

***AVERY COUNTY, NORTH CAROLINA***

***Newland, North Carolina***

***Financial Statements***

***June 30, 2009***

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June 30, 2009***

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## **INDEPENDENT AUDITOR'S REPORT**

*To the Board of County Commissioners  
Avery County  
Newland, North Carolina*

*We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Avery County, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Avery County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Avery County Airport Authority. Other auditors whose reports thereon have been furnished to us audited those financial statements; and our opinion, insofar as it relates to the amounts included for Avery County Airport Authority, is based solely on the reports of the other auditors.*

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

*In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Avery County, North Carolina as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.*

*Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.*

*In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2009 on our consideration of Avery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. 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 financial statements that collectively comprise the basic financial statements of Avery County, North Carolina. The combining and individual non-major*

*fund 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.*

*Young, Miller & Gillespie, P.A.  
September 25, 2009*

## ***Management's Discussion and Analysis***

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*As management of Avery County, we offer readers of Avery County's financial statements this narrative overview and analysis of the financial activities of Avery County for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.*

### ***Financial Highlights***

- *The assets of Avery County exceeded its liabilities at the close of the fiscal year by \$30,178,593.*
- *The government's total net assets increased by \$3,683,575 primarily due to increased net assets in the General Fund.*
- *As of the close of the current fiscal year, Avery County's governmental funds reported combined ending fund balances of \$24,506,706 an increase of \$1,210,115 in comparison with the prior year. Approximately 91.0 percent of this total amount, or \$22,335,311, is available for spending at the government's discretion.*
- *At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,316,678, or 20 percent of total general fund expenditures and transfers to other funds for the fiscal year.*
- *Avery County's total debt decreased by \$1,488,324 during the current fiscal year primarily due to principal reductions resulting from regularly scheduled payments.*

### ***Overview of the Financial Statements***

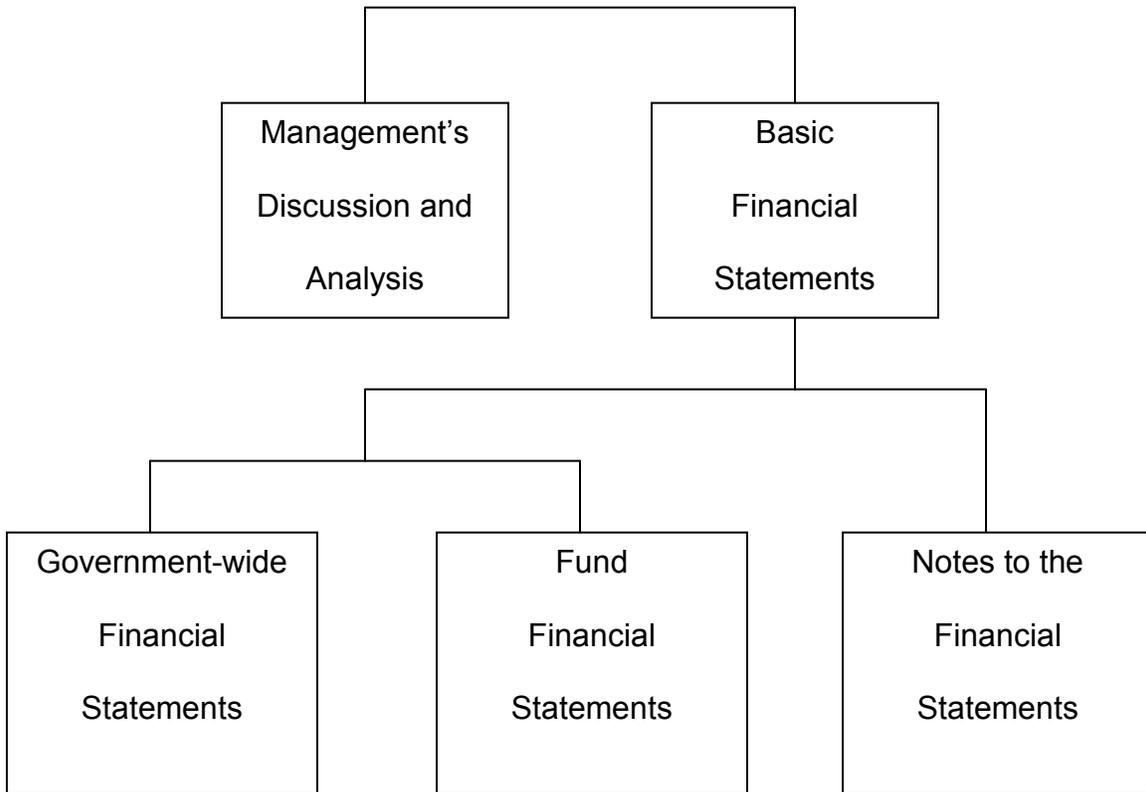
*This discussion and analysis is intended to serve as an introduction to Avery County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Avery County.*

# Management's Discussion and Analysis

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## Required Components of Annual Financial Report

Figure 1



### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

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

## ***Management's Discussion and Analysis***

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### ***Government-wide Financial Statements***

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

*The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.*

*The government-wide statements are divided into two categories: 1) governmental activities; 2) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities.*

*The government-wide financial statements are on Exhibits 1 and 2 of this report.*

### ***Fund Financial Statements***

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

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

## ***Management's Discussion and Analysis***

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*Avery County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.*

***Fiduciary Funds*** – *Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Avery County has three fiduciary funds, of which all are agency funds.*

***Notes to the Financial Statements*** – *The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.*

***Other Information*** – *In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Avery County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.*

## Management's Discussion and Analysis

### Government-Wide Financial Analysis

#### Avery County's Net Assets

**Figure 2**

	<b>Governmental Activities</b>		
	2009	2008	Difference
Current and other assets	\$ 26,281,584	\$ 25,098,013	\$ 1,183,571
Capital assets	12,169,721	11,138,317	1,031,404
Total assets	\$ 38,451,305	\$ 36,236,330	\$ 2,214,975
Long-term liabilities outstanding	\$ 7,196,604	\$ 8,448,608	\$ (1,252,004)
Other liabilities	1,076,108	1,292,704	(216,596)
Total liabilities	8,272,712	9,741,312	(1,468,600)
 Net assets:			
Invested in capital assets, net of related debt	12,151,455	11,037,159	1,114,296
Restricted	23,435	32,476	(9,041)
Unrestricted	18,003,703	15,425,383	2,578,320
Total net assets	\$ 30,178,593	\$ 26,495,018	\$ 3,683,575

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Avery County exceeded liabilities by \$30,178,593 as of June 30, 2009. The County's net assets increased by \$3,683,575 for the fiscal year ended June 30, 2009. One of the largest portions of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Avery County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Avery County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Avery County's net assets (< 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$18,003,703 is unrestricted.

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.96%, higher than the statewide average for counties of comparable size of 95.55%.
- Increased ad valorem tax revenues due to economic growth
- Controlled expenditures

## Management's Discussion and Analysis

*Avery County's Changes in Net Assets*  
**Figure 3**

		<i>Governmental Activities</i>	
		<u>2009</u>	<u>2008</u>
<i>Revenues:</i>			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$	1,238,131	\$ 1,492,974
<i>Operating grants and contributions</i>		2,559,021	2,791,429
<i>Capital grants and contributions</i>		446,617	631,764
<i>General revenues:</i>			
<i>Property taxes</i>		15,930,178	15,178,099
<i>Other taxes</i>		5,688,510	6,774,534
<i>Investment earnings</i>		378,348	878,781
<i>Other</i>		48,463	301,505
<i>Total revenues</i>		<u>26,289,268</u>	<u>28,049,086</u>
 <i>Expenses:</i>			
<i>General government</i>		2,862,198	2,771,409
<i>Public safety</i>		6,853,281	6,454,217
<i>Transportation</i>		676,909	642,053
<i>Environmental protection</i>		1,861,559	1,690,094
<i>Economic and physical development</i>		273,366	635,785
<i>Human services</i>		4,358,496	4,766,948
<i>Cultural and recreation</i>		697,138	496,596
<i>Education</i>		4,788,723	8,014,831
<i>Interest on long-term debt</i>		234,023	272,998
<i>Total expenses</i>		<u>22,605,693</u>	<u>25,744,931</u>
<i>Increase in net assets</i>		3,683,575	2,304,155
<i>Net assets, beginning</i>		26,495,018	24,979,447
<i>Prior period adjustment</i>		-	(788,584)
<i>Net assets, beginning, as restated</i>		<u>26,495,018</u>	<u>24,190,863</u>
<i>Net assets, ending</i>	\$	<u>30,178,593</u>	\$ <u>26,495,018</u>

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

*As noted earlier, Avery County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.*

***Governmental Activities.*** *Governmental activities increased the County's net assets by \$1,210,115.*

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

*The general fund is the chief operating fund of Avery County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,316,678, while total fund balance reached \$9,785,560. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20 percent of total General Fund expenditures and transfers to other funds, while total fund balance represents 36.8 percent of that same amount.*

*At June 30, 2009, the governmental funds of Avery County reported a combined fund balance of \$24,506,706, a 5.2 percent increase over last year. The primary reason for this increase is increased tax revenues and controlled spending.*

***General Fund Budgetary Highlights:*** *During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.*

*Total amendments to the General Fund increased the original budget by \$2,923,713. The majority of these amendments were due to federal and State pass through grants awarded to the County.*

### ***Capital Asset and Debt Administration***

***Capital assets.*** *Avery County's capital assets for its governmental activities as of June 30, 2009, totals \$12,169,721 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.*

*Major capital asset transactions during the year include:*

- *Landfill site development plans*
- *Vehicles purchased for County motor pool*
- *Construction in progress on the Banner Elk School Project*
- *Acquisition of land for Parks and Recreation*

