

WATAUGA COUNTY, NORTH CAROLINA

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2002 & 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
Kelvin Byrd	Zionville, North Carolina	Tax Administrator
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

FINANCIAL SECTION

HOLDER, COPELAND & ASSOCIATES, P. A.

BRYCE HOLDER, CPA
LUKE COPELAND, CPA

PO Box 1908 or 820-F State Farm Road
Boone, North Carolina, 28607

Phone: 828-264-3595
Or: 800-456-3595

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, 2002, 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, 2002, 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 19, 2002 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 19, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

WATAUGA COUNTY, NORTH CAROLINA
 Combined Balance Sheet - All Fund Types and Account Groups
 and Discretely Presented Component Units
 June 30, 2002

	Governmental Fund Types					Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	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	\$ 12,423,497	6,174,440	248,707	3,424,616	219,674	--	--	--	22,490,934	1,049	366,319	
Receivables (net):												
Taxes	609,165	47,008	--	--	--	--	--	--	656,173	--	--	
Accounts	2,492,452	29,067	14	209,685	--	--	--	--	2,731,218	--	83,954	
Tax refunds	96,439	--	--	--	--	--	--	--	96,439	--	--	
Due from other funds	--	--	--	--	--	--	--	--	--	--	--	
Other assets	214,184	10,037	--	--	--	--	--	--	224,221	--	85,366	
Fixed assets	--	--	--	2,712,062	--	31,698,199	--	--	34,410,261	--	562,887	
OTHER DEBITS:												
Amts. avail. for ret. of debt	--	--	--	--	--	--	--	20,628	20,628	--	--	
Provision for ret. of L/T debt	--	--	--	--	--	--	--	20,856,592	20,856,592	--	--	
TOTAL ASSETS AND OTHER DEBITS	\$ 15,835,737	6,260,552	248,721	6,346,363	219,674	31,698,199	20,877,220	81,486,466	1,049	1,098,526		
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$ 1,071,741	16,211	--	197,025	219,674	--	--	--	1,504,651	--	2,455	
Other liabilities	--	--	--	--	--	--	--	--	--	--	--	
Due to other funds	--	--	--	--	--	--	--	--	--	--	--	
Deferred revenue	792,257	57,120	--	114,959	--	--	--	--	964,336	--	18,819	
General obligation bonds payable-current	--	--	--	--	--	--	296,200	296,200	--	--	--	
Compensated absences payable	--	--	--	33,601	--	--	564,201	597,802	--	--	40,675	
General obligation bonds payable	--	--	--	--	--	--	16,715,000	16,715,000	--	--	--	
Installment purchase payable	--	--	--	147,878	--	--	3,301,819	3,449,697	--	--	--	
TOTAL LIABILITIES	1,863,998	73,331	--	493,463	219,674	--	20,877,220	23,527,686	--	61,949		
EQUITY AND OTHER CREDITS:												
Contributed Capital	--	--	--	954,967	--	--	--	954,967	--	--	2,485,741	
Investment in fixed assets	--	--	--	--	--	31,698,199	--	31,698,199	--	--	--	
Retained Earnings <deficit>, unreserved	--	--	--	4,897,933	--	--	--	4,897,933	--	--	(1,449,164)	
Fund balances:												
Reserved by state statute	2,588,891	29,067	--	--	--	--	--	2,617,958	--	--	--	
Reserved for encumbrances	3,753,839	11,758	--	--	--	--	--	3,765,597	--	--	--	
Reserved for LEO spec.sep.all.	85,840	--	--	--	--	--	--	85,840	--	--	--	
Reserved for register of deeds	23,100	--	--	--	--	--	--	23,100	--	--	--	
Desig. for subseq.years exp.	344,959	6,146,396	248,721	--	--	--	--	6,740,076	--	--	--	
Undesignated	7,175,110	--	--	--	--	--	--	7,175,110	1,049	--	--	
TOTAL EQUITY AND OTHER CREDITS	13,971,739	6,187,221	248,721	5,852,900	--	31,698,199	--	57,958,780	1,049	1,036,577		
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 15,835,737	6,260,552	248,721	6,346,363	219,674	31,698,199	20,877,220	81,486,466	1,049	1,098,526		

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, 2002

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>	<u>Component Unit</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Primary Government</u>	<u>Watauga County EDC</u>
REVENUES:					
Ad valorem taxes	\$ 14,886,651	714,792	--	15,601,443	--
Local Option Sales Taxes	8,020,817	--	--	8,020,817	--
Other taxes	894,376	--	--	894,376	--
Unrestricted intergovernmental	175,621	--	--	175,621	8,893
Restricted intergovernmental	4,607,461	181,032	250,000	5,038,493	--
Permits and fees	650,930	280,696	--	931,626	--
Sales and service	976,785	--	--	976,785	--
Investment earnings	366,601	149,915	--	516,516	--
Miscellaneous	653,137	--	--	653,137	--
Donations	--	--	--	--	--
TOTAL REVENUES	31,232,379	1,326,435	250,000	32,808,814	8,893
EXPENDITURES:					
Current:					
General government	6,334,454	--	--	6,334,454	--
Public safety	4,426,427	915,256	--	5,341,683	--
Economic and physical development	639,272	56,966	--	696,238	62,347
Human services	6,735,376	--	--	6,735,376	--
Cultural and recreational	1,092,358	--	--	1,092,358	--
Intergovernmental:					
Education	8,946,269	--	--	8,946,269	--
Debt Service:					
Principal retirement	1,805,957	--	--	1,805,957	--
Interest and fees	1,065,585	--	--	1,065,585	--
Capital projects	--	--	416,279	416,279	--
TOTAL EXPENDITURES	31,045,698	972,222	416,279	32,434,199	62,347
REVENUES OVER (UNDER) EXPENDITURES	186,681	354,213	(166,279)	374,615	(53,454)
OTHER FINANCING SOURCES (USES)					
Proceeds from refunding debt	6,425,000	--	--	6,425,000	--
Operating transfers to component units	(107,529)	--	--	(107,529)	--
Operating transfers from primary government	--	--	--	--	53,454
Transfers (to) from other funds	(869,628)	(675,130)	415,000	(1,129,758)	--
Payment to refunding debt escrow agent	(5,790,000)	--	--	(5,790,000)	--
TOTAL OTHER FINANCING SOURCES (USES)	(342,157)	(675,130)	415,000	(602,287)	53,454
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(155,476)	(320,917)	248,721	(227,672)	--
FUND BALANCE AT BEGINNING OF YEAR	14,127,215	6,508,138	--	20,635,353	1,049
FUND BALANCE AT END OF YEAR	\$ 13,971,739	6,187,221	248,721	20,407,681	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, 2002

	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	\$ 14,496,298	14,886,651	390,353	724,768	714,792	(9,976)	--	--	--
Local option sales tax	8,264,169	8,020,817	(243,352)	--	--	--	--	--	--
Other taxes	854,500	894,376	39,876	--	--	--	--	--	--
Unrestricted intergovernmental	336,632	175,621	(161,011)	--	--	--	8,893	8,893	--
Restricted intergovernmental	5,388,981	4,607,461	(781,520)	101,637	181,032	79,395	--	--	--
Permits and fees	485,110	650,930	165,820	210,374	280,696	70,322	--	--	--
Sales and service	459,043	976,785	517,742	--	--	--	--	--	--
Investment earnings	471,509	366,601	(104,908)	5,000	149,915	144,915	--	--	--
Miscellaneous	199,256	653,137	453,881	--	--	--	--	--	--
Donations	--	--	--	--	--	--	--	--	--
TOTAL REVENUES	30,955,498	31,232,379	276,881	1,041,779	1,326,435	284,656	8,893	8,893	--
EXPENDITURES:									
Current:									
General government	10,136,840	6,334,454	3,802,386	--	--	--	--	--	--
Public safety	4,656,185	4,426,427	229,758	1,022,634	915,256	107,378	--	--	--
Economic and physical development	690,282	639,272	51,010	--	56,966	(56,966)	62,347	62,347	--
Human services	7,468,478	6,735,376	733,102	--	--	--	--	--	--
Cultural and recreational	1,147,783	1,092,358	55,425	--	--	--	--	--	--
Intergovernmental:									
Education	9,809,709	8,946,269	863,440	--	--	--	--	--	--
Debt Service									
Principal Retirement	1,786,023	1,805,957	(19,934)	--	--	--	--	--	--
Interest and fees	1,099,595	1,065,585	34,010	--	--	--	--	--	--
Capital projects	--	--	--	725,000	--	725,000	--	--	--
TOTAL EXPENDITURES	36,794,895	31,045,698	5,749,197	1,747,634	972,222	775,412	62,347	62,347	--
REVENUES OVER (UNDER) EXPENDITURES	(5,839,397)	186,681	6,026,078	(705,855)	354,213	1,060,068	(53,454)	(53,454)	--
OTHER FINANCING SOURCES (USES)									
Proceeds from refunding debt	6,425,000	6,425,000	--	--	--	--	--	--	--
Operating transfers to component units	(109,040)	(107,529)	1,511	--	--	--	53,454	53,454	--
Operating transfers from primary government	--	--	--	--	--	--	--	--	--
Transfers (to) from other funds	859,686	(869,628)	(1,729,314)	(2,404,445)	(675,130)	1,729,315	--	--	--
Payment to refunding debt escrow agent	(5,790,000)	(5,790,000)	--	--	--	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	1,385,646	(342,157)	(1,727,803)	(2,404,445)	(675,130)	1,729,315	53,454	53,454	--
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ (4,453,751)	(155,476)	(4,298,275)	(3,110,300)	(320,917)	2,789,383	--	--	--
APPROPRIATED FUND BALANCE	4,453,751	--	4,453,751	3,110,300	--	3,110,300	--	--	--
REVENUES, OTHER SOURCES AND, APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES & OTHER USES	--	(155,476)	(155,476)	--	(320,917)	(320,917)	--	--	--
FUND BALANCE AT BEGINNING OF YEAR		14,127,215			6,508,138			1,049	
FUND BALANCE AT END OF YEAR	\$	13,971,739			6,187,221			1,049	

