpose financial statements disclosed no reportable conditions in internal controls.
- C. Our audit of the general purpose financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the general purpose financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the County-s major programs disclosed no reportable conditions in internal controls over major programs.
- E. An unqualified opinion was issued on Watauga County-s compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on Watauga County-s compliance with the types of compliance requirements applicable to its major State programs.
- G. Major federal programs for Watauga County for the fiscal year ended June 30, 2001 are:

<u>Program Name</u>	<u>CFDA#</u>
Title XIX Medicaid	93.778
Food Stamp Program	10.551

- H. The only major State program for Watauga County is the Title XIX Medicaid program, which is a State match on the federal program. Therefore, this program has been included in the list of major federal programs above.
- I. The threshold for determining Type A programs for Watauga County is \$455,278.
- J. Watauga County qualified as a low risk auditee under Section .530 of Circular No. A-133.

II. Findings Related to the Audit of the General Purpose Financial Statements of Watauga County

There were no findings or questioned costs.

III. Findings and Questioned Costs Related to the Audit of Federal and State Awards

There were no findings or questioned costs.

WATAUGA COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2001

The prior year audit report disclosed no audit findings.

WATAUGA COUNTY, NORTH CAROLINA
 Schedule of Expenditures of Federal and State Awards
 For the Fiscal Year Ended June 30, 2001

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct & Pass- Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
U.S. Dept. of Agriculture					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Food Stamp Cluster:					
Food Stamp Program-Noncash	10.551		\$ 1,132,354	--	--
State Administrative Matching Grants for the Food Stamp Program	10.561		181,634	--	181,634
Total Food Stamp Cluster			<u>1,313,988</u>	--	<u>181,634</u>
Golden Leaf Grant			23,251	--	--
Passed-through the N.C. Dept. of Health and Human Services:					
Nutrition Program for the Elderly	10.570		27,099	--	--
Total U.S. Dept. of Agriculture			<u>1,364,338</u>	--	<u>181,364</u>
U.S. Dept. of Housing and Urban Development					
Passed-through the N.C. Dept. of Health and Human Services:					
Community Development Block Grant	14.228		317,262	--	--
Federal Emergency Management Agency					
Passed-through N.C. Dept. of Crime Control and Public Safety					
Emergency Management-State and Local Assistance	85.534		12,378	--	119,871
U.S. Dept. of Health & Human Services					
Administration on Aging					
Aging Cluster:					
Passed-through Region D Council of Governments					
Special Programs for the Aging - Title III F					
Disease Prevention and Health Promotion Services	93.043		2,904	171	342
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		23,619	43,785	7,489
Special Programs for the Aging - Title III C					
Nutritional Services	93.045		37,424	56,742	10,463
Senior Center			--	15,160	330
Social Services Block Grant (SSBG)					
In-home Services	93.667		15,857	35,478	5,704
Total Aging Cluster			<u>79,804</u>	<u>151,336</u>	<u>24,328</u>
Administration for Children and Families					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Temporary Assistance for Needy Families					
Administration	93.558		209,546	--	164,811
Direct Benefit Payments	93.558		136,561	--	--
Refugee and Entrant Assistance					
Cash and Medical Payments	93.566		1,134	--	--
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		70,867	--	--
Direct Benefit Payments	93.568		44,651	--	--
Childcare Development Fund-Administration	93.596		60,000	--	--

WATAUGA COUNTY, NORTH CAROLINA
 Schedule of Expenditures of Federal and State Awards
 For the Fiscal Year Ended June 30, 2001