## *Management's Discussion and Analysis*

### *Avery County's Capital Assets (net of depreciation)*

**Figure 4**

	<i>Governmental Activities</i>		<i>Governmental Activities</i>		<i>Difference</i>
	<u>2009</u>		<u>2008</u>		
<i>Land</i>	\$ 2,822,876	\$	1,962,786	\$	860,090
<i>Construction in progress</i>	458,385		877,027		(418,642)
<i>Buildings</i>	6,801,315		6,151,053		650,262
<i>Improvements other than buildings</i>	553,385		530,214		23,171
<i>Machinery and equipment</i>	1,064,710		1,177,779		(113,069)
<i>Vehicles and motorized equipment</i>	469,050		439,458		29,592
<i>Total</i>	<u>\$ 12,169,721</u>	<u>\$</u>	<u>11,138,317</u>	<u>\$</u>	<u>1,031,404</u>

*Additional information on the County's capital assets can be found in note 3A pages 32 through 33 of the Basic Financial Statements.*

**Long-term Debt.** *As of June 30, 2009, Avery County had total debt outstanding of \$7,196,604. Of this, \$6,553,866 is debt secured by deeds of trust, \$18,265 is capitalized leases, \$70,814 is a pension obligation, \$391,060 is accrued vacation liability, and \$162,599 is for other post employment health benefits offered to employees.*

*Additional information regarding Avery County's long-term debt can be found in note 3 beginning on page 38.*

### ***Budget Highlights for the Fiscal Year Ending June 30, 2010***

**Governmental Activities:** *Due to the economic recession, total budgeted revenues are projected to decrease over \$500,000 from the 2008-09 budgeted revenue. The County has controlled expenses to finance programs currently in place.*

*Budgeted expenditures in the General Fund are expected to decline 4.9 percent to \$22,896,616.*

## *Management's Discussion and Analysis*

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### **Requests for Information**

*This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Avery County, P.O. Box 640, Newland, NC 28657.*

*Avery County, North Carolina*  
**Statement of Net Assets**  
**June 30, 2009**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental</b>	<b>Avery County</b>
	<b>Activities</b>	<b>Airport</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 23,854,744	\$ 55,359
Receivables (net)	1,041,395	197
Due from other governments	1,333,717	104,415
Prepaid items	51,728	-
Capital assets:		
Land, improvements, and construction in progress	3,281,294	104,837
Other capital assets, net of depreciation	8,888,427	1,362,868
Total capital assets	<u>12,169,721</u>	<u>1,467,705</u>
Total assets	<u>38,451,305</u>	<u>1,627,676</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	807,667	8,996
Accrued interest payable	268,441	-
Long-term liabilities:		
Due within one year	1,726,932	-
Due in more than one year	5,469,672	-
Total liabilities	<u>8,272,712</u>	<u>8,996</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	12,151,455	1,467,705
Restricted for:		
Register of Deeds	23,435	-
Unrestricted (deficit)	18,003,703	150,975
Total net assets	<u>\$ 30,178,593</u>	<u>\$ 1,618,680</u>

The accompanying notes are an integral part of these financial statements.

*Avery County, North Carolina*  
*Statement of Activities*  
*For the Year Ended June 30, 2009*

<i>Functions/Programs</i>	<i>Program Revenues</i>					<i>Net (Expense) Revenue and Changes in Net Assets</i>		<i>Component</i>
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Primary Government</i>	<i>Unit</i>	
<i>Primary government:</i>								
<i>Governmental Activities:</i>								
<i>General government</i>	\$ 2,862,198	\$ 224,688	\$ -	\$ -	\$ (2,637,510)			
<i>Public safety</i>	6,853,281	674,312	118,567	-	(6,060,402)			
<i>Transportation</i>	676,909	-	329,358	66,263	(281,288)			
<i>Environmental protection</i>	1,861,559	245,358	22,588	-	(1,593,613)			
<i>Economic and physical development</i>	273,366	66,011	-	-	(207,355)			
<i>Human services</i>	4,358,496	-	2,077,708	4,229	(2,276,559)			
<i>Cultural and recreation</i>	697,138	27,762	10,800	376,125	(282,451)			
<i>Education</i>	4,788,723	-	-	-	(4,788,723)			
<i>Interest on long-term debt</i>	234,023	-	-	-	(234,023)			
<i>Total governmental activities</i>	<u>\$ 22,605,693</u>	<u>\$ 1,238,131</u>	<u>\$ 2,559,021</u>	<u>\$ 446,617</u>	<u>\$ (18,361,924)</u>			
<i>Component units:</i>								
<i>Airport</i>	161,550	10,447	61,607	202,355				
	<u>\$ 161,550</u>	<u>\$ 10,447</u>	<u>\$ 61,607</u>	<u>\$ 202,355</u>			112,859	
<i>General revenues:</i>								
<i>Taxes:</i>								
<i>Property taxes, levied for general purpose</i>					15,930,178	-		
<i>Local option sales tax</i>					4,792,989	-		
<i>Other taxes and licenses</i>					895,521	-		
<i>Investment earnings, unrestricted</i>					378,348	297		
<i>Miscellaneous, unrestricted</i>					48,463	361		
<i>Total general revenues, special items, and transfers</i>					<u>22,045,499</u>	<u>658</u>		
<i>Change in net assets</i>					<u>3,683,575</u>	<u>113,517</u>		
<i>Net assets-beginning</i>					<u>26,495,018</u>	<u>1,505,163</u>		
<i>Net assets-ending</i>					<u>\$ 30,178,593</u>	<u>\$ 1,618,680</u>		

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General	Jail Addition Capital Project Fund	Capital Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,114,571	\$ 6,574,133	\$ 6,795,511	\$ 1,370,529	\$ 23,854,744
Receivables, net	869,279	-	-	85,197	954,476
Due from other governments	1,305,499	-	-	28,218	1,333,717
Prepaid assets	51,728	-	-	-	51,728
<b>Total assets</b>	<b>\$ 11,341,077</b>	<b>\$ 6,574,133</b>	<b>\$ 6,795,511</b>	<b>\$ 1,483,944</b>	<b>\$ 26,194,665</b>

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable and accrued liabilities	\$ 759,646	\$ -	\$ -	\$ 47,245	\$ 806,891
Deferred revenue	795,871	-	-	85,197	881,068
<b>Total liabilities</b>	<b>1,555,517</b>	<b>-</b>	<b>-</b>	<b>132,442</b>	<b>1,687,959</b>

Fund balances:

Reserved for:

Subsequent years' expenditures	-	-	-	26,466	26,466
State statute	1,426,928	-	-	28,218	1,455,146
Register of Deeds	23,435	-	-	-	23,435
Capital reserve funds	3,018,519	-	6,795,511	-	9,814,030
Unreserved	5,316,678	-	-	-	5,316,678

Unreserved, reported in nonmajor:

Special revenue funds	-	-	-	666,348	666,348
Capital projects funds	-	6,574,133	-	630,470	7,204,603
<b>Total fund balances</b>	<b>9,785,560</b>	<b>6,574,133</b>	<b>6,795,511</b>	<b>1,351,502</b>	<b>24,506,706</b>

<b>Total liabilities and fund balances</b>	<b>\$ 11,341,077</b>	<b>\$ 6,574,133</b>	<b>\$ 6,795,511</b>	<b>\$ 1,483,944</b>	
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Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Deferred revenue not available for current operations 833,047

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,169,721

Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds 134,164

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4). (7,465,045)

Net assets of governmental activities \$ 30,178,593

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Jail Renovation Capital Project Fund</b>	<b>Capital Reserve Fund</b>	<b>Other Non- major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Ad valorem taxes	\$ 14,274,903	\$ -	\$ -	\$ 1,523,798	\$ 15,798,701
Local option sales taxes	4,792,989	-	-	-	4,792,989
Other taxes and licenses	396,615	-	-	-	396,615
Unrestricted intergovernmental	197,559	-	-	-	197,559
Restricted intergovernmental	2,649,086	-	-	333,977	2,983,063
Permits and fees	319,231	-	-	-	319,231
Sales and services	1,234,981	-	-	-	1,234,981
Investment earnings	357,870	-	-	20,477	378,347
Miscellaneous	52,797	-	-	3,506	56,303
<b>Total revenues</b>	<b>24,276,031</b>	<b>-</b>	<b>-</b>	<b>1,881,758</b>	<b>26,157,789</b>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General government	2,538,337	-	-	46,808	2,585,145
Public safety	4,726,541	-	-	1,678,227	6,404,768
Transportation	589,345	-	-	-	589,345
Environmental protection	1,723,738	-	-	-	1,723,738
Economic and physical development	266,826	-	-	4,229	271,055
Human services	4,231,434	-	-	-	4,231,434
Cultural and recreational	646,086	-	-	-	646,086
<i>Intergovernmental:</i>					
Education	4,788,723	-	-	-	4,788,723
Capital outlay	1,337,242	14,325	-	570,959	1,922,526
<i>Debt service:</i>					
Principal	1,488,324	-	-	-	1,488,324
Interest	296,530	-	-	-	296,530
<b>Total expenditures</b>	<b>22,633,126</b>	<b>14,325</b>	<b>-</b>	<b>2,300,223</b>	<b>24,947,674</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<i>1,642,905</i>	<i>(14,325)</i>	<i>-</i>	<i>(418,465)</i>	<i>1,210,115</i>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	(3,208,517)	6,588,458	3,412,766	1,235,083	8,027,790
Transfers to other funds	-	-	(1,071,000)	(6,956,790)	(8,027,790)
<b>Total other financing sources and uses</b>	<b>(3,208,517)</b>	<b>6,588,458</b>	<b>2,341,766</b>	<b>(5,721,707)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(1,565,612)</b>	<b>6,574,133</b>	<b>2,341,766</b>	<b>(6,140,172)</b>	<b>1,210,115</b>
Fund balances-beginning	11,351,172	-	4,453,745	7,491,674	23,296,591
<b>Fund balances-ending</b>	<b>\$ 9,785,560</b>	<b>\$ 6,574,133</b>	<b>\$ 6,795,511</b>	<b>\$ 1,351,502</b>	<b>\$ 24,506,706</b>

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

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

Net changes in fund balances - total governmental funds \$ 1,210,115

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,066,899

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 131,479

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,488,324

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 111,956

Total changes in net assets of governmental activities \$ 4,008,773

The accompanying notes are an integral part of these financial statements.