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, 2002

	Primary Government <u>Enterprise Fund</u>	Component Unit <u>AppalCART</u>
OPERATING REVENUES:		
Landfill revenues	\$ 2,395,607	--
Miscellaneous	--	12,435
Farebox and local route revenues	--	652,300
Garage service revenues	--	4,991
Elderly/handicapped revenue	--	36,329
	<u>2,395,607</u>	<u>706,055</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Administration	--	261,538
Operating	--	1,133,279
Education	--	1,499
Landfill operations	2,487,681	--
Depreciation	134,583	284,300
	<u>2,622,264</u>	<u>1,680,616</u>
TOTAL OPERATING EXPENSES		
OPERATING LOSS	<u>(226,657)</u>	<u>(974,561)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest earned on investments	71,434	6,526
Gain (loss) on disposition of fixed assets	10,001	3,626
Interest on long-term debt	(29,529)	--
Section 18 grant revenues	--	678,713
Miscellaneous revenue	--	--
Restricted intergovernmental revenues	3,500	--
	<u>55,406</u>	<u>688,865</u>
NET NONOPERATING REVENUE (EXPENSE)		
LOSS BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	<u>(171,251)</u>	<u>(285,696)</u>
Capital Contributions	--	178,193
Operating transfers from other funds	1,129,758	--
Operating transfers from primary government	--	54,075
	<u>1,129,758</u>	<u>232,268</u>
TOTAL OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS		
NET INCOME (LOSS)	958,507	(53,428)
RETAINED EARNINGS (DEFICIT) - July 1	<u>3,939,426</u>	<u>(1,395,736)</u>
RETAINED EARNINGS (DEFICIT) - June 30	<u>\$ 4,897,933</u>	<u>(1,449,164)</u>

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, 2002

	Primary Government <u>Enterprise Fund</u>	Component Unit <u>AppalCART</u>
Cash flows from operating activities:		
Cash received from customers and grants	\$ 2,412,256	677,340
Cash paid for goods and services	(1,844,476)	(1,158,628)
Cash paid to employees for services	<u>(600,677)</u>	<u>(261,538)</u>
Net cash used by operating activities	<u>(32,897)</u>	<u>(742,826)</u>
Cash flows from noncapital financing activities:		
Operating transfers from other funds	1,129,758	--
Operating transfers from primary government	--	54,075
Section 18 grant revenues	--	678,713
Miscellaneous non-operating revenues	<u>3,500</u>	<u>--</u>
Net cash provided by noncapital financing activities	<u>1,133,258</u>	<u>732,788</u>
Cash flows from capital and related financing activities:		
Proceeds of lease purchase	147,261	--
Proceeds on disposition of assets	10,001	3,626
Principal paid on long-term debt	(781,331)	--
Interest paid on long-term debt	(29,529)	--
Acquisition of capital assets	(212,065)	(183,401)
Capital Grant Revenues	<u>--</u>	<u>178,193</u>
Net cash used by capital & related financing activities	<u>(865,663)</u>	<u>(1,582)</u>
Cash flows from investing activities:		
Interest earned on investments	<u>71,434</u>	<u>6,526</u>
Net increase (decrease) in cash and cash equivalents	306,132	(5,094)
Cash and cash equivalents - July 1	<u>3,118,484</u>	<u>371,413</u>
Cash and cash equivalents - June 30	<u>\$ 3,424,616</u>	<u>366,319</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss)	\$ (226,657)	(974,561)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	134,583	284,300
(Increase) decrease in accounts receivable	6,249	(28,715)
Increase (decrease) in accrued vacation	388	1,642
Increase (decrease) in accounts payable	42,140	(23,074)
(Increase) decrease in inventories	--	(2,418)
Increase (decrease) in deferred revenues	10,400	--
Decrease in prepaid expenses	<u>--</u>	<u>--</u>
Total adjustments	<u>193,760</u>	<u>231,735</u>
Net cash used by operating activities:	<u>\$ (32,897)</u>	<u>(742,826)</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, 2002

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, 2002

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
208 Howard Street, 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 Brookshire Park Capital Project Fund.

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 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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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 four 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 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.

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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2002

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

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 2001 through February 2002 apply to the fiscal year ended June 30, 2002. 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, 2002 because they are intended to finance the County's operations during the 2003 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, 2002

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.

E. Assets, Liabilities and Fund Equity:

1. Deposits and Investments

All deposits of the County, AppalCART and Watauga County Economic Development

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2002

Note 1 - Commission are made in Board-designated official depositories and are secured as Summary of Significant Accounting Policies (continued):

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 (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at 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.

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

of cost or market on a last-in, last-out basis.

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

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

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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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 register of deeds - portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the register of deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds office.

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

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2002 - 2003 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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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, 2002 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.

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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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.

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, 2002, the County's deposits had a carrying amount of \$14,892,238 and a bank balance of \$15,661,250. Of the bank balance, \$436,361 was covered by federal depository insurance, and \$37,163 in non-interest bearing deposits and \$15,187,726 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2002, Watauga County had \$1,710 cash on hand.

At June 30, 2002, 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, 2002, the carrying amount of deposits for AppalCART was \$41,237 and the bank balance was \$76,566. All of the bank balance was covered by federal depository insurance and \$0 covered by collateral held under the Pooling method.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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, 2002, the County's investments consisted of \$7,596,986 in the North Carolina Capital Management Trust's Cash Portfolio.

At June 30, 2002, AppalCART's investments consisted of \$324,882 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.

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>
1999	\$ 313,135	88,461	401,596
2000	292,183	56,245	348,428
2001	298,150	30,560	328,710
2002	296,899	--	296,899
Total	<u>\$1,200,367</u>	<u>175,266</u>	<u>1,375,633</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>06/30/02</u>
General Fund:	
Property taxes	\$ 364,769
Special Revenue Fund	
Property taxes	<u>5,713</u>
Total	\$ <u>370,482</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2002</u>
Land	\$ 2,153,498	279,766	158,265	--	2,274,999
Buildings	23,333,302	202,401	356,432	11,722	23,190,993
Equipment	3,975,628	374,240	293,675	2,900	4,059,093
Leasehold improvements	36,953	2,044	--	--	38,997
Construction in progress	<u>92,214</u>	<u>2,056,525</u>	<u>--</u>	<u><14,622></u>	<u>2,134,117</u>
Total	\$ <u>29,591,595</u>	<u>2,914,976</u>	<u>808,372</u>	<u>--</u>	<u>31,698,199</u>

By function:

	<u>Balance</u>				<u>Balance</u>
	<u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2002</u>
General government	\$ 6,675,808	631,259	793,494	42,490	6,556,063
Public safety	2,898,177	205,071	14,878	<14,314>	3,074,056
Environmental protection	34,323	1,632	--	--	35,955
Human service	13,829,239	3,045	--	<10,778>	13,821,506
Economic and physical development	435,094	4,732	--	<2,776>	437,050
Cultural and recreational	2,492,611	12,712	--	--	2,505,323
Education	3,134,129	--	--	--	3,134,129
Construction in progress	<u>92,214</u>	<u>2,056,525</u>	<u>--</u>	<u><14,622></u>	<u>2,134,117</u>
Total	\$ <u>29,591,595</u>	<u>2,914,976</u>	<u>808,372</u>	<u>--</u>	<u>31,698,199</u>

Reconciliation of additions:

Capital outlay expenditures	\$ 2,487,290
Special Revenue - public safety	9,656
Capital Project - capital outlay	<u>418,030</u>
	<u>\$ 2,914,976</u>

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

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2002</u>
Equipment	\$ <u>11,137</u>	<u>--</u>	<u><11,137></u>	\$ <u>--</u>

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

6. Summary of Proprietary Fund Fixed Assets

The fixed assets for the proprietary fund of the County at June 30, 2002 are as follows:

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building	\$ 877,367	169,189	708,178
Land and land improvements	1,540,108	93,356	1,446,752
Leasehold improvements	298,185	154,437	143,748
Equipment	1,118,707	943,332	175,375
Furniture and fixtures	157	143	14
Vehicles	<u>801,882</u>	<u>563,887</u>	<u>237,995</u>
Total	\$ <u>4,636,406</u>	<u>1,924,344</u>	<u>2,712,062</u>

The following is a summary of proprietary fund type fixed assets for AppalCART at June 30, 2002:

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office furniture and equipment	\$ 121,712	83,572	38,140
Shop equipment	147,492	121,975	25,517
Vehicles	2,199,513	1,764,389	435,124
Land improvement	<u>144,780</u>	<u>80,674</u>	<u>64,106</u>
Total	\$ <u>2,613,497</u>	<u>2,050,610</u>	<u>562,887</u>

B. 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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Watauga County are

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

established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2002, 2001, and 2000 were \$715,183, \$653,821, and \$610,258, respectively. The contributions made by the County equaled the required contributions for each year.