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Local Expenditures
U.S. Dept. of Health & Human Services (cont.)					
Child Welfare Services	93.645		10,391	3,464	--
Child Welfare Services:					
Adoption Subsidy - Direct Benefit Payments	93.645		--	7,846	2,615
Title IV-E Foster Care	93.658		143,565	13,118	130,450
Foster Care - Direct Benefit Payments	93.658		125,467	12,477	62,884
Adoption Assistance - Direct Benefit Payments	93.659		81,138	24,435	24,435
Social Services Block Grant	93.667		149,584	25,446	52,074
DCD Smart Start			--	34,500	--
Division of Child Development:					
Subsidized Child Care Cluster:					
Child Care and Development					
Fund - - Discretionary	93.575		148,923	--	--
Child Care and Development					
Fund - - Mandatory	93.596		95,012	--	--
Child Care and Development					
Fund - - Match	93.596		55,488	5,706	--
Social Services Block Grant	93.667		4,590	--	--
TANF	93.558		46,358	--	--
Smart Start			--	195,894	--
TANF - Maintenance of Effort			--	58,267	--
Total Subsidized Child Care Cluster			<u>350,371</u>	<u>259,867</u>	<u>--</u>
Health Care Financing Administration					
Passed-through the N.C. Dept. of Health and					
Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778		11,976,806	6,135,918	1,037,997
Division of Social Services:					
Medical Assistance Program					
Administration	93.778		341,131	48,491	272,116
Health Choice	93.767		18,206	--	3,457
Total U.S. Department of Health & Human Services			<u>13,799,222</u>	<u>6,719,927</u>	<u>1,775,167</u>
Total Federal Awards			<u>15,493,200</u>	<u>6,719,927</u>	<u>2,076,672</u>
State Awards:					
N.C. Dept. of Health and Human Services					
Division of Social Services					
State/County Special Assistance for Adults-					
Direct Benefit Payments			--	159,945	159,945
State Foster Care Benefits Program			--	6,749	6,749
Program Integrity			--	1,597	--
State Aid to Counties			--	24,513	--
State Adult Protective Service			--	25,165	--
Total N.C. Dept. of Health and Human Services			<u>--</u>	<u>217,969</u>	<u>166,694</u>
N.C. Dept. of Crime Control and Public Safety					
Reaching Adolescent Program		095-1-99-013-D-378	--	89,079	29,693
Restorative Justice Project		095-1-98-007-K036	--	25,598	8,532
Total N.C. Dept. of Crime Control			<u>--</u>	<u>114,677</u>	<u>38,225</u>

For the Fiscal Year Ended June 30, 2001

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Local Expenditures
Office of the Governor					
Public School Building Capital Fund			--	55,744	18,568
Office of Juvenile Justice Community Programs			--	115,264	31,312
Total Office of the Governor			--	171,008	49,880
N.C. Dept. of Public Instruction					
Public School Bond Fund			--	170,188	--
Very Special Arts Program			--	750	--
Total N.C. Dept. of Public Instruction			--	170,938	--
N.C. Dept. of Transportation					
Workfirst/Employment Transportation Operating Assistance			--	3,922	--
Elderly and Disabled Transportation Assistance Program (E&DTAP)			--	39,889	--
Rural Operating Assistance Program			--	17,708	--
Total N.C. Dept. of Transportation			--	61,519	--
N.C. Dept. of Environment, Health, and Natural Resources					
421 Stream Mitigation			--	2,152	--
Soil Conservation Assistance			--	4,000	35,723
Soil Conservation Cost Sharing			--	17,368	17,368
Division of Waste Management Scrap Tire Disposal Grant			--	24,031	--
White Goods Grant			--	3,783	--
Total N.C. Dept. of Environment, Health, and Natural Resources			--	51,334	53,091
N.C. Dept. of Corrections					
Criminal Justice Partnership Program		95-0799-I-A	--	61,209	--
N.C. Division of Veteran's Affairs Veteran's Service Program			--	2,000	87,644
Total State awards			--	850,654	395,534
Total federal and State awards			\$ 15,493,200	7,570,581	2,472,206

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Watauga County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the county's general purpose financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. Subrecipients

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

Program Title	CFDA Number	Federal Expenditures	State Expenditures
Food Stamp Program-noncash	10.551	\$ 1,132,354	--
Temporary Assistance for Needy Families	93.558	136,561	--
Medical Assistance Program	93.778	11,976,806	6,135,918