*Avery County, North Carolina*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances -*  
*Budget and Actual - General Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<i>Revenues:</i>				
<i>Ad valorem taxes</i>	\$ 14,176,500	\$ 14,246,500	\$ 14,274,903	\$ 28,403
<i>Local option sales tax</i>	5,023,000	5,023,000	4,792,989	(230,011)
<i>Other taxes and licenses</i>	574,000	574,000	396,615	(177,385)
<i>Unrestricted intergovernmental</i>	86,500	86,500	197,559	111,059
<i>Restricted intergovernmental</i>	2,038,117	3,578,950	2,649,086	(929,864)
<i>Permits and fees</i>	396,250	397,250	319,231	(78,019)
<i>Sales and services</i>	1,128,920	1,128,920	1,234,981	106,061
<i>Investment earnings</i>	205,000	205,000	357,870	152,870
<i>Miscellaneous</i>	31,000	33,230	52,797	19,567
<i>Total revenues</i>	<u>23,659,287</u>	<u>25,273,350</u>	<u>24,276,031</u>	<u>(997,319)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government</i>	3,206,778	3,609,999	2,670,389	939,610
<i>Public safety</i>	5,389,421	5,494,048	4,966,315	527,733
<i>Transportation</i>	709,637	712,360	597,997	114,363
<i>Environmental protection</i>	2,025,393	2,974,450	1,857,745	1,116,705
<i>Economic and physical development</i>	337,480	338,650	266,826	71,824
<i>Human services</i>	4,749,720	4,797,503	4,231,434	566,069
<i>Cultural and recreational</i>	1,077,609	2,464,241	1,407,236	1,057,005
<i>Intergovernmental:</i>				
<i>Education</i>	4,786,520	4,815,020	4,788,723	26,297
<i>Debt service:</i>				
<i>Principal retirement</i>	1,488,357	1,488,357	1,488,324	33
<i>Interest and other charges</i>	296,600	296,600	296,530	70
<i>Total expenditures</i>	<u>24,067,515</u>	<u>26,991,228</u>	<u>22,571,519</u>	<u>4,419,709</u>
<i>Revenues over (under) expenditures</i>	<u>(408,228)</u>	<u>(1,717,878)</u>	<u>1,704,512</u>	<u>(3,422,390)</u>
<i>Other financing sources (uses):</i>				
<i>Transfers (to) from other funds</i>	338,500	(3,214,078)	(3,208,517)	(5,561)
<i>Transfers to component unit</i>	(61,607)	(133,957)	(61,607)	(72,350)
<i>Fund balance appropriated</i>	131,335	5,065,913	-	5,065,913
<i>Total other financing sources (uses)</i>	<u>408,228</u>	<u>1,717,878</u>	<u>(3,270,124)</u>	<u>4,988,002</u>
<i>Revenues and other financing sources over expenditures and other financing uses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,565,612)</u>	<u>\$ 1,565,612</u>
<i>Fund balances:</i>				
<i>Beginning of year, July 1</i>			<u>11,351,172</u>	
<i>End of year, June 30</i>			<u>\$ 9,785,560</u>	

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**  
**(With Comparative Totals for June 30, 2008)**

	<i>Agency Funds</i>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Assets</b>		
<i>Current assets:</i>		
<i>Cash and cash equivalents</i>	\$ 7,650	\$ 9,209
<i>Taxes receivable - net</i>	<u>-</u>	<u>43</u>
<i>Total assets</i>	<u>\$ 7,650</u>	<u>\$ 9,252</u>
<b>Liabilities and Net Assets</b>		
<i>Liabilities:</i>		
<i>Miscellaneous liabilities</i>	\$ 7,650	\$ 8,618
<i>Intergovernmental payable - Town Motor Vehicle Tax</i>	-	43
<i>Intergovernmental payable - State of North Carolina</i>	<u>-</u>	<u>591</u>
<i>Total liabilities</i>	<u>7,650</u>	<u>9,252</u>
<i>Net assets</i>	<u>-</u>	<u>-</u>
<i>Total liabilities and net assets</i>	<u>\$ 7,650</u>	<u>\$ 9,252</u>

The accompanying notes are an integral part of these financial statements.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*The accounting policies of Avery County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:*

**(A) Reporting Entity**

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

*Avery County Airport Authority – The North Carolina General Legislature enacted a law, which authorized the County of Avery to establish an airport authority for the maintenance of airport facilities within the County. On December 1, 1994, the Avery County Board of Commissioners adopted a resolution to establish the Avery County Airport Authority as a public authority under the Local Government Budget and Fiscal Control Act. The Authority is composed of five voting members, appointed by the Avery County Board of Commissioners and serving without compensation. Periodic reports are to be made to the Avery County Board of Commissioners. The Authority may employ any agent, engineers or attorneys, or other persons whose services may be deemed by the Airport Authority to be necessary and useful in carrying out the provisions of House Bill 1878.*

*Complete financial statements for this component unit may be obtained at the administrative offices of the entity:*

*Avery County Airport Authority  
P.O. Box 927  
Newland, North Carolina 28657*

*Avery County Fire Commission – The North Carolina General Legislature enacted a law, which authorized the County of Avery to establish a Fire Commission for the administration of various fire departments within the County. In 2003, the Avery County Board of Commissioners adopted a resolution to establish the Avery County Fire Commission as a public authority under the Local Government Budget and Fiscal Control Act. The Commission is composed of five voting members, two of which are appointed by the Avery County Board of Commissioners, two of which are appointed by the Fire Association representing the various fire departments and one of which is chosen from the four existing board members. All members are serving without compensation. Periodic reports are to be made to the Avery County Board of Commissioners*

*The blended presentation method for the Fire Commission presents this component unit as a part of the special revenue fund types of the County, and offers no separate presentation.*

**(B) Basis of Presentation, Measurement Focus – Basis of Accounting**

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

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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

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

*The County reports the following major governmental fund:*

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

*The County reports the following fund types:*

*Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Avery County Board of Education and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.*

**(C) Measurement Focus, Basis of Accounting**

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

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

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

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Avery 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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.

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

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

The County has implemented GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

**(D) Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the general and special revenue (excluding the capital reserve fund) funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the capital projects fund and the capital reserve fund, which is a special revenue fund type. All budgets are prepared using the modified accrual basis of accounting.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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*Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue funds, and at the object level for the capital projects funds. The County Manager is authorized to transfer any non-salary related appropriations within a fund. 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 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 governing board shall adopt the budget ordinance.*

**(E) Assets, Liabilities and Fund Equity**

***Deposits and Investments***

*All deposits of the County, the Avery County Airport Authority, and the Avery County Fire Commission are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and its two component units may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County 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 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, the Airport Authority, and the Fire Commission's investments with 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 securities of the NCCMT Cash Portfolio, an SEC-registered money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investments contracts are reported at cost.*

***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.*

***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 July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008.*

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**Allowance 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.

**Fixed Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines, and other plant and distribution system, infrastructure, furniture and equipment, and vehicles, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Avery County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Avery County Board of Education.

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

	<u>Years</u>
Buildings	50
Improvements	10-30
Furniture and equipment	5-10
Vehicles	3
Computer equipment	3

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

	<u>Years</u>
Facility upgrades	10
Improvements	12
Additions	20

The Avery County Fire Commission holds title to no capital assets.

**Long-Term Debt**

In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

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

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**Net Assets/Fund Balances**

**Net Assets**

Net assets in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

**Fund Balances**

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance 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 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 that 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.

*Unreserved*

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

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

**(F) Revenues, Expenditures and Expenses**

***Other Resources***

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" in the receiving fund. The County's General Fund also transfers funds to Avery County Airport Authority to be used for the maintenance of airport facilities in the County.

***Compensated Absences***

Under the vacation policy of the County, vacation leave will be paid to any employee who resigns or retires from the County in good standing. This vacation pay is not to exceed a maximum of thirty (30) days or 240

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hours. The County is not obligated to pay any employee for accrued vacation if the employee is terminated from employment for just cause.

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Comparative Data/Reclassifications**

Comparative total data for the prior year has 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.

**(G) Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$5,671,887 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 19,519,103
Less Accumulated Depreciation	(7,349,382)
Net capital assets	12,169,721
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	134,164
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	833,047
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Pension benefit obligation	(70,814)
Compensated absences payable	(391,060)
Bonds, leases, and installment financing	(6,572,131)
Other post-employment health benefits	(162,599)
Accrued interest payable	(268,441)
Total adjustment	\$ 5,671,887

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

*The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$ 2,798,658 as follows:*

<i>Description</i>	<i>Amount</i>
<i>Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities</i>	<i>\$1,922,526</i>
<i>Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements</i>	<i>(855,627)</i>
<i>Cost of abandoned leasehold improvements during the year affect only the statement of activities since they were expensed previously in the fund statements</i>	<i>(35,465)</i>
<i>Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements</i>	<i>1,488,324</i>
<i>Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements</i>	<i>84,944</i>
<i>Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)</i>	<i>62,507</i>
<i>Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements</i>	
<i>Reversal of deferred tax revenue recorded at 7/1/08</i>	<i>(720,953)</i>
<i>Recording of tax receipts deferred in the fund statements as of 6/30/09</i>	<i>833,047</i>
<i>Increase in accrued interest on taxes receivable for year ended 6/30/09</i>	<i>19,355</i>
<i>Total adjustment</i>	<u><u><i>\$ 2,798,658</i></u></u>

**(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Noncompliance with North Carolina General Statutes*

*Excess of Expenditures Over Appropriations*

*During the fiscal year ended June 30, 2009, the County reported expenditures within the special revenue funds for the fire districts that violated State law because they exceeded the amounts appropriated in the budget. This was due to under-budgeting by the blended component unit, the Avery County Fire Commission.*

**Avery County, North Carolina**  
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**(3) DETAIL NOTES ON ALL FUNDS**