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, 2001, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>27</u>
Total	<u>30</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, 2001 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, 2001 was 29 years.

3 Year Trend Information

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net End of Year Obligation</u>
06/30/02	\$24,192	115.23%	\$ <15,139>
06/30/01	15,422	104.91	<11,455>
06/30/00	15,284	122.60	<10,697>

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, 2002 were \$49,950, which consisted of \$45,123 from the County and \$4,827 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, 2002, the County's required and actual contributions were \$17,805.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

f. Other Postemployment Benefits - Watauga County

1. Death Benefits

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, 2002, the County made contributions to the State for death benefits of \$1,264. 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.

2. Health Benefits

The County has elected to allow retiring employees to extend their health insurance coverage up to the time when they become eligible for Medicare coverage. This policy came into effect September 1, 2001. For employees retiring with a minimum of 10 years of service under the Local Government Retirement System with at least the last 5 years with the County, the employee may extend his/her health insurance coverage, but is fully responsible for the premium. With a minimum of 20 years of service, the employee can maintain the health insurance coverage, and the County will pay the lesser of \$300 or 75% of the monthly premium. With a minimum of 25 years of service, the employee can maintain coverage, and the County will pay the lesser of \$400 or 100% of the monthly premium. If the employee chooses to make this election, it must be made before the employee's actual retirement date. The employee is expected to enroll for Medicare when eligible, and has the option to remain with the health insurance plan for 30 days after becoming eligible for Medicare.

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.

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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, 2002 amounted to \$60,250.

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	\$183,093	--	609,164	--	792,257
Enterprise Fund	--	2,192	--	112,767	114,959
Fire Districts Fund	<u>10,112</u>	<u>--</u>	<u>47,008</u>	<u>--</u>	<u>57,120</u>
Total	<u>\$193,205</u>	<u>2,192</u>	<u>656,172</u>	<u>112,767</u>	<u>964,336</u>

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

	<u>2002</u>
Z. Smith Reynolds Grant	\$ 18,819

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 has commitments of approximately \$250,000 for park construction and \$2,800,000 in building construction. These projects are being funded mainly by grants, debt proceeds, and appropriations from fund balances.

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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.

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

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

At June 30, 2002, the County was a defendant in various lawsuits. One of these lawsuits is a tax exemption appeal for the year 1999. The taxpayer contends that some of its properties should be exempt from taxation as educational properties. In December 2000, the Property Tax Commission unanimously ruled that the taxpayer was not entitled to the exemption; however, in August 2002, the North Carolina Court of Appeals reversed the Property Tax Commission, by a vote of 2 to 1.

Due to the dissent, the County has filed a notice of appeal with the North Carolina Supreme Court. If the Court of Appeal's decision is upheld by the Supreme Court, the 1999 tax year will likely become precedent for subsequent years, therefore most or all of the property taxes paid for the 1999 thru 2001 years (approximately \$237,000 per year) will have to be refunded, including interest as required by law. The County's attorneys have not expressed an opinion on the likely outcome of this appeal.

In regards to the other lawsuits in which the County was a defendant, the attorney also expresses no opinion on the outcome of the litigations, and the amount of damages sought by the plaintiffs has not been determined. The County plans to vigorously contest these litigations.

6. Long-Term Obligations

a. Capital Leases

The County had no capital lease agreements.

b. Installment Purchase

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

various property acquisitions in the current and 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 executed an installment purchase on November 14, 2001, for the acquisition of a 2002 Freightliner Refuse Truck. This installment purchase is serviced by the Solid Waste Fund, and requires twelve quarterly payments of \$13,065 which includes interest at 3.91% compounded quarterly.

Note 3-

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

The County has another 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.

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, 2002, including \$774,254 in interest, are as follows:

Year Ending June 30	General Long-Term Debt	Solid Waste Fund
2003	\$ 494,148	76,661
2004	494,148	52,262
2005	494,148	26,131
2006	494,148	--
2007	494,148	--
Next 5 years	<u>1,605,333</u>	<u>--</u>
Total	<u>\$4,076,073</u>	<u>155,054</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, 2002 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 semi-annual installments through June 1, 2003; interest at 8.22%	\$ 296,200
\$7,500,000 1993 School Facility Serial Bonds due in semi-annual installments through June 1, 2014; interest at 4.40%	\$ 4,500,000

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

\$9,400,000 1994 School Facility Serial
Bonds due in semi-annual installments
through June 1, 2003; interest at
5.70% - 5.90% \$ 950,000

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

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

\$6,425,000 2001 General Obligation
Bonds Refunding due in semi-annual
installments through June 1, 2015;
interest at 3.00% to 4.25% \$ 6,265,000

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% \$ --

Total \$ 17,011,200

Annual debt service requirements to maturity for the County's general obligation bonds, including interest of \$5,199,153 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>General Long-Term</u> <u>Debt Account Group</u>
2002	\$ 2,432,693
2003	2,045,445
2004	1,978,745
2005	1,910,345
2006	1,841,775
Next 5 years	8,102,825
Thereafter	<u>3,898,525</u>
Total	\$ <u><u>22,210,353</u></u>

At June 30, 2002 Watauga County had a legal debt margin of \$247,290,061.

d. Advance Refunding Bonds

In December 2001, the County issued \$6,425,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed into an irrevocable trust for the purpose of generating resources for all future debt service payments on \$5,900,000 of refunded debt. The refunded debt consists of \$5,265,000 1994 School Facility Serial Bonds (partially refunded for maturities in the years 2004-2015) and \$635,000 1991 Solid Waste Disposal Bonds (completely refunded).

As a result, the refunded bonds are considered to be defeased and the liability has been removed from the General Long-Term Debt Account Group and the Solid Waste Fund. The amount of defeased debt, which remains outstanding as of June 30, 2002, is \$5,125,000. This advance refunding was undertaken to reduce total

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

debt service payments over the following 13 years by \$282,135 and resulted in an economic gain of \$231,604.

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

e. 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, 2002.

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
By type:				
General obligation debt \$	17,338,200	6,425,000	6,752,000	17,011,200
Installment purchase contracts	3,620,776	--	318,957	3,301,819
Compensated absences	542,872	486,122	464,793	564,201
Total	\$ 21,501,848	6,911,122	7,535,750	20,877,220

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
By purpose:				
Hospital	\$ 563,200	--	267,000	296,200
Schools	16,775,000	--	6,325,000	10,450,000
Refunding	--	6,425,000	160,000	6,265,000
Building and land	3,620,776	--	318,957	3,301,819
Compensated absences	542,872	486,122	464,793	564,201
Total	\$ 21,501,848	6,911,122	7,535,750	20,877,220

C. 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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

no equity interest has been reflected in the financial statements at June 30, 2002. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$324,450 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.

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, 2002.

In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$438,578 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, 2002. 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 \$258,975 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 \$833,127 for the fiscal year ended June 30, 2002.

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

Local Government Sales and Use Taxes:

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2002

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, 2002 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.

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 \$3,645,557 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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

applicable fraction is five sixty-ninths (5/69) of the net collections of corporate taxes.

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, 2002, the balance of the County's ADM allocation account was \$7,342.

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

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 \$350,323 from the State for the roof replacement at Hardin Park 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, 2002, the County's disbursing account had a balance of \$737,343.

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, 2002, 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	\$ 110,903	--
Medicaid	12,805,064	6,793,225
Food Stamp Program	1,375,760	--
Low Income Home Energy Assistance		

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

Block Grant	44,781	--
Child - Welfare - Adoption Subsidy	--	7,684
Foster Care	75,063	8,974
Adoption Assistance	79,321	24,720

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

WATAUGA COUNTY, NORTH CAROLINA

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

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

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

Actuarial Valuation Date	Actuarial Value of Reserved Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/96	\$ 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
12/31/2001	75,840	282,522	206,682	26.84	832,870	24.82

* 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	%
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	
2001	27,067	36.95	

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	12/31/01
Actuarial cost method	Project unit created
Amortization method	Level percent of pay closed
Remaining amortization period	29 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

WATAUGA COUNTY, NORTH CAROLINA
 General Fund
 Comparative Balance Sheets
 June 30, 2002 and 2001

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
ASSETS :		
Cash and equivalents	\$ 12,423,497	12,047,128
Taxes receivable	609,165	531,076
Accounts receivable	2,492,452	2,504,602
Tax refunds receivable	96,439	64,127
Due from other funds	--	60,425
Other assets	<u>214,184</u>	<u>264,567</u>
TOTAL ASSETS	\$ <u>15,835,737</u>	<u>15,471,925</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Accounts payable	\$ 1,071,741	629,594
Deferred revenue	<u>792,257</u>	<u>715,116</u>
TOTAL LIABILITIES	<u>1,863,998</u>	<u>1,344,710</u>
FUND BALANCES:		
Reserved by state statute	2,588,891	2,894,261
Reserved for encumbrances	3,753,839	670,494
Reserved for LEO special separation allowance	85,840	75,840
Reserved for register of deeds	23,100	--
Designated for subsequent years expenditures	344,959	3,451,396
Undesignated	<u>7,175,110</u>	<u>7,035,224</u>
TOTAL FUND BALANCES	<u>13,971,739</u>	<u>14,127,215</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>15,835,737</u>	<u>15,471,925</u>

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
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE -- BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	2002		2001
	Budget	Actual	Variance
			Actual
Revenues:			
Taxes - ad valorem:			
Current year	\$	14,472,625	13,670,580
Prior years		327,558	320,836
Advertising and interest		86,468	89,000
Total Taxes - ad valorem	14,496,298	14,886,651	390,353
Local Option Sales Taxes:			
Article 39 one percent		4,694,874	4,384,426
Article 40 one-half of one percent		1,665,843	1,694,875
Article 41 one-half of one percent		1,660,100	1,680,437
Total Taxes - Local Option Sales	8,264,169	8,020,817	(243,352)
Taxes - other:			
Intangibles - current year		--	--
Intangibles - prior year		386,851	--
Real estate transfer tax		330,306	305,781
Animal tax		1,221	1,507
ABC - .05/bottle		15,170	15,177
Gross receipts tax - county		29,083	24,798
Other		131,745	102,241
Total Taxes - other	854,500	894,376	39,876
Unrestricted intergov. rev.:			
Payments in lieu of taxes		10,723	7,483
50% revenue loss - homestead		--	29,195
80% Retail/Wholesale Reimb.		75,025	148,597
Manufacturer's Invent. Reimb.		31,016	62,032
Food Stamp Pur. Tax Reimb.		22,845	22,839
Inventory Tax Reimb.		36,012	70,928
Total Unrestricted intergov. rev.	336,632	175,621	(161,011)
Restricted intergov. revenues:			
Grants-Federal & State		4,295,818	3,960,408
Public School Facility Funds		202,139	55,704
POA-Town of Boone		6,000	6,000
Court facilities fees		103,504	100,745
Total Restricted intergov. revenues	5,388,981	4,607,461	(781,520)

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	2002		Variance	2001
	Budget	Actual		Actual
Permits and fees:				
Gun permits		10,200		10,525
Serving civil summons		14,543		15,023
Jail and officer fees		46,910		38,593
Drug fees awarded by court		1,499		4,258
Planning and inspection fees		207,702		213,127
Marriage license		8,298		8,160
Register of deeds fees		359,289		247,533
Fire inspection fees		2,489		4,260
Total Permits and fees	485,110	650,930	165,820	541,479
Sales and service:				
Land sales		--		--
POA income svc. - soc. serv.		16,636		14,043
Recreation department revenues		331,972		321,036
Sales of tax maps		1,046		1,067
Data processing fees		744		1,222
Rich Mtn. antenna rental		2,400		2,500
Copy revenue		16,567		16,309
Tax collection fees-Towns		58,230		53,616
Jail medical service		4,894		2,046
Other		544,296		41,490
Total Sales and service	459,043	976,785	517,742	453,329
Investment earnings:				
Interest earned on investments	471,509	366,601	(104,908)	919,945
Miscellaneous:				
	199,256	653,137	453,881	524,906
TOTAL REVENUES	30,955,498	31,232,379	276,881	29,193,248
EXPENDITURES:				
General Government				
Governing body:				
Operating expenses	52,610	45,434	7,176	50,039
Administration:				
Salaries and benefits		199,234		145,929
Operating expenses		12,540		9,893
Total Administration	230,560	211,774	18,786	155,822
Finance:				
Salaries and benefits		264,139		215,907
Operating expenses		41,398		41,900
Total Finance	330,448	305,537	24,911	257,807

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	2002		2001
	Budget	Actual	Variance
			Actual
Tax Supervisor:			
Salaries and benefits		718,278	677,158
Operating expenses		141,470	132,097
Capital outlay		--	25,180
Total Tax Supervisor	929,623	859,748	69,875
Tax Revaluation:			
Salaries and benefits		54,018	69,554
Operating expenses		159,886	83,607
Capital outlay		1,635	--
Total Tax Revaluation	230,640	215,539	15,101
Legal Services:			
Operating expenses	36,400	31,072	5,328
Court facilities:			
Operating expenses		4,809	1,516
Capital outlay		6,215	15,092
Total Court facilities	11,489	11,024	465
Elections:			
Salaries and benefits		111,640	106,860
Operating expenses		48,215	58,695
Total Elections	308,912	159,855	149,057
Register of Deeds:			
Salaries and benefits		289,129	259,984
Operating expenses		78,945	65,392
Capital outlay		20,405	2,128
Total Register of Deeds	416,078	388,479	27,599
General administration:			
Operating expenses		246,443	222,279
Capital outlay		472,436	666,022
Total General administration	1,171,145	718,879	452,266

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	2002		Variance	2001	
	Budget	Actual		Actual	Actual
Data processing:					
Salaries and benefits		147,244		132,534	
Operating expenses		191,917		109,615	
Capital outlay		114,989		73,606	
Total Data processing	613,623	454,150	159,473	315,755	
Maintenance:					
Salaries and benefits		742,176		681,154	
Operating expenses		47,770		43,160	
Capital outlay		--		1	
Total Maintenance	829,429	789,946	39,483	724,315	
Public Buildings					
Courthouse:					
Operating expenses		139,675		136,418	
Capital outlay		10,580		1,003	
Total Courthouse	203,590	150,255	53,335	137,421	
East Courthouse Annex:					
Operating expenses		23,796		21,332	
Capital outlay		--		14,768	
Total East Courthouse Annex	51,667	23,796	27,871	36,100	
Ginn House:					
Operating expenses	32,573	1,482	31,091	13,375	
Emergency Management:					
Operating expenses	7,050	1,508	5,542	31	
Hannah:					
Operating expenses		35,220		33,578	
Capital outlay		--		26,365	
Total Hannah	42,186	35,220	6,966	59,940	
Animal Shelter:					
Operating expenses	7,323	4,020	3,303	4,082	
Old Cove Creek School					
Operating expenses	17,030	8,101	8,929	11,408	
New Health Department					
Operating expenses		9,006		--	
Capital Outlay		1,628,159		78,921	
Total New Health Department	4,174,777	1,637,166	2,537,611	78,921	
Public Building-APPALCART:					
Operating expenses	4,249	3,251	998	1,199	

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	Budget	2002 Actual	Variance	2001 Actual
New Library:				
Operating expenses	41,296	28,336	12,960	24,824
Caldwell College & Tech. Inst:				
Operating expenses	10,000	1,015	8,985	1,135
Watauga Comm. Center:				
Operating expenses	17,072	10,621	6,451	15,013
Law Enforcement Center:				
Operating expenses	54,607	36,090	18,517	29,008
West Courthouse Annex:				
Operating expenses	47,062	24,732	22,330	20,717
Human Services Center:				
Operating expenses	66,831	52,508	14,323	54,813
Appalachian Enterprise Center:				
Operating expenses	14,440	7,217	7,223	7,460
Prison Camp Site				
Operating expenses	14,026	5,815	8,211	15,589
Recreation Administration Center:				
Operating expenses	5,466	3,303	2,163	1,333
Aquatics Center:				
Operating expenses	114,342	70,855	43,487	79,713
Opt./Maintenance Facility:				
Operating expenses	25,950	19,621	6,329	18,490
Recreation Fields/Parks:				
Operating expenses	24,346	18,105	6,241	11,424
Total Public Buildings	4,975,883	2,143,017	2,832,866	621,996
Total General Government	10,136,840	6,334,454	3,802,386	4,533,765
Public Safety				
Sheriff's department:				
Salaries and benefits		1,255,960		1,138,969
Operating expenses		143,929		138,954
Capital outlay		97,247		87,832
Total Sheriff's department	1,572,631	1,497,136	75,495	1,365,755

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	2002		2001
	Budget	Actual	Variance
			Actual
Communications:			
Salaries and benefits		294,295	264,966
Operating expenses		19,878	23,516
Total Communications	345,264	314,173	31,091
Total Communications			288,482
Jail:			
Salaries and benefits		329,135	294,130
Operating expenses		220,135	163,653
Capital outlay		--	1,544
Total Jail	559,344	549,270	10,074
Total Jail			459,327
Emerg. Mgt. & Fire Protect.:			
Salaries and benefits		144,709	139,553
Operating expenses		349,586	351,924
Capital outlay		45,641	16,505
Total Emerg. Mgt. & Fire Protect.	574,337	539,936	34,401
Total Emerg. Mgt. & Fire Protect.			507,982
Planning and Inspections:			
Salaries and benefits		384,019	317,328
Operating expenses		38,268	32,986
Capital outlay		21,218	3,668
Total Planning and Inspections	493,940	443,505	50,435
Total Planning and Inspections			353,982
Medical examiner:			
Operating expenses	22,000	19,375	2,625
Total Medical examiner			11,700
Ambulance and rescue squad:			
Operating expenses	888,027	884,591	3,436
Total Ambulance and rescue squad			776,038
Animal control:			
Salaries and benefits		89,883	79,829
Operating expenses		20,296	19,190
Capital outlay		32,638	46,006
Total Animal control	165,018	142,817	22,201
Total Animal control			145,025
Forestry:			
Operating expenses	35,624	35,624	--
Total Forestry			34,582
Total Public Safety	4,656,185	4,426,427	229,758
			3,942,873