**(A) Assets**

**Deposits**

*All of the County's, the Airport Authority's, and the Fire 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, the Airport Authority's and the Fire Commission's agents in these units' name. 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, the Airport Authority, and the Fire Commission, these deposits are considered to be held by their agents in the entities' name. The amount of 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, the Airport Authority, and the Fire Commission or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Airport Authority and the Fire 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.*

*The County and its two component units have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.*

*At June 30, 2009, the County's deposits had a carrying value of \$1,203,484 and a bank balance of \$1,268,566. Of the bank balance, \$500,000 was covered by federal depository insurance and \$768,566 was covered by collateral held under the Pooling Method. The County maintains a petty cash fund of \$500.*

*At June 30, 2009, the carrying amount of deposits for the Avery County Airport Authority was \$55,359 and the bank balance was \$87,336. All of the bank balance was covered by federal depository insurance.*

*At June 30, 2009, the carrying amount of deposits for the Avery County Fire Commission was \$227,374 and the bank balance was \$244,086. Of the bank balance, \$244,086 was covered by federal depository insurance.*

**Investments**

*At June 30, 2009, the County's investments consisted of \$22,431,036 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.*

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**Receivable – Allowance for Doubtful Accounts**

Receivables at the government-wide level at June 30, 2009 were as follows:

	Taxes and Related Accrued		Due from Other Governments	Total
	Accounts	Interest		
Governmental Activities:				
General	\$ 74,185	\$ 1,154,534	\$ 1,305,499	\$ 2,534,218
Other Governmental	-	118,490	28,218	146,708
Total receivables	74,185	1,273,024	1,333,717	2,680,926
Allowance for doubtful accounts	-	(305,814)	-	(305,814)
Total-governmental activities	\$ 74,185	\$ 967,210	\$ 1,333,717	\$ 2,375,112

For the County, the amounts presented in Exhibit 1, the Statement of Net Assets, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2009</u>
General Fund:	
Property taxes	\$ 283,280
Special Revenue Fund:	22,534
Total	\$ 305,814

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

Local option sales tax	\$1,022,063
NC DHHS operating funds	101,073
NC DOT operating funds	75,416
NC E-911 fees	25,052
NC DOC CJPP funds	30,894
Video programming tax	17,035
Sales tax refunds	62,184
Total	<u>\$ 1,333,717</u>

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**For the Fiscal Year Ended June 30, 2009**

**Capital Assets**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Transfers/ (Decreases)	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,962,786	\$ 860,090	\$ -	\$ 2,822,876
Construction in progress	877,027	501,354	(919,996)	458,385
Total capital assets not being depreciated	<u>2,839,813</u>	<u>1,361,444</u>	<u>(919,996)</u>	<u>3,281,261</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,604,880	24,495	877,256	9,506,631
Other improvements	1,572,172	75,643	-	1,647,815
Equipment	2,626,445	132,536	7,275	2,766,256
Vehicles and motor equipment	2,056,487	328,409	(67,787)	2,317,109
Total capital assets being depreciated	<u>14,860,014</u>	<u>561,083</u>	<u>816,744</u>	<u>16,237,811</u>
<i>Less accumulated depreciation for:</i>				
Buildings	2,453,827	251,489	-	2,705,316
Other improvements	1,041,959	52,471	-	1,094,430
Equipment	1,448,665	252,881	-	1,701,546
Vehicles and motor equipment	1,617,060	298,786	67,787	1,848,059
Total accumulated depreciation	<u>6,561,511</u>	<u>855,627</u>	<u>67,787</u>	<u>7,349,351</u>
Total capital assets being depreciated, net	<u>8,298,503</u>			<u>8,888,460</u>
Governmental activity capital assets, net	<u>\$ 11,138,316</u>			<u>\$ 12,169,721</u>
General government	\$ 240,966			
Public safety	347,242			
Environmental Protection	93,044			
Human services	57,086			
Transportation	74,965			
Cultural and recreational	42,324			
Total depreciation expense	<u>\$ 855,627</u>			

**Construction commitments**

The government has three active construction projects as of June 30, 2009. The projects are listed below. At June 30, 2009, the government's commitments with contractors are as follows:

Project	Spent To Date	Remaining Commitment
Landfill Project	\$ 325,628	\$ 60,000
Jail Project	14,325	555,425
Banner Elk School Project	988,063	512,827

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**Discretely presented component units**

Activity for the Avery County Airport for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$399,053	104,836	399,053	\$104,836
Total capital assets not being depreciated	<u>399,053</u>	<u>104,836</u>	<u>399,053</u>	<u>104,836</u>
<i>Capital assets being depreciated:</i>				
Equipment	11,978	-	-	11,978
Building improvements	5,310	-	-	5,310
Leasehold improvements	1,134,520	503,909	-	1,638,429
Fuel storage facility	66,604	-	-	66,604
Total capital assets being depreciated	<u>1,218,412</u>	<u>503,909</u>	<u>-</u>	<u>1,722,321</u>
<i>Less accumulated depreciation for:</i>				
Equipment	11,978	-	-	11,978
Building improvements	1,806	296	-	2,102
Leasehold improvements	164,685	119,479	-	284,164
Fuel storage facility	55,210	5,998	-	61,208
Total accumulated depreciation	<u>233,679</u>	<u>125,773</u>	<u>-</u>	<u>359,452</u>
Total capital assets being depreciated, net	<u>984,733</u>			<u>1,362,869</u>
Avery County Airport capital assets, net	<u>\$1,383,786</u>			<u>\$1,467,705</u>

**Payables**

Payables at the government-wide level at June 30, 2009, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
<i>Governmental Activities:</i>				
General	\$ 452,563	\$ 355,104	\$ 268,441	\$ 1,076,108
Other Governmental	-	-	-	-
Total-governmental activities	<u>\$ 452,563</u>	<u>\$ 355,104</u>	<u>\$ 268,441</u>	<u>\$ 1,076,108</u>

**(B) Liabilities**

(1) Pension Plan Obligations

(a) Local Governmental Employees' Retirement System

Plan Description. Avery County contributes to the statewide Local Governmental Employee's 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 Employee's 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 27609-1410, or calling (919) 981-5454.

**Avery County, North Carolina**  
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Funding Policy. *Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.98% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Avery County are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2009, 2008, and 2007 was \$268,576, \$243,063, and \$231,695, respectively. The contributions made by the County equaled the required contributions for each year.*

**(b) Law Enforcement Officers' Special Separation Allowance**

**1. Plan Description.**

*Avery 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 covers all full-time County law enforcement officers. At December 31, 2008 the Separation Allowance membership consisted of:*

<i>Retirees receiving benefits</i>	<i>1</i>
<i>Terminated plan members entitled to but not Yet receiving benefits</i>	<i>0</i>
<i>Active plan members</i>	<i>24</i>
	<hr/>
<i>Total</i>	<i>25</i>
	<hr/> <hr/>

**2. Summary of Significant Accounting Policies:**

**Basis of Accounting.** *The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.*

**Method Used to Value Investments.** *No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.*

**3. Contributions**

*The County is required by Article 12D to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.*

*The annual required contribution for the current year was determined as part of the December 31, 2008 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 ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases.*

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Annual Pension Cost and Net Pension Obligation. *The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:*

<i>Annual required contribution</i>	\$ 20,166
<i>Annual pension cost</i>	20,669
<i>Contributions made</i>	(3,978)
<i>Increase (decrease) in net pension obligation</i>	<u>16,691</u>
<i>Net pension obligation beginning of year</i>	54,126
<i>Net pension obligation end of year</i>	<u>\$ 70,817</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.*

*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 immediately vested. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$44,134 all of which was contributed by the County.*

d. Deferred Compensation Plan

*The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Sections 457 and 401K. The plans, which are available to all County employees, permit 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. The 401K plan offers an employer match dollar for dollar up to three percent of compensation for eligible employees.*

e. Register of Deeds' Supplemental Pension Fund

*Plan Description. Avery County also contributes to the Register 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 Policies. On a monthly basis, the County remits to Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven-percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2009, the County contributed \$2,537 to the fund, representing 100% of its required contribution.*

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**(2) Other Post Employment Benefits**

**HEALTHCARE BENEFITS**

Plan Description. Employees retiring with at least twenty (20) years of service with Avery County, inclusive of any accumulated sick leave, and are fifty five (55) years of age or older, will be afforded full, continued medical benefits for that individual only until they are eligible to receive Medicare. Upon becoming eligible for Medicare, Avery County will provide an amount of money up to but not to exceed \$2,000 per fiscal year toward the purchase of an individual supplemental health insurance policy. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the Employee Welfare Benefit Plan of the County of Avery consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

General Employees:	151
Law Enforcement Officers:	23
Retirees and dependents receiving benefits:	<u>5</u>
Total:	179

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a resolution that can be amended by Board of Commissioners. The County has chosen to fund the healthcare benefits on a “pay as you go” basis. The current ARC rate is 3.11% of annual covered payroll. For the current year, the County contributed \$41,246. The County’s obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 203,845
Interest on net OPEB obligation: 4% per annum compounded annually	
Contributions made:	\$41,246
Net OPEB obligation, end of year	\$ 162,599

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

<u>For the Year</u> <u>Ended June 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$ 203,845	20%	\$ 162,599

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,498,496. The covered payroll (annual payroll of active employees covered by the plan) was \$5,236,537, and the ratio of the UAAL to the covered payroll was 28.6 percent. Actuarial valuations of an ongoing

**Avery County, North Carolina**  
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plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was 30 years.

(3) *Deferred Revenue*

The balance in deferred revenue at year-end is composed of the following elements:

	<b>General Fund</b>	<b>Special Revenue Fund</b>
Taxes receivable (net)	747,850	85,197
	\$ 747,850	\$ 85,197

(4) *Solid Waste Landfill Closure*

During the fiscal year ended June 30, 1995, the County closed its solid waste landfill. Contingent liabilities, if any, associated with this closure are not recognized in the financial statements. At present the County contracts with a solid waste disposal company for the hauling and disposal of solid waste to a commercially operated landfill located outside of Avery County.