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	2002		2001
	Budget	Actual	Variance
			Actual
Economic & Physical Development			
Elderly & Disabled Transportation:			
Operating expenses	42,302	38,579	3,723
Special Appropriations:	352,617	343,304	9,313
Cooperative extension:			
Salaries and benefits		138,979	141,769
Operating expenses		19,005	19,068
Total Cooperative extension	176,074	157,984	18,090
Soil conservation:			
Salaries and benefits		63,975	67,233
Operating expenses		10,488	9,378
Total Soil conservation	92,540	74,463	18,077
Golden Leaf Grant			
Salaries and benefits		6,586	3,795
Operating expenses		13,625	16,835
Capital outlay		4,731	2,621
Total Golden Leaf Grant	26,749	24,942	1,807
Total Economic & Physical Development	690,282	639,272	51,010
Human Services			
Public health:			
Operating expenses	438,578	438,578	--
Mental health:			
Operating expenses	297,857	294,144	3,713
Social services - admin.:			
Salaries and benefits		1,844,637	1,740,138
Operating expenses		219,260	221,419
Capital outlay		--	6,666
Total Social services - admin.	2,105,472	2,063,897	41,575
Beneficiary payments:	1,998,219	1,720,163	278,056
State foster care and daycare			
Room & Board		13,260	6,000
Other		667	70
Purchase-daycare XX		629,825	605,904
Total State foster care and daycare	829,563	643,752	185,811

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	2002		Variance	2001
	Budget	Actual		Actual
Project on aging:				
Salaries and benefits		1,226,016		1,236,266
Operating expenses		250,517		247,549
Capital outlay		3,045		8,358
Total Project on aging	1,701,579	1,479,578	222,001	1,492,173
Veterans service officer:				
Salaries and benefits		92,091		85,642
Operating expenses		3,173		4,002
Total Veterans service officer	97,210	95,264	1,946	89,644
Total Human Services	7,468,478	6,735,376	733,102	6,637,311
Education				
Public Schools - current		6,836,285		6,449,244
Public Schools - capital outlay		1,551,009		1,121,127
Community College - current		531,675		501,502
Community College - capital outlay		27,300		40,000
Total Education	9,809,709	8,946,269	863,440	8,111,873
Cultural and recreational				
Library:				
Operating expenses	324,450	324,450	--	315,000
Recreation:				
Salaries and benefits		408,841		385,881
Operating expenses		121,832		183,344
Capital outlay		9,213		15,057
Total Recreation	587,639	539,886	47,753	584,282
Aquatics:				
Salaries and benefits		155,126		142,267
Operating expenses		21,020		20,350
Total Aquatics	186,691	176,146	10,545	162,617

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, 2002
 (With Comparative Actual Amounts for the Fiscal Year ended June 30, 2001)

	Budget	2002 Actual	Variance	2001 Actual
Recreation - Maintenance:				
Operating expenses		48,376		6,168
Capital outlay		3,500		13,171
Total Recreation - Maintenance	49,003	51,876	(2,873)	19,339
Total Cultural and recreational	1,147,783	1,092,358	55,425	1,081,238
Debt Service				
Principal retirement		1,805,957		1,745,320
Interest & fees		1,065,585		1,195,552
Total Debt Service	2,885,618	2,871,542	14,076	2,940,872
TOTAL EXPENDITURES	36,794,895	31,045,698	5,749,197	27,917,809
Excess (deficiency) of revenues over expenditures	(5,839,397)	186,681	6,026,078	1,275,439
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	2,969,444	1,240,130	1,729,314	1,349,076
Fund balance appropriated	4,453,751	--	(4,453,751)	--
Operating transfers to other funds	(2,109,758)	(2,109,758)	--	(1,713,806)
Operating transfers to component units	(109,040)	(107,529)	1,511	(119,864)
Proceeds from refunding debt	6,425,000	6,425,000	--	--
Payment to refunding debt escrow agent	(5,790,000)	(5,790,000)	--	--
TOTAL OTHER FINANCING SOURCES (USES)	5,839,397	(342,157)	(6,181,554)	(484,594)
Excess (deficiency) of revenues over expenditures & other sources (uses) \$	--	(155,476)	(155,476)	790,845
Fund balances at beginning of year		14,127,215		13,324,118
Residual equity transfer		--		12,252
Fund balances at end of year		\$ 13,971,739		14,127,215

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, 2002
(With Comparative Totals for June 30, 2001)

	Fire Districts	Revaluation	Capital Reserve	E-911 Telephone Surcharge	Substance Abuse Tax	Lynnhaven II LLC Project	Combining Totals	
							2002	2001
ASSETS:								
Cash and equivalents	\$ 20,437	--	5,518,780	591,730	43,493	--	6,174,440	6,535,415
Other assets	--	--	--	--	--	--	--	--
Accounts receivable	--	--	--	29,067	--	--	29,067	88,668
Taxes receivable	47,008	--	--	--	--	--	47,008	39,921
Prepaid expenses	--	--	--	10,037	--	--	10,037	--
TOTAL ASSETS	\$ 67,445	--	5,518,780	630,834	43,493	--	6,260,552	6,664,004
LIABILITIES AND FUND BALANCE:								
LIABILITIES:								
Accounts payable	\$ 10,325	--	--	5,702	184	--	16,211	44,856
Deferred revenue	57,120	--	--	--	--	--	57,120	50,585
Due to other funds	--	--	--	--	--	--	--	60,425
TOTAL LIABILITIES	67,445	--	--	5,702	184	--	73,331	155,866
FUND BALANCES:								
Reserved by state statue	--	--	--	29,067	--	--	29,067	28,243
Reserved for encumbrances	--	--	--	11,758	--	--	11,758	2,580
Designated for subsequent years expenditures	--	--	5,518,780	584,307	43,309	--	6,146,396	6,477,315
TOTAL FUND BALANCE	--	--	5,518,780	625,132	43,309	--	6,187,221	6,508,138
TOTAL LIABILITIES AND FUND BALANCE	\$ 67,445	--	5,518,780	630,834	43,493	--	6,260,552	6,664,004

WATAUGA COUNTY, NORTH CAROLINA
Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2002
(With Comparative Totals For the Fiscal Year Ended June 30, 2001)

	Fire Districts	Revaluation	Capital Reserve	E-911 Telephone Surcharge	Substance Abuse Tax	Lynnhaven II LLC Project	Combining Totals	
							2002	2001
Revenues:								
Ad valorem taxes	\$ 714,792	--	--	--	--	--	714,792	680,130
Permits and fees	--	--	--	280,696	--	--	280,696	272,152
Donations	--	--	--	--	--	--	--	--
Investment earnings	260	756	138,978	9,734	187	--	149,915	285,204
Unrestricted intergovernmental revenues	--	--	--	--	--	--	--	--
Restricted intergovernmental revenues	--	--	45,000	72,751	6,315	56,966	181,032	381,871
Total revenues	715,052	756	183,978	363,181	6,502	56,966	1,326,435	1,619,357
Expenditures:								
Economic and physical development	--	--	--	--	--	56,966	56,966	317,262
General government	--	--	--	--	--	--	--	5,000
Education	--	--	--	--	--	--	--	--
Public safety	715,052	--	--	191,120	9,084	--	915,256	924,611
Debt service	--	--	--	--	--	--	--	--
Total expenditures	715,052	--	--	191,120	9,084	56,966	972,222	1,246,873
Excess (deficiency) of revenues over expenditures	--	756	183,978	172,061	(2,582)	--	354,213	372,484
Other financing sources (uses):								
Operating transfers in (out)	--	(74,825)	(600,305)	--	--	--	(675,130)	(345,646)
Total other financing sources(uses)	--	(74,825)	(600,305)	--	--	--	(675,130)	(345,646)
Excess (deficiency) of revenues and other sources over expenditures	--	(74,069)	(416,327)	172,061	(2,582)	--	(320,917)	26,838
Fund balance at beginning of year	--	74,069	5,935,108	453,071	45,890	--	6,508,138	6,481,300
Fund balance at end of year	\$ --	--	5,518,781	625,132	43,308	--	6,187,221	6,508,138

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, 2002
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2001)

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Ad valorem taxes	\$ 724,768	714,792	(9,976)	680,130
Investment earnings	--	260	260	4,841
Total revenues	<u>724,768</u>	<u>715,052</u>	<u>(9,716)</u>	<u>684,971</u>
Expenditures:				
Public safety:				
Beaver Dam Fire District	44,994	41,892	3,102	41,658
Blowing Rock Fire District	92,343	91,645	698	85,907
Boone Fire District	130,568	129,013	1,555	122,373
Cove Creek Fire District	86,328	86,799	(471)	85,101
Deep Gap Fire District	47,934	47,902	32	42,484
Foscoe Fire District	154,180	155,163	(983)	149,759
Meat Camp Fire District	50,843	49,466	1,377	48,453
Meat Camp/Creston Fire District	2,356	1,459	897	1,192
Shawneehaw Fire District	31,379	30,242	1,137	29,246
Stewart Simmons Fire District	24,862	23,045	1,817	22,326
Todd Fire District	13,662	12,946	716	12,502
Zionville Fire District	45,319	45,480	(161)	43,970
Total expenditures	<u>724,768</u>	<u>715,052</u>	<u>9,716</u>	<u>684,971</u>
Excess (deficiency) of revenues over expenditures	<u>\$ --</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, 2002
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2001)

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Investment earnings	\$ --	756	756	4,907
Expenditures:				
General government	--	--	--	--
Excess (deficiency) of revenues over expenditures	--	756	756	4,907
Other financing sources (uses):				
Operating transfers:				
From General Fund	--	--	--	--
To General Fund	(150,028)	(74,825)	75,203	(76,946)
Total Operating Transfers	(150,028)	(74,825)	75,203	--
Excess (deficiency) of revenues and other sources (uses) over expenditures	(150,028)	(74,069)	75,959	(72,039)
Appropriated fund balance	150,028	--	(150,028)	--
Excess (deficiency) of revenues, other sources (uses), and appropriated fund balance over expenditures	\$ --	(74,069)	(74,069)	(72,039)
Fund balance at beginning of year		74,069		146,108
Fund balance at end of year		\$ --		74,069

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, 2002
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2001)

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
Revenues:				
Donations	\$ --	--	--	--
Investment earnings	--	138,978	138,978	261,572
Restricted intergovernmental	45,000	45,000	--	--
Total revenues	<u>45,000</u>	<u>183,978</u>	<u>138,978</u>	<u>261,572</u>
Expenditures:				
Capital projects	725,000	--	725,000	5,000
Education	--	--	--	--
Total expenditures	<u>725,000</u>	<u>--</u>	<u>725,000</u>	<u>5,000</u>
Excess (deficiency) of revenues over expenditures	<u>(680,000)</u>	<u>183,978</u>	<u>863,978</u>	<u>256,572</u>
Other financing sources (uses):				
Operating transfers - in (out):				
From general fund	980,000	980,000	--	925,000
To general fund	(2,819,417)	(1,165,305)	1,654,112	(1,272,130)
To capital projects	(415,000)	(415,000)	--	--
Total other financing sources (uses)	<u>(2,254,417)</u>	<u>(600,305)</u>	<u>1,654,112</u>	<u>(347,130)</u>
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>(2,934,417)</u>	<u>(416,327)</u>	<u>2,518,090</u>	<u>(90,558)</u>
Appropriated fund balance	<u>2,934,417</u>	<u>--</u>	<u>(2,934,417)</u>	<u>--</u>
Excess (deficiency) of revenues, other sources (uses), and appropriated fund balance over expenditures	<u>\$ --</u>	<u>(416,327)</u>	<u>(416,327)</u>	<u>(90,558)</u>
Fund balance at beginning of year		<u>5,935,108</u>		<u>6,025,666</u>
Fund balance at end of year		<u>\$ 5,518,781</u>		<u>5,935,108</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, 2002
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2001)

	2002		Variance Favorable (Unfavorable)	2001
	Budget	Actual		Actual
Revenues:				
Permits and fees: 911 subscriber fees	\$ 210,374	280,696	70,322	272,152
Restricted intergovernmental: Wireless 911 funds	50,000	72,751	22,751	61,160
Investment earnings	5,000	9,734	4,734	13,368
Total revenues	265,374	363,181	97,807	346,680
Expenditures:				
Public safety:				
911 system subscriber fees:				
Salaries and wages	49,180	47,850	1,330	44,940
Operating expenses	152,645	74,020	78,625	161,366
Capital outlay	26,880	6,727	20,153	3,030
Total 911 system subscriber fees	<u>228,705</u>	<u>128,597</u>	<u>100,108</u>	<u>209,336</u>
Wireless 911:				
Operating expenses	62,524	62,523	1	1,316
Capital outlay	--	--	--	12,267
Total wireless 911	<u>62,524</u>	<u>62,523</u>	<u>1</u>	<u>13,583</u>
Total expenditures	291,229	191,120	100,109	222,919
Excess (deficiency) of revenues over expenditures	<u>(25,855)</u>	<u>172,061</u>	<u>197,916</u>	<u>123,761</u>
Other financing sources (uses):				
Operating transfer from General Fund	--	--	--	78,430
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>(25,855)</u>	<u>172,061</u>	<u>197,916</u>	<u>202,191</u>
Appropriated fund balance	25,855	--	(25,855)	--
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>\$ --</u>	<u>172,061</u>	<u>172,061</u>	<u>202,191</u>
Fund balance at beginning of year		<u>453,071</u>		<u>250,880</u>
Fund balance at end of year		<u>\$ 625,132</u>		<u>453,071</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, 2002
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2001)

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Investment earnings	\$ --	187	187	516
Restricted intergovernmental	6,637	6,315	(322)	3,449
Total revenues	<u>6,637</u>	<u>6,502</u>	<u>(135)</u>	<u>3,965</u>
Expenditures:				
Public Safety	6,637	9,084	(2,447)	16,721
Excess (deficiency) of revenues over expenditures	<u>--</u>	<u>(2,582)</u>	<u>(2,582)</u>	<u>(12,756)</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>(2,582)</u>	<u>(2,582)</u>	<u>(12,756)</u>
Fund balance at beginning of year		<u>45,890</u>		<u>58,646</u>
Fund balance at end of year		<u>\$ 43,308</u>		<u>45,890</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, 2002
 (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2001)

	<u>2002</u>			<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ --	56,966	56,966	317,262
Total revenues	<u>--</u>	<u>56,966</u>	<u>56,966</u>	<u>317,262</u>
Expenditures:				
Capital Outlay	\$ --	56,966	(56,966)	317,262
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.

Statement 11

WATAUGA COUNTY, NORTH CAROLINA
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 2002
 (With Comparative Totals for June 30, 2001)

	Brookshire Park Capital Project	<u>Combining Totals</u>	
		June 30 2002	June 30 2001
Assets:			
Cash and equivalents	\$ 248,707	248,707	--
Accounts receivable	14	14	--
Tax refunds receivable	--	--	--
Due from other funds	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>248,721</u>	<u>248,721</u>	<u> </u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	--	--	--
Due to Other Funds	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ <u> </u>	<u> </u>	<u> </u>
Fund Balance:			
Reserved by state statute	--	--	--
Reserved for encumbrances	--	--	--
Designated for future expenditures	248,721	248,721	--
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>248,721</u>	<u>248,721</u>	<u> </u>
Total Liabilities and Fund Balance	\$ <u>248,721</u>	<u>248,721</u>	<u> </u>

WATAUGA COUNTY, NORTH CAROLINA
 Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2002
 (With Comparative Totals for the Fiscal Year Ended June 30, 2001)

	Brookshire Park Capital Project	Combining Totals	
		June 30 2002	June 30 2001
Revenues:			
Restricted intergovernmental revenues	\$ 250,000	250,000	--
Investment earnings	--	--	--
Total Revenues	<u>250,000</u>	<u>250,000</u>	<u>--</u>
Expenditures:			
Capital Projects	<u>416,279</u>	<u>416,279</u>	<u>--</u>
Total Expenditures	<u>416,279</u>	<u>416,279</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	<u>(166,279)</u>	<u>(166,279)</u>	<u>--</u>
Other financing sources (uses):			
Operating transfers - in (out):			
From capital reserve fund	415,000	415,000	--
From general fund	--	--	--
From enterprise fund	--	--	--
Installment purchase proceeds	--	--	--
Proceeds from general obligation bonds	--	--	--
Total other financing sources (uses)	<u>415,000</u>	<u>415,000</u>	<u>--</u>
Increase (decrease) in fund balance	248,721	248,721	--
Fund balance at beginning of year	--	--	12,252
Residual equity transfer	--	--	<u>(12,252)</u>
Fund balance at end of year	<u>\$ 248,721</u>	<u>248,721</u>	<u>--</u>

WATAUGA COUNTY, NORTH CAROLINA
 Brookshire Park Capital Project
 Statement of Revenues and Expenditures and Changes in
 Fund Balance - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2002

	Budget	Prior Years	Actual Current Year	Total-to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental revenues	\$ 250,000	--	250,000	250,000	--
Investment earnings	--	--	--	--	--
Total revenues	<u>250,000</u>	<u>--</u>	<u>250,000</u>	<u>250,000</u>	<u>--</u>
Expenditures:					
Capital Projects	665,000	--	416,279	416,279	248,721
Excess (deficiency) of revenues over expenditures	(415,000)	--	(166,279)	(166,279)	248,721
Other financing sources (uses):					
Operating transfers - in (out):					
From capital reserve fund	415,000	--	415,000	415,000	--
Total other financing sources (uses)	<u>415,000</u>	<u>--</u>	<u>415,000</u>	<u>415,000</u>	<u>--</u>
Increase (decrease) in fund balance	\$ <u><u>--</u></u>	<u><u>--</u></u>	248,721	<u><u>248,721</u></u>	<u><u>248,721</u></u>
Fund balance at beginning of year			<u><u>--</u></u>		
Fund balance at end of year			\$ <u><u>248,721</u></u>		

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, 2002
(With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2001)

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Operating revenues:				
Landfill revenues	\$ 2,439,927	2,395,607	(44,320)	2,300,850
Miscellaneous	2,000	--	(2,000)	5,368
Total operating revenues	<u>2,441,927</u>	<u>2,395,607</u>	<u>(46,320)</u>	<u>2,306,218</u>
Non-operating revenues:				
Interest earned on investments	98,000	71,434	(26,566)	125,163
Sale of fixed assets	--	10,001	10,001	--
Restricted intergovernmental revenues	3,500	3,500	--	--
Total non-operating revenues	<u>101,500</u>	<u>84,935</u>	<u>(16,565)</u>	<u>125,163</u>
TOTAL REVENUES	<u>2,543,427</u>	<u>2,480,542</u>	<u>(62,885)</u>	<u>2,431,381</u>
OTHER FINANCING SOURCES:				
Operating transfers from other funds	1,129,758	1,129,758	--	710,376
Proceeds of lease purchase	150,000	147,261	(2,739)	--
Fund balance appropriated	104,491	--	(104,491)	--
TOTAL OTHER FINANCING SOURCES	<u>1,384,249</u>	<u>1,277,019</u>	<u>(107,230)</u>	<u>710,376</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>3,927,676</u>	<u>3,757,561</u>	<u>(170,115)</u>	<u>3,141,757</u>
EXPENDITURES:				
Landfill operations:				
Salaries and wages	610,173	600,677	9,496	559,234
Operating expenses	2,234,557	1,886,616	347,941	1,907,833
Total landfill operations	<u>2,844,730</u>	<u>2,487,293</u>	<u>357,437</u>	<u>2,467,067</u>
Budgetary appropriations:				
Interest paid	49,215	29,529	19,686	53,836
Debt principal	781,331	781,331	--	159,429
Capital outlay	252,400	212,065	40,335	18,365
Total budgetary appropriations	<u>1,082,946</u>	<u>1,022,925</u>	<u>60,021</u>	<u>231,630</u>
TOTAL EXPENDITURES	<u>3,927,676</u>	<u>3,510,218</u>	<u>417,458</u>	<u>2,698,697</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ --</u>	<u>247,343</u>	<u>247,343</u>	<u>443,060</u>