(5) *Risk Management*

The County 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. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract, for any one occurrence, with an annual aggregate of \$50 million for flood and earthquake, with other sub-limits for coverage per the County's contract. The County also purchases general, auto, public officials, law enforcement 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, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence and an additional \$500,000 annual aggregate up to \$2 million limit for liability coverage, \$145 million of aggregate annual losses in excess of \$100,000 per occurrence and an additional \$1 million annual aggregate for property, auto, physical damage, and crime coverage, and single occurrence losses of \$350,000 per occurrence and \$300,000 annual aggregate for

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workers' compensation. For health and dental insurance, the County has a \$1,950,000 specific loss insurance policy when the annual losses are in excess of \$50,000 per each covered individual. The County also has a \$1,000,000 stop loss policy when the aggregate annual losses exceed 125% of expected claims based on the contractual aggregate deductible.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). County officials have determined that structures may incur differing levels of damage based on location, and, therefore, have purchased insurance coverage commensurate with exposure.

In accordance with G.S. 159-29, the County's employees that have access at any given time to \$100 or more of the County's funds are performance bonded through a crime coverage declaration by the NCACC Liability and Property Pool. The Director of Finance, Tax Collector, Register of Deeds, County Manager and Chairman of the Board are each individually bonded for the following amounts: Finance Director \$250,000, Tax Collector, County Manager and Chairman of the Board, \$100,000 and Register of Deeds \$50,000.

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.

(6) *Claims and Judgments*

At June 30, 2009, the County was a defendant to various lawsuits. In the opinion of the County management and County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County's financial position. Pending cases as of June 30, 2009 that may have an unfavorable outcome are covered by the County's liability insurance.

(7) *Long-Term Obligations*

a. Capital Leases

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

BB&T Governmental Finance refinanced an existing agreement for the lease purchase of computer equipment and added additional equipment in the amount of \$32,000 to the lease. This equipment is to be used in the Register of Deeds office and the agreement was entered into in April 2005. Terms of this contract are 60 monthly payments of \$2,061.75 including interest at 3.79% and applicable taxes. Under the terms of the above agreement, title passes to the County at the end of the lease term.

At June 30, 2009, the County leased equipment valued at:

<i>Classes of Property</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
<i>Equipment</i>	\$ 34,000	\$ 34,000	\$ -

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

For Avery County, the future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2009 are as follows:

<b>Year Ending June 30</b>		<b>General Long-Term Debt</b>
2010	\$	18,620
Total minimum lease payments:		\$ 18,620
Less: amount representing interest and taxes		<u>354</u>
Present value minimum lease payments		<u>\$ 18,266</u>

b. Notes Payable

The County entered into a commitment of \$7,500,000 for the installment purchase contract financing for two new school buildings during the fiscal year ended June 30, 1995. The installment contract bears interest at 5.53% and is amortized over a fifteen-year period with semiannual payments of interest and principal in the amount of \$373,100 commencing February 1, 1995. This installment contract is secured by a deed of trust on the property.

The County entered into a commitment of \$9,500,000 for the installment purchase contract financing for two new school buildings. The installment contract bears interest at a rate of 5.51% and is amortized over a fifteen-year period with annual payments of fixed principal amounts of \$633,334. This installment contract is secured by a deed of trust on the property.

On September 6, 2006, the County entered into a commitment of \$2,000,000 in order to finance a school renovation project. The contract is with Bank of America for the issuance of Qualified Zone Academy Bond (QZAB) funding. Required principal repayment is \$110,110 per year for a fifteen year term. The bond is currently discounted in the amount of \$348,350. The guaranteed interest rate on the bonds is 2.66% per annum and will be held on deposit with the bank as Trustee until such time as the bonds mature.

For Avery County, the future minimum payments as of June 30, 2009 are:

<b>Year Ending June 30</b>		<b>General Long-Term Debt</b>
2010	\$	1,084,195
2011		743,443
2012		743,443
2013		743,443
2014		743,443
2015-2020		1,817,218
2021-2026		<u>678,680</u>
Total	\$	<u>6,553,865</u>

At June 30, 2009, the County had a legal debt margin of \$ 387,649,241.

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

**c. Long Term Obligation Activity**

The following is a summary of changes in the County's long term obligations for the fiscal year ended June 30, 2009.

<b>Governmental activities:</b>	<b>Balance July 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>	<b>Current Portion</b>
Capitalized leases	\$ 101,158	\$ -	\$ 82,893	\$ 18,265	\$ 18,265
Installment purchase	7,959,297	-	1,405,431	6,553,866	1,084,195
Other post employment benefits	-	162,599	-	162,599	162,599
Pension plan obligation	54,123	16,691	-	70,814	70,813
Vacation pay obligation	330,097	60,963	-	391,060	391,060
<b>Total governmental activities</b>	<b>\$ 8,444,675</b>	<b>\$ 240,253</b>	<b>\$ 1,488,324</b>	<b>\$ 7,196,604</b>	<b>\$1,726,932</b>

**d. Interfund Balances and Activity**

Transfers to/from other fund

Transfers to/from other funds at June 30, 2009, consist of the following:

From the General fund to the Capital Reserve fund to accumulate resources	\$3,412,766
From the General fund to the Capital Projects fund for the Banner Elk School construction	1,071,000
From the General fund to the Revaluation fund to accumulate resources for the revaluation of real property	35,000
From the General fund to the Fire District fund for use of the Fire Commission	104,439
From the General fund to the Landfill Project fund	24,644
From the General fund to the Capital Projects fund to set up new Jail Expansion fund	6,588,458
To the General fund from the Capital Projects fund to close the Courthouse project	(6,588,458)
To the General fund from the Capital Reserve fund	(1,071,000)
To the General fund from the E-911 fund to reclassify funds	(368,332)
<b>Total</b>	<b>\$3,208,517</b>

**(4) JOINT VENTURES**

The County participates in a joint venture to operate Avery-Mitchell-Yancey Regional Library with three other local governments. Each participating government appoints three members to the twelve-member board of the library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2009. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$78,280 to the library to supplement its activities. Complete financial statements can be obtained from the Library's offices at Highway 19E, Burnsville, North Carolina 28714.

The County in conjunction with the State of North Carolina, Mitchell County, and Yancey County, participates in a joint venture to operate Mayland Community College (College). Each of the four participants appoints three members of the thirteen-member board of trustees of the College. The College's student government president serves as an ex-officio nonvoting member of the College's board of trustees. The College is included as a component unit of the State. The Counties have the basic joint responsibility for providing funding for the facilities of the College and also provide some financial support for the College's operations. The Counties have an ongoing joint financial responsibility for the College because of the statutory responsibilities to provide

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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*funding for the College's facilities. Avery County contributed \$255,320 to the College for operating purposes and \$31,200 for capital outlay during the fiscal year ended June 30, 2009. The participating governments do not have an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2009. Complete financial statements for Mayland Community College may be obtained from the College's administrative offices at 200 Mayland Tech Road, Spruce Pine, North Carolina 28777.*

*The County participates in a joint venture to operate the Toe River Health District with two other local governments. Each participating government appoints one member to the twelve-member board of directors of the Health District. The County has an ongoing financial responsibility for the joint venture because the Health District's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health District, so no equity interest has been reflected in the financial statements at June 30, 2009. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$266,640 to the Health District to supplement its activities. Complete financial statements can be obtained from the Toe River Health District's offices at Greenwood Road, Spruce Pine, North Carolina 28777.*

*The County participates in a joint venture to operate the New River Center for Mental Health, Developmental Disability & Substance Abuse Services with three other local governments. Each participating government appoints four members to the twenty-member board of the New River Area Authority (regional area authority). The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2009. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$92,400 to the Center to supplement its activities. Complete financial statements can be obtained from the New River Center's offices located in Boone, North Carolina 28607.*

**(5) JOINTLY GOVERNED ORGANIZATION**

*The County, in conjunction with seven other counties and nineteen municipalities, established the High Country Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$9,192 to the Council during the fiscal year ending June 30, 2009.*

**(6) SUPPLEMENTAL AND ADDITIONAL SUPPLEMENTAL ONE-HALF OF ONE PERCENT LOCAL GOVERNMENT SALES AND USE TAXES**

*State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2009, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for public school indebtedness.*

**Avery County, North Carolina**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**(7) BENEFIT PAYMENTS ISSUED BY THE STATE**

*The State, from federal and State monies, directly paid the amounts listed below to individual recipients. 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 financial statements because they are not revenues and expenditures of the County.*

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 13,120,083	\$ 5,302,669
Temporary Assistance for Needy Families	107,914	-
Food Stamp Program	2,065,720	-
Title IV-E Foster Care Assistance	2,209	968
Title IV-E Adoption Assistance	37,944	7,055
State Foster Care Benefits Program	-	38,279
State Special Assistance for Adults	-	158,022
Low Income Energy Assistance	159,259	-
CWS Adoption Subsidy	-	77,692
SFHF Maximization	-	17,012
Foster Care At Risk Maximization	-	10,430
Foster Care Special Provision	-	9,309

**(8) SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Federal and State Assisted Programs

*The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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 monies.*

**Avery County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)</b>	<b>Unfunded (AAL) (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/2001	0	42,093	42,093	0%	441,548	9.53%
12/31/2002	0	41,923	41,923	0%	511,018	8.20%
12/31/2003	0	43,634	43,634	0%	477,186	9.14%
12/31/2004	0	43,871	43,781	0%	427,258	10.27%
12/31/2005	0	58,560	58,560	0%	560,577	10.45%
12/31/2006	0	100,271	100,271	0%	720,597	13.91%
12/31/2007	0	144,437	144,437	0%	825,800	17.49%
12/31/2008	0	169,706	169,706	0%	914,098	18.57%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2003	8,052	0%
2004	9,097	0%
2005	8,410	0%
2006	8,398	0%
2007	10,117	0%
2008	15,855	38.38%
2009	20,669	19.25%

**Notes to the Required Schedules:**

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

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5-12.3%
Includes inflation at	3.75%
Cost of living adjustments	N/A

**AVERY COUNTY, NORTH CAROLINA**  
**Other Post Employment Benefits**  
**Required Supplementary Information**

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**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)</b>	<b>Unfunded (AAL) (UAAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b - a)/c)</b>
12/31/2008	0	1,498,496	1,498,496	0%	5,236,537	28.62%

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**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2009	162,599	20%

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**Notes to the Required Schedules:**

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

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend	10.5% - 5.0%
Year of Ultimate trend rate	2016
Includes inflation at	3.75%

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<b>Revenues:</b>				
<i>Ad valorem taxes:</i>				
Taxes	\$	\$ 14,216,307	\$	\$ 13,992,722
Penalties and interest		109,200		88,547
Refunds and releases		(50,604)		(303,045)
Total		14,246,500		13,778,224
<i>Local option sales taxes:</i>				
Article 39 one percent		1,833,809		2,363,300
Article 40 one-half of one percent		1,144,694		1,114,527
Article 42 one-half of one percent		989,734		1,102,320
Article 44 one-half of one percent		531,463		1,028,723
Video programming distribution		67,331		77,949
Medicaid Hold Harmless payment		225,958		376,203
Total		5,023,000		6,063,022
<i>Other taxes and licenses:</i>				
Real estate transfer tax		365,471		607,989
White goods disposal tax		3,222		7,003
Scrap tire disposal tax		19,366		20,419
Solid waste disposal		8,556		-
Total		574,000		635,411
<i>Unrestricted intergovernmental:</i>				
Payments in lieu of taxes		193,695		101,712
Food stamp tax reimbursement		3,100		1,811
Sales tax refunds		764		23,153
Total		86,500		126,676
<i>Restricted intergovernmental:</i>				
State and federal grants		2,609,295		2,800,985
Court facilities fees		32,312		31,177
ABC bottle tax		7,479		7,872
Total		3,578,950		2,840,034
<i>Licenses and permits:</i>				
Inspection fees and building permits		122,809		224,492
Register of deeds		155,865		202,957
Marriage licenses		7,150		7,250
Officer fees		8,577		8,044
Gun permits		1,425		1,235
IPM dues		1,865		3,125
Fingerprint fees		2,055		1,430
Flood plain mapping fees		8,420		-
Adoption fees		-		9,955
Concealed weapons fees		11,065		6,215
Total		397,250		464,703

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<b>Sales and services:</b>				
Election department		-		9,671
Transportation fees		346,150		263,153
Rents, concessions and fees		1,128		12,409
Recreation fees		38,562		22,730
Jail fees		28,178		21,888
Tax assessor fees		2,067		2,917
Emergency medical service		500,202		610,186
Solid waste fees		300,948		277,049
Civil process fees		16,038		10,808
Civil license revocations		1,708		2,698
Total	1,128,920	1,234,981	106,061	1,233,509
Investment earnings	205,000	357,870	152,870	819,067
<b>Miscellaneous:</b>				
Sales of fixed assets		5,869		13,660
Donations		100		-
Restitution fees		1,446		1,337
Drug fund		5,098		2,979
Other		40,284		70,015
Total	33,230	52,797	19,567	87,991
Total revenues	25,273,350	24,276,031	(997,319)	26,048,637
<b>Expenditures:</b>				
General government -				
Governing body:				
Salaries and employee benefits		89,807		102,416
Other operating expenditures		55,626		28,593
Capital outlay		1,905		-
Total	597,468	147,338	450,130	131,009
Administration:				
Salaries and employee benefits		127,010		124,323
Other operating expenditures		19,742		20,622
Capital outlay		10,300		30,152
Total	166,317	157,052	9,265	175,097
Elections:				
Salaries and employee benefits		127,507		113,917
Other operating expenditures		37,845		45,501
Capital outlay		-		5,862
Total	211,256	165,352	45,904	165,280

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<i>Finance:</i>				
Salaries and employee benefits		251,683		223,227
Other operating expenditures		52,518		33,574
Capital outlay		11,011		919
Total	340,066	315,212	24,854	257,720
<i>Tax listing and supervisor:</i>				
Salaries and employee benefits		247,888		242,692
Other operating expenditures		99,205		88,941
Capital outlay		11,273		7,577
Total	494,959	358,366	136,593	339,210
<i>Tax collections:</i>				
Salaries and employee benefits		157,053		151,581
Other operating expenditures		24,650		24,463
Capital outlay		-		1,852
Total	204,608	181,703	22,905	177,896
<i>Tax mapping:</i>				
Operating expenditures		73,998		67,836
Capital outlay		7,507		3,209
Total	130,661	81,505	49,156	71,045
<i>Register of Deeds:</i>				
Salaries and employee benefits		177,586		179,948
Other operating expenditures		280,526		360,152
Capital outlay		6,373		4,572
Total	626,092	464,485	161,607	544,672
<i>Public Buildings:</i>				
Salaries and employee benefits		186,845		182,079
Other operating expenditures		450,237		385,120
Capital outlay		100,364		80,878
Total	754,522	737,446	17,076	648,077
<i>Legal and auditing:</i>				
Contracted services	76,000	56,297	19,703	73,659
<i>Facilities fees:</i>				
Operating expenditures		5,633		7,912
Capital outlay		-		2,395
Total	8,050	5,633	2,417	10,307
Total general government	3,609,999	2,670,389	939,610	2,593,972

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
Public safety -				
Sheriff's Department:				
Salaries and employee benefits		1,156,517		1,104,314
Other operating expenditures		299,782		294,565
Capital outlay		140,856		185,002
Total	1,647,329	1,597,155	50,174	1,583,881
Jail:				
Salaries and employee benefits		373,329		368,517
Other operating expenditures		214,726		207,863
Capital outlay		1,649		3,740
Total	657,586	589,704	67,882	580,120
Building inspection:				
Salaries and employee benefits		253,290		267,684
Other operating expenditures		65,198		69,285
Capital outlay		-		17,838
Total	466,729	318,488	148,241	354,807
Emergency management:				
Salaries and employee benefits		63,807		92,165
Other operating expenditures		61,895		28,080
Hazard mitigation and hurricane relief		-		69,791
Capital outlay		2,124		1,852
Total	167,852	127,826	40,026	191,888
Emergency medical services:				
Salaries and employee benefits		1,154,855		951,308
Other operating expenditures		250,451		216,124
Capital outlay		98,896		168,185
Total	1,658,027	1,504,202	153,825	1,335,617
Central dispatch:				
Salaries and employee benefits		491,045		462,169
Other operating expenditures		92,891		76,297
Capital outlay		18,719		4,057
Total	665,415	602,655	62,760	542,523
OSHA instruction:				
Other operating expenditures				65
Total	325	-	325	65
Medical examiner:				
Professional services	15,000	10,500	4,500	10,100

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
Community agency contributions:				
Avery Search & Rescue		156,560		152,000
Humane Society		59,225		57,500
Total	215,785	215,785	-	209,500
Total public safety	5,494,048	4,966,315	527,733	4,808,501
Public transportation:				
Streets and highways:				
Salaries and employee benefits		385,765		389,509
Other operating expenditures		138,605		130,092
Capital outlay		73,627		219,200
Total public transportation	712,360	597,997	114,363	738,801
Environmental protection -				
Sanitation:				
Salaries and employee benefits		658,184		614,341
Other operating expenditures		850,071		828,898
Capital outlay		156,452		332,196
Total	2,807,069	1,664,707	1,142,362	1,775,435
Soil conservation service:				
Contracted services	167,381	193,038	(25,657)	153,652
Total environmental protection	2,974,450	1,857,745	1,116,705	1,929,087
Economic and physical development -				
Agricultural extension agent:				
Salaries and employee benefits		162,623		160,063
Other operating expenditures		93,282		169,593
Capital outlay		5,877		10,560
Total	313,300	261,782	51,518	340,216
Physical development:				
Operating expenditures				
Total	24,350	4,044	20,306	5,312
Regional economic development:				
Region D Development Council				10,091
	1,000	1,000	-	10,091
Total economic and physical development	338,650	266,826	71,824	355,619

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
Human services -				
Public Health:				
Toe River Health District		266,640		302,130
New River Mental Health		92,400		88,000
Alcoholic rehabilitation		7,257		7,871
Total	369,040	366,297	2,743	398,001
Veteran's Service Officer -				
Salaries and employee benefits		16,391		15,925
Other operating expenditures		2,678		2,663
Capital outlay		1,127		-
Total	36,670	20,196	16,474	18,588
Social Services:				
Salaries and employee benefits		1,315,837		1,306,532
Other operating expenditures		203,605		188,916
Capital outlay		11,064		29,556
Total	1,682,578	1,530,506	152,072	1,525,004
County participation:				
Medicaid		419,642		798,698
Special assistance		230,393		191,663
Foster care		142,168		92,293
Crisis intervention		75,746		34,923
Family Support Act		105,060		106,943
Aid for children		42,683		28,248
Independent living		2,980		8,422
JOBS program		50,385		51,611
Total	1,168,981	1,069,057	99,924	1,312,801
Senior Citizens:				
Salaries and employee benefits		481,735		454,992
Other operating expenditures		242,807		217,748
Capital outlay		5,350		21,141
Total	789,440	729,892	59,548	693,881
Day Care and Child Development:				
Contracted services				
	533,432	311,150	222,282	559,437
Community Based Alternatives				
Operating expenditures	99,085	86,659	12,426	91,711
CJPP Program	51,254	51,254	-	49,850
Aid to the Blind	1,648	1,048	600	1,511

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<i>Community agency contributions:</i>				
Hospice		19,055		43,500
ADAP - Yellow Mountain		23,690		23,000
Avery Alzheimer's Support		1,000		1,000
ACADA		21,630		21,000
Total	65,375	65,375	-	88,500
Total human services	4,797,503	4,231,434	566,069	4,739,284
<i>Cultural and recreational -</i>				
<i>Parks &amp; recreation:</i>				
Salaries and employee benefits		210,186		184,743
Other operating expenditures		118,780		106,462
Capital outlay		807,060		63,673
Total	1,145,031	1,136,026	9,005	354,878
<i>Community agency contributions:</i>				
Shrine Club		1,000		1,000
Arts Council		3,500		3,500
Blue Ridge Resource		17,100		17,100
Avery Little League		2,060		27,000
WAMY		6,180		6,000
Tag Office		10,000		10,000
Municipality Donation		150,000		-
Avery Museum		3,090		3,000
Total	1,240,930	192,930	1,048,000	67,600
Library:				
Contracted services	78,280	78,280	-	76,000
Total cultural and recreational	2,464,241	1,407,236	1,057,005	498,478
<i>Education -</i>				
Public schools - current expense		3,896,000		3,756,000
Public schools - capital outlay		606,203		1,109,927
Community College - current expense		255,320		245,500
Community College - capital outlay		31,200		30,000
Total education	4,815,020	4,788,723	26,297	5,141,427
<i>Debt service -</i>				
Principal retirement		1,488,324		1,442,643
Interest and fees		296,530		359,855
Total debt service	1,784,957	1,784,854	103	1,802,498

See the accompanying Independent Auditor's Report.

## Avery County, North Carolina

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--

For the Fiscal Year Ended June 30, 2009

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
Total expenditures	26,991,228	22,571,519	4,419,709	22,607,667
Revenue over (under) expenditures	(1,717,878)	1,704,512	3,422,390	3,440,970
Other financing sources (uses):				
Operating transfers in (out):				
To Revaluation Fund	(35,000)	(35,000)	-	(35,000)
To/From E-911 Fund	368,332	368,332	-	-
To/From Capital Projects Fund (Courthouse)	-	-	-	80,300
To/From Capital Reserve Fund	(3,786,266)	(3,786,266)	-	(3,911,910)
To/From Capital Projects Fund (Health Department)	-	-	-	(45,397)
To/From Capital Projects Fund (Landfill Expansion)	(110,000)	(104,439)	5,561	-
To/From Capital Projects Fund (High School Renovation)	373,500	373,500	-	717,366
To Fire Tax Fund	(24,644)	(24,644)	-	-
To component unit - Airport	(133,957)	(61,607)	72,350	(83,960)
Total operating transfers	(3,348,035)	(3,270,124)	77,911	(3,278,601)
Proceeds from capital lease	-	-	-	25,254
Total other financing sources (uses)	(3,348,035)	(3,270,124)	77,911	(3,253,347)
Excess of revenues and other sources over (under) expenditures and other uses	(5,065,913)	(1,565,612)	3,500,301	187,623
Appropriated fund balance	5,065,913	-	(5,065,913)	-
Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	(1,565,612)	\$ (1,565,612)	187,623
Fund balances - beginning of year		11,351,172		11,163,549
Fund balances - end of year		\$ 9,785,560		\$ 11,351,172

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2009**

	<i>E-911 Fund</i>	<i>Fire District Fund</i>	<i>Revaluation Fund</i>	<i>Total Non-major Special Revenue Funds</i>	<i>School Construction Capital Project Funds</i>	<i>Total Non-major Governmental Funds</i>
<b>ASSETS</b>						
<i>Cash and cash equivalents</i>	\$ 476,295	\$ 227,374	\$ 36,390	\$ 740,059	\$ 630,470	\$ 1,370,529
<i>Taxes receivable, net</i>	-	85,197	-	85,197	-	85,197
<i>Due from other governments</i>	28,218	-	-	28,218	-	28,218
<i>Total assets</i>	<u>\$ 504,513</u>	<u>\$ 312,571</u>	<u>\$ 36,390</u>	<u>\$ 853,474</u>	<u>\$ 630,470</u>	<u>\$ 1,483,944</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<i>Liabilities:</i>						
<i>Accounts payable and accrued liabilities</i>	\$ 47,245	\$ -	\$ -	\$ 47,245	\$ -	\$ 47,245
<i>Deferred revenue</i>	-	85,197	-	85,197	-	85,197
<i>Total liabilities</i>	<u>47,245</u>	<u>85,197</u>	<u>-</u>	<u>132,442</u>	<u>-</u>	<u>132,442</u>
<i>Fund balances:</i>						
<i>Reserved by State statute</i>	28,218	-	-	28,218	-	28,218
<i>Designated for subsequent years' expenditures</i>	7,856	-	18,610	26,466	-	26,466
<i>Unreserved</i>	421,194	227,374	17,780	666,348	630,470	1,296,818
<i>Total fund balances</i>	<u>457,268</u>	<u>227,374</u>	<u>36,390</u>	<u>721,032</u>	<u>630,470</u>	<u>1,351,502</u>
<i>Total liabilities and fund balances</i>	<u>\$ 504,513</u>	<u>\$ 312,571</u>	<u>\$ 36,390</u>	<u>\$ 853,474</u>	<u>\$ 630,470</u>	<u>\$ 1,483,944</u>

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2009**

					Non-major Capital Projects Fund		Non-major Capital Projects Fund		Non-major Capital Projects Fund			
	E-911 Fund	Fire District Fund	Revaluation Fund	Grant Projects Funds	Total Non-major Special Revenue Funds	School Construction Capital Project Funds	Courthouse Capital Project Fund	Landfill Expansion Project	Total Non-major Governmental Funds			
<b>REVENUES</b>												
Ad valorem taxes	\$ -	\$ 1,523,798	\$ -	\$ -	\$ 1,523,798	\$ -	\$ -	\$ -	\$ 1,523,798			
Restricted intergovernmental	329,748	-	-	4,229	333,977	-	-	-	333,977			
Miscellaneous	-	3,506	-	-	3,506	-	-	-	3,506			
Investment earnings	15,689	4,788	-	-	20,477	-	-	-	20,477			
Total revenues	345,437	1,532,092	-	4,229	1,881,758	-	-	-	1,881,758			
<b>EXPENDITURES</b>												
Current:												
General government	-	-	46,808	-	46,808	-	-	-	46,808			
Economic and physical development	-	-	-	4,229	4,229	-	-	-	4,229			
Human services	-	-	-	-	-	-	-	-	-			
Public safety	125,551	1,552,676	-	-	1,678,227	-	-	-	1,678,227			
Capital outlay	22,460	-	-	-	22,460	444,060	-	104,439	570,959			
Total expenditures	148,011	1,552,676	46,808	4,229	1,751,724	444,060	-	104,439	2,300,223			
Excess (deficiency) of revenues over expenditures	197,426	(20,584)	(46,808)	-	130,034	(444,060)	-	(104,439)	(418,465)			
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers (to) from other funds	(368,332)	24,644	35,000	-	(308,688)	1,071,000	(6,588,458)	104,439	(5,721,707)			
Total other financing sources and uses	(368,332)	24,644	35,000	-	(308,688)	1,071,000	(6,588,458)	104,439	(5,721,707)			
Net change in fund balances	(170,906)	4,060	(11,808)	-	(178,654)	626,940	(6,588,458)	-	(6,140,172)			
Fund balances - beginning	628,174	223,314	48,198	-	899,686	3,530	6,588,458	-	7,491,674			
Fund balances - ending	\$ 457,268	\$ 227,374	\$ 36,390	\$ -	\$ 721,032	\$ 630,470	\$ -	\$ -	\$ 1,351,502			

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina****Capital Reserve Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2009****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Investment earnings</i>	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
<i>Operating transfer in (out):</i>				
<i>(To) From General Fund</i>	3,412,766	3,412,766	-	3,911,910
<i>(To) School Projects Fund</i>	(1,071,000)	(1,071,000)	-	-
<i>Fund balance appropriated</i>	<u>(2,341,766)</u>	<u>-</u>	<u>(2,341,766)</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>2,341,766</u>	<u>(2,341,766)</u>	<u>3,911,910</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ <u>-</u>	2,341,766	\$ <u>2,341,766</u>	3,911,910
<i>Fund balances - beginning of year</i>		4,453,745		541,835
<i>Fund balances - end of year</i>		\$ <u>6,795,511</u>		\$ <u>4,453,745</u>

**Avery County, North Carolina****E-911 Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2009****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<i>Revenues:</i>				
E-911 surcharges	\$	\$ 329,748	\$	\$ 194,677
E-911 wireless surcharges		-		67,160
Investment earnings - surcharges		15,689		12,737
Investment earnings - wireless charges		-		8,767
Total revenues	<u>260,000</u>	<u>345,437</u>	<u>85,437</u>	<u>283,341</u>
<i>Expenditures:</i>				
Public safety:				
Salaries and fringe benefits		47,080		40,571
Other operating expenditures		78,471		83,046
E-911 addressing expense		-		-
Capital outlay		22,460		7,596
Total expenditures	<u>200,231</u>	<u>148,011</u>	<u>52,220</u>	<u>131,213</u>
Revenues over (under) expenditures	<u>59,769</u>	<u>197,426</u>	<u>137,657</u>	<u>152,128</u>
<i>Other financing sources (uses):</i>				
Operating transfer in (out):				
To Debt Service	-	-	-	-
To General Fund	(368,332)	(368,332)	-	-
Fund balance appropriated	308,563	-	308,563	-
Total other financing sources (uses)	<u>(59,769)</u>	<u>(368,332)</u>	<u>308,563</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	<u>(170,906)</u>	\$ <u>(170,906)</u>	<u>152,128</u>
Fund balances - beginning of year		<u>628,174</u>		<u>476,046</u>
Fund balances - end of year		\$ <u>457,268</u>		\$ <u>628,174</u>

**Avery County, North Carolina****Fire District Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--  
For the Fiscal Year Ended June 30, 2009****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<i>Revenues:</i>				
Ad valorem taxes	\$	\$ 1,523,798	\$	\$ 1,463,099
Interest and other income		8,294		9,303
Total revenues		<u>1,526,000</u>		<u>1,472,402</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
Volunteer fire departments		921,350		937,141
Fire commission		631,326		556,207
Total expenditures		<u>1,550,644</u>		<u>1,493,348</u>
Revenues over expenditures		<u>(24,644)</u>		<u>(20,946)</u>
<i>Other financing sources (uses):</i>				
Transfers in (out)		24,644	-	-
Total other financing sources (uses)		<u>24,644</u>		<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$	<u>-</u>	\$	<u>(20,946)</u>
Fund balances - beginning of year		223,314		-
Fund balances - end of year	\$	<u>227,374</u>	\$	<u>223,314</u>

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina****Revaluation Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2009****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2008)**

	2009		Variance Favorable (Unfavorable)	2008
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Investment earnings</i>	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>General government:</i>				
<i>Tax listing</i>	62,304	46,808	15,496	31,149
<i>Total expenditures</i>	62,304	46,808	15,496	31,149
<i>Revenues over (under) expenditures</i>	(62,304)	(46,808)	15,496	(31,149)
<i>Other financing sources (uses):</i>				
<i>Fund balance appropriated</i>	27,304	-	27,304	-
<i>Operating transfer in (out) from     General Fund</i>	35,000	35,000	-	35,000
<i>Total other financing sources (uses)</i>	62,304	35,000	27,304	35,000
<i>Excess of revenues and other sources over (under) expenditures</i>	\$ -	(11,808)	(11,808)	3,851
<i>Fund balances - beginning of year</i>		48,198		44,347
<i>Fund balances - end of year</i>		\$ 36,390		\$ 48,198

See the accompanying Independent Auditor's Report.

*Avery County, North Carolina*  
*Capital Projects Fund - Courthouse Project*  
*Statement of Revenue, Expenditures and Changes in Fund Balances--*  
*Budget and Actual (Non-GAAP)*  
*From Inception and for the Fiscal Year Ended June 30, 2009*

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues:</i>	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures - General Government</i>					
<i>General construction</i>	3,913,000	3,069,498	-	3,069,498	843,502
<i>Architect/engineering fees</i>	225,000	171,924	-	171,924	53,076
<i>Heating, ventilation, a/c</i>	82,500	6,728	-	6,728	75,772
<i>Plumbing and electric</i>	59,500	10,603	-	10,603	48,897
<i>Site prep</i>	32,500	10,446	-	10,446	22,054
<i>Furniture</i>	125,000	146,882	-	146,882	(21,882)
<i>Permits, insurance, and surveys</i>	22,500	4,785	-	4,785	17,715
<i>Total expenditures</i>	<u>4,460,000</u>	<u>3,420,866</u>	<u>-</u>	<u>3,420,866</u>	<u>1,039,134</u>
<i>Revenues over (under) expenditures</i>	(4,460,000)	(3,420,866)	-	(3,420,866)	1,039,134
<i>Other financing sources and uses</i>					
<i>Proceeds from loan</i>	-	230,000	-	230,000	230,000
<i>Transfers in (out) - general fund</i>	4,695,000	9,995,794	-	9,995,794	5,300,794
<i>Transfers in (out) - jail project</i>	-	-	(6,588,458)	(6,588,458)	(6,588,458)
<i>Transfers out to debt service</i>	(235,000)	(216,470)	-	(216,470)	18,530
<i>Total other financing sources</i>	<u>4,460,000</u>	<u>10,009,324</u>	<u>(6,588,458)</u>	<u>3,420,866</u>	<u>(1,039,134)</u>
<i>Revenues and other sources over (under) expenditures</i>	\$ <u>-</u>	\$ <u>6,588,458</u>	(6,588,458)	\$ <u>-</u>	\$ <u>-</u>
<i>Fund balances:</i>					
<i>Beginning of year, July 1</i>			6,588,458		
<i>End of year, June 30</i>			<u>\$ -</u>		

*Avery County, North Carolina*  
*Capital Projects Fund - Jail Addition and Renovations*  
*Statement of Revenue, Expenditures and Changes in Fund Balances--*  
*Budget and Actual (Non-GAAP)*  
*From Inception and for the Fiscal Year Ended June 30, 2009*

	<i>Project Authorization</i>	<i>Actual</i>		<i>Total To Date</i>	<i>Variance Favorable (Unfavorable)</i>
		<i>Prior Years</i>	<i>Current Year</i>		
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues</i>	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures - Public Safety</i>					
<i>General construction</i>	\$ 8,340,000	-	-	-	8,340,000
<i>Architect/engineering fees</i>	440,000	-	14,325	14,325	425,675
<i>Permits, surveys, insurance</i>	15,000	-	-	-	15,000
<i>Site prep</i>	385,000	-	-	-	385,000
<i>Total expenditures</i>	<u>9,180,000</u>	<u>-</u>	<u>14,325</u>	<u>14,325</u>	<u>9,165,675</u>
<i>Revenues over (under) expenditures</i>	(9,180,000)	-	(14,325)	(14,325)	9,165,675
<i>Other financing sources and uses</i>					
<i>Insurance recovery</i>	-	-	-	-	-
<i>Transfers in (out) - capital reserve fund</i>	2,591,542	-	-	-	(2,591,542)
<i>Transfers in (out) - courthouse project fund</i>	6,588,458	-	6,588,458	6,588,458	-
<i>Total other financing sources</i>	<u>9,180,000</u>	<u>-</u>	<u>6,588,458</u>	<u>6,588,458</u>	<u>(2,591,542)</u>
<i>Revenues and other sources over (under) expenditures</i>	\$ <u>-</u>	\$ <u>-</u>	6,574,133	\$ <u>6,574,133</u>	\$ <u>6,574,133</u>
<i>Fund balances:</i>					
<i>Beginning of year, July 1</i>			-		
<i>End of year, June 30</i>			<u>\$ 6,574,133</u>		

Avery County, North Carolina  
 Capital Projects Fund - Banner Elk School Project  
 Statement of Revenue, Expenditures and Changes in Fund Balances--  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2009

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
<i>Revenues:</i>					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures - Education</i>					
General construction	7,190,850	-	-	-	7,190,850
Architect/engineering fees	935,000	6,853	424,100	430,953	504,047
Permits, surveys	25,000	-	19,960	19,960	5,040
Land purchase	537,150	537,150	-	537,150	-
Site prep	565,000	-	-	-	565,000
Furniture	780,000	-	-	-	780,000
Contingency	-	-	-	-	-
Total expenditures	<u>10,033,000</u>	<u>544,003</u>	<u>444,060</u>	<u>988,063</u>	<u>9,044,937</u>
Revenues over (under) expenditures	(10,033,000)	(544,003)	(444,060)	(988,063)	9,044,937
<i>Other financing sources and uses</i>					
Proceeds from loan	4,000,000	500,000	-	500,000	(3,500,000)
Proceeds from sale of assets	3,000,000	-	-	-	(3,000,000)
Transfers in (out) - general fund	-	389,200	-	389,200	389,200
Transfers in (out) - capital reserve	3,033,000	-	1,071,000	1,071,000	(1,962,000)
Transfers(out) to debt service	-	(341,667)	-	(341,667)	(341,667)
Total other financing sources	<u>10,033,000</u>	<u>547,533</u>	<u>1,071,000</u>	<u>1,618,533</u>	<u>(8,414,467)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,530</u>	626,940	<u>\$ 630,470</u>	<u>\$ 630,470</u>
<i>Fund balances:</i>					
Beginning of year, July 1			<u>3,530</u>		
End of year, June 30			<u>\$ 630,470</u>		

Avery County, North Carolina  
 Capital Projects Fund - Landfill Expansion Project  
 Statement of Revenue, Expenditures and Changes in Fund Balances--  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2009

	Project Authorization	Actual Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
<i>Revenues:</i>					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures - Environmental protection</i>					
General construction	937,000	-	-	-	937,000
Architect/engineering fees	483,000	221,189	104,439	325,628	157,372
Permits, surveys and other	30,000	-	-	-	30,000
Total expenditures	<u>1,450,000</u>	<u>221,189</u>	<u>104,439</u>	<u>325,628</u>	<u>1,124,372</u>
Revenues over (under) expenditures	(1,450,000)	(221,189)	(104,439)	(325,628)	1,124,372
<i>Other financing sources and uses</i>					
Transfers in (out) - general fund	<u>1,450,000</u>	<u>221,189</u>	<u>104,439</u>	<u>325,628</u>	<u>(1,124,372)</u>
Total other financing sources	<u>1,450,000</u>	<u>221,189</u>	<u>104,439</u>	<u>325,628</u>	<u>(1,124,372)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Fund balances:</i>					
Beginning of year, July 1					
End of year, June 30			<u>\$ -</u>		

See the accompanying Independent Auditor's Report.

**AVERY COUNTY, NORTH CAROLINA**  
**Grant Project Fund - Community Development Block Grants**  
**Statement of Revenue, Expenditures and Changes in Fund Balances--**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2009**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues:</i>					
Scattered Housing Grant	\$ 400,000	\$ 394,336	\$ 4,229	\$ 398,565	\$ (1,435)
Total	<u>400,000</u>	<u>394,336</u>	<u>4,229</u>	<u>398,565</u>	<u>(1,435)</u>
<i>Expenditures - Economic and physical development</i>					
Relocation assistance	290,419	290,419	-	290,419	-
Rehabilitation	64,881	62,718	2,163	64,881	-
Administration	40,000	36,499	2,066	38,565	1,435
Planning	3,500	3,500	-	3,500	-
Clearance	1,200	1,200	-	1,200	-
Total expenditures	<u>400,000</u>	<u>394,336</u>	<u>4,229</u>	<u>398,565</u>	<u>1,435</u>
 <i>Revenues and other sources over (under) expenc</i>	 <u>\$ -</u>	 <u>\$ -</u>	 -	 <u>\$ -</u>	 <u>\$ -</u>
<i>Fund balances:</i>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

See the accompanying Independent Auditor's Report.

**Avery County, North Carolina**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<b>Social Services -</b>				
<i>Assets:</i>				
Cash and investments	\$ 8,618	\$ 144,351	\$ (145,319)	\$ 7,650
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 8,618	\$ 144,351	\$ (145,319)	\$ 7,650
<b>Motor Vehicle Tax -</b>				
<i>Assets:</i>				
Taxes receivable	\$ 43	\$ 72,212	\$ (72,255)	\$ -
<i>Liabilities:</i>				
Intergovernmental payables	\$ 43	\$ 72