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

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Statement of Revenues and Expenditures
 Budget and Actual (NON-GAAP)
 For the Fiscal Year Ended June 30, 2002
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2001)

	<u>2002</u>	<u>2001</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:		
Revenues and other sources over (under) expenditures and other uses	\$ 247,343	\$ 443,060
Reconciling items:		
Capital outlays	212,065	18,365
Depreciation	(134,583)	(154,407)
Payment of debt principal	781,331	159,429
Lease purchase proceeds	(147,261)	--
Gain (loss) on disposal of fixed assets	--	(714)
(Increase) decrease in accrued vacation pay	<u>(388)</u>	<u>(8,753)</u>
Total reconciling items	<u>711,164</u>	<u>13,920</u>
Net income (loss)	<u>\$ 958,507</u>	<u>\$ 456,980</u>

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, 2002
 (With Comparative Totals for June 30, 2001)

		<u>Social Services Fund</u>	<u>Surety Bonds Fund</u>	<u>Vehicle Tax-Towns Fund</u>	<u>Health Benefits Fund</u>	<u>Totals</u>	
						<u>June 30 2002</u>	<u>June 30 2001</u>
ASSETS:							
Cash and investments	\$	<u>31,008</u>	<u>18,119</u>	<u>8,585</u>	<u>161,962</u>	<u>219,674</u>	<u>219,252</u>
LIABILITIES:							
Accounts payable	\$	<u>31,008</u>	<u>18,119</u>	<u>8,585</u>	<u>161,962</u>	<u>219,674</u>	<u>219,252</u>

WATAUGA COUNTY, NORTH CAROLINA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2002

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
Social Services:				
Assets:				
Cash and Investments	\$ <u>29,031</u>	<u>178,369</u>	<u>176,392</u>	<u>31,008</u>
Liabilities:				
Accounts Payable	\$ <u>29,031</u>	<u>178,369</u>	<u>176,392</u>	<u>31,008</u>
 Surety Bond Funds:				
Assets:				
Cash and Investments	<u>21,675</u>	<u>--</u>	<u>3,556</u>	<u>18,119</u>
Liabilities:				
Accounts Payable	<u>21,675</u>	<u>--</u>	<u>3,556</u>	<u>18,119</u>
 Health Benefits:				
Assets:				
Cash and Investments	<u>160,980</u>	<u>9,982</u>	<u>9,000</u>	<u>161,962</u>
Liabilities:				
Accounts Payable	<u>160,980</u>	<u>9,982</u>	<u>9,000</u>	<u>161,962</u>
 Vehicle Tax-Towns:				
Assets:				
Cash and Investments	<u>7,566</u>	<u>127,750</u>	<u>126,731</u>	<u>8,585</u>
Liabilities:				
Accounts Payable	<u>7,566</u>	<u>127,750</u>	<u>126,731</u>	<u>8,585</u>
 Total - All Agency Funds				
Assets:				
Cash and Investments	\$ <u>219,252</u>	<u>316,101</u>	<u>315,679</u>	<u>219,674</u>
Liabilities:				
Accounts Payable	\$ <u>219,252</u>	<u>316,101</u>	<u>315,679</u>	<u>219,674</u>

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, 2002

Fiscal year:	Uncollected Balance June 30, 2001	Additions	Collections and Credits	Uncollected Balance June 30, 2002
2001 - 2002	\$ --	14,866,296	14,472,625	393,671
2000 - 2001	375,327	--	245,789	129,538
1999 - 2000	123,101	--	49,149	73,952
1998 - 1999	68,776	--	14,221	54,555
1997 - 1998	49,880	--	9,038	40,842
1996 - 1997	36,478	--	6,761	29,717
1995 - 1996	30,703	--	3,628	27,075
1994 - 1995	32,112	--	2,288	29,824
1993 - 1994	28,067	--	1,295	26,772
1992 - 1993	35,463	--	1,789	33,674
1991 - 1992	48,564	--	48,564	--
	<u>\$ 828,471</u>	<u>14,866,296</u>	<u>14,855,147</u>	<u>839,620</u>

Plus: uncollected 2001 - 2002 ad valorem taxes receivable on annually registered vehicles	134,314
Less: allowance for uncollectible accounts General Fund	<u>(364,769)</u>
Ad valorem taxes receivable - net General Fund	<u>\$ 609,165</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 14,886,651
Reconciling items:	
Advertising and interest collected	(86,468)
Taxes written off	<u>54,964</u>
Total reconciling items	<u>(31,504)</u>
Total collections and credits	<u>\$ 14,855,147</u>

WATAUGA COUNTY, NORTH CAROLINA
 Analysis of Current Tax Levy
 County-Wide Levy
 For the Fiscal Year Ended June 30, 2002

	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	\$ 3,257,836,220	\$ 0.445	14,497,595	\$ 13,039,000	1,458,595
Penalties	--		4,165	4,165	--
Total	<u>3,257,836,220</u>		<u>14,501,760</u>	<u>13,043,165</u>	<u>1,458,595</u>
Discoveries:					
Current year taxes	56,687,995	0.445	342,210	342,210	--
Prior year taxes	--		43,546	43,546	--
Penalties	--		26,655	26,655	--
Total	<u>56,687,995</u>		<u>412,411</u>	<u>412,411</u>	<u>--</u>
Abatements:	<u>(10,758,455)</u>		<u>(47,875)</u>	<u>(20,818)</u>	<u>(27,057)</u>
Total property \	\$ <u>3,303,765,760</u>				
Net levy			14,866,296	13,434,758	1,431,538
Uncollected taxes at June 30, 2002			<u>393,671</u>	<u>255,681</u>	<u>137,990</u>
Current year's taxes collected			\$ <u>14,472,625</u>	<u>13,179,077</u>	<u>1,293,548</u>
Current levy collection Percentage			<u>97.35%</u>	<u>98.10%</u>	<u>90.36%</u>

WATAUGA COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
County-wide Levy
For the Fiscal Year Ended June 30, 2002

Statement 18-A

Secondary Market Disclosures:

Assessed Valuation:	
Assessment Ratio	100%
Real Property	\$ 2,801,797,064
Personal Property	455,588,782
Public Service Companies	<u>46,379,914</u>
Total Assessed Valuation	3,303,765,760
Tax Rate per \$100	0.445
Levy (includes discoveries, releases and abatements)	\$ <u><u>14,866,296</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>715,760</u></u>
---------------------------	--------------------------

**WATAUGA COUNTY, NORTH CAROLINA
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2002**

Statement 18-B

Taxpayer	Type of Business	2002 Assessed Valuation	Percentage of Total Assessed Valuation
Spiritual Center of America	Resort/Real Estate	\$ 33,188,720	1.00%
Blue Ridge Electric	Electric Utility	26,831,026	.81
University Courtyard Boone LLC	Student Housing	18,659,200	.56
Maharishi Spiritual Center of America	Resort/ Real Estate	18,630,300	.56
Bell South	Telephone Utility	15,919,375	.48
Appalachian South Inc.	Rental Properties	9,161,900	.28
Templeton Properties	Rental Properties	8,599,800	.26
Heavenly Mtn. Resort, Inc.	Resort	8,437,400	.25
Beech Mtn. Resort	Resort/Real Estate	8,228,274	.25
David Kaplan	Residential	<u>7,854,300</u>	.24
		<u>\$ 155,510,295</u>	<u>4.69%</u>

WATAUGA COUNTY, NORTH CAROLINA
 Analysis of Current Tax Levy
 Fire Districts
 For the Fiscal Year Ended June 30, 2002

	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	\$ 42,050	91,432	128,660	88,181	47,698	154,830	49,293	1,371	30,198	23,131	13,051	45,865
Uncollected taxes at June 30, 2002	<u>1,910</u>	<u>1,905</u>	<u>3,472</u>	<u>4,093</u>	<u>1,786</u>	<u>3,488</u>	<u>2,196</u>	<u>188</u>	<u>1,081</u>	<u>898</u>	<u>518</u>	<u>2,386</u>
Current year's taxes collected	\$ <u>40,140</u>	<u>89,527</u>	<u>125,188</u>	<u>84,088</u>	<u>45,912</u>	<u>151,342</u>	<u>47,097</u>	<u>1,183</u>	<u>29,117</u>	<u>22,233</u>	<u>12,533</u>	<u>43,479</u>
Current levy collection percentage	<u>95.46%</u>	<u>97.92%</u>	<u>97.30%</u>	<u>95.36%</u>	<u>96.26%</u>	<u>97.75%</u>	<u>95.55%</u>	<u>86.29%</u>	<u>96.42%</u>	<u>96.12%</u>	<u>96.03%</u>	<u>94.80%</u>

WATAUGA COUNTY, NORTH CAROLINA
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2002

Operating Transfers From/To other Funds:	Transfers	
	From	To
General Fund:		
Capital Reserve Fund	\$ 1,165,305	980,000
Solid Waste Fund		1,129,758
Revaluation Fund	74,825	
Special Revenue Funds:		
Capital Reserve Fund		
General Fund	980,000	1,165,305
Brookshire Park Capital Project Fund		415,000
Revaluation Fund		74,825
General Fund		
Capital Projects Funds:		
Brookshire Park Capital Project Fund		
Capital Reserve Fund	415,000	
Proprietary:		
Solid Waste		
General Fund	1,129,758	
Total operating transfers - other funds	\$ 3,764,888	3,764,888
Operating Transfers From/To Component Units:		
General Fund:		
Component units - discretely presented		
Watauga County Economic Development Commission	\$ 53,454	
AppalCART	54,075	
Component Units - discretely presented:		
Watauga County Economic Development Commission		
General Fund		53,454
AppalCART		
General Fund		54,075
Total operating transfers - component units	\$ 107,529	107,529

WATAUGA COUNTY, NORTH CAROLINA
 Schedule of Cash and Investment Balances
 June 30, 2002

	Cost	Market Value
Cash and investments in the form of:		
Cash:		
On hand	\$ 1,710	1,710
In demand deposits	1,725,163	1,725,163
Certificates of deposit	13,167,075	13,167,075
Total cash	14,893,948	14,893,948
Investments:		
N.C. Capital Management Trust	7,596,986	7,596,986
Total Cash and Investments	\$ 22,490,934	22,490,934

Distribution by funds:

General fund	\$ 12,423,497
Special revenue funds	
Fire districts	20,437
Revaluation fund	--
Capital Reserve	5,518,780
E-911 Telephone Surcharge	591,730
Substance Abuse Tax Fund	43,493
Capital projects fund	248,707
Fiduciary fund	219,674
Proprietary fund	3,424,616
Total	\$ 22,490,934

COMPLIANCE SECTION

HOLDER, COPELAND & ASSOCIATES, P. A.

BRYCE HOLDER, CPA
LUKE COPELAND, CPA

PO Box 1908 or 820-F State Farm Road
Boone, North Carolina, 28607

Phone: 828-264-3595
Or: 800-456-3595

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, 2002, and have issued our report thereon dated September 19, 2002. 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 19, 2002

HOLDER, COPELAND & ASSOCIATES, P. A.

BRYCE HOLDER, CPA
LUKE COPELAND, CPA

PO Box 1908 or 820-F State Farm Road
Boone, North Carolina, 28607

Phone: 828-264-3595
Or: 800-456-3595

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, 2002. 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, 2002.

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 19, 2002

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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, 2002.

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, 2002.

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 19, 2002

WATAUGA COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2002

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, 2002 are:

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

- H. Major State programs for Watauga County for the fiscal year ended June 30, 2002 are:

<u>Program Name</u>	<u>CFDA#</u>
Title XIX Medicaid	93.778
Public School Bond Fund	N/A

- I. The threshold for determining Type A programs for Watauga County is \$489,565.
- 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, 2002

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

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal (Direct & Pass- Through) Expenditures	State Expenditures	Local Expenditures
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		\$ 1,375,760	--	--
State Administrative Matching Grants for the Food Stamp Program	10.561		199,086	--	199,086
Total Food Stamp Cluster			1,574,846	--	199,086
Golden Leaf Grant			8,193	--	40,000
Passed-through the N.C. Dept. of Health and Human Services:					
Nutrition Program for the Elderly					
	10.570		28,627	--	--
Total U.S. Dept. of Agriculture			1,611,666	--	239,086
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		56,966	--	--
U.S. Dept of Justice's Office of the Inspector General					
Bureau of Justice Assistance					
Bulletproof Vest Partnership Grant Program					
	16.607		516	--	516
Federal Emergency Management Agency					
Passed-through N.C. Dept. of Crime Control and Public Safety					
Emergency Management-State and Local Assistance					
	85.534		8,588	--	108,706
U.S. Dept. of Health & Human Services					
Administration on Aging					
Aging Cluster:					
Passed-through High Country Council of Governments					
Special Programs for the Aging - Title III F					
Disease Prevention and Health Promotion Services	93.043		4,139	245	453
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		16,944	10,938	3,237
Special Programs for the Aging - Title III C					
Nutritional Services					
In Home Services - State Funds	93.045		72,343	23,593	10,660
Senior Center			--	66,747	7,900
Family Caregiver Support Program			--	12,818	352
Social Services Block Grant (SSBG)	93.052		4,320	276	1,173
In-home Services	93.667		23,636	731	2,422
Total Aging Cluster			121,382	115,348	26,197
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		226,947	--	163,588
Direct Benefit Payments	93.558		110,903	--	--
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		50,219	--	--
Direct Benefit Payments	93.568		44,781	--	--
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		15,225	3,848	1,227
Child Welfare Services:					
Adoption Subsidy - Direct Benefit Payments	93.645		--	7,684	2,561
Title IV-E Foster Care	93.658		112,708	12,201	100,507
Foster Care - Direct Benefit Payments	93.658		75,063	8,974	53,593
Adoption Assistance - Direct Benefit Payments	93.659		79,321	24,720	24,720
Social Services Block Grant	93.667		152,054	22,048	49,529
DCD Smart Start			--	37,000	--
Division of Child Development:					
Subsidized Child Care Cluster:					
Child Care and Development					
Fund - - Discretionary	93.575		208,455	--	--
Child Care and Development					
Fund - - Mandatory	93.596		101,777	--	--
Child Care and Development					
Fund - - Match	93.596		73,795	882	--
Social Services Block Grant	93.667		2,702	--	--
TANF	93.558		48,976	--	--
Smart Start			--	125,857	--
TANF - Maintenance of Effort			--	70,917	--
Total Subsidized Child Care Cluster			<u>435,705</u>	<u>197,656</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		12,805,064	6,793,225	1,132,489
Division of Social Services:					
Medical Assistance Program					
Administration	93.778		383,745	41,796	321,353
Health Choice	93.767		24,933	1,569	7,575
Links	93.767		2,400	600	--
Total U.S. Department of Health & Human Services			<u>14,700,450</u>	<u>7,266,669</u>	<u>1,883,339</u>
Total Federal Awards			<u>16,378,186</u>	<u>7,266,669</u>	<u>2,231,647</u>
State Awards:					
N.C. Dept. of Health and Human Services					
Division of Social Services					
State/County Special Assistance for Adults-					
Direct Benefit Payments			--	161,605	161,605
State Foster Care Benefits Program			--	13,647	13,647
Program Integrity			--	1,114	--
State Aid to Counties			--	24,513	--
State Adult Protective Service			--	26,273	--
Foster Care at Risk			--	6,679	3,294
Total N.C. Dept. of Health and Human Services			<u>--</u>	<u>233,831</u>	<u>178,546</u>
N.C. Dept. of Crime Control and Public Safety					
Reaching Adolescent Program		095-1-99-013-D-378	--	12,690	4,311

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
Office of the Governor					
Public School Building Capital Fund			--	202,139	67,380
Office of Juvenile Justice Community Programs			--	123,419	33,746
Total Office of the Governor			--	325,558	101,126
N.C. Dept. of Public Instruction					
Public School Bond Fund			--	598,870	--
Public School National Forest Service			--	286	--
Total N.C. Dept. of Public Instruction			--	599,156	--
N.C. Dept. of Transportation					
Workfirst/Employment Transportation Operating Assistance			--	3,539	--
Elderly and Disabled Transportation Assistance Program (E&DTAP)			--	43,488	--
Rural Operating Assistance Program			--	27,018	--
Bike Helmet Grant			--	2,000	--
Total N.C. Dept. of Transportation			--	76,045	--
N.C. Dept. of Environment, Health, and Natural Resources					
Soil Conservation Assistance			--	4,000	54,093
Soil Conservation Cost Sharing			--	16,370	16,370
Division of Waste Management Scrap Tire Disposal Grant			--	14,928	--
White Goods Grant			--	2,776	--
Solid Waste Reduction Assistance Grant			--	3,500	7,538
Total N.C. Dept. of Environment, Health, and Natural Resources			--	41,574	78,001
N.C. Dept. of Cultural Resources					
Transportation Equity Act of the 21st Century Grant			--	800	200
N.C. Dept. of Corrections					
Criminal Justice Partnership Program		95-0799-I-A	--	55,661	--
N.C. Division of Veteran's Affairs					
Veteran's Service Program			--	2,000	93,264
Total State awards			--	1,347,315	455,448
Total federal and State awards			\$ 16,378,186	8,613,984	2,687,095

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	\$ 1,375,760	--
Temporary Assistance for Needy Families	93.558	110,903	--
Medical Assistance Program	93.778	12,805,064	6,793,225
Low Income Home Energy Assistance Block Grant	93.568	44,781	--
Child Welfare - Adoption Subsidy	93.645	--	7,684
Foster Care	93.658	75,063	8,974
Adoption Assistance	93.659	79,321	24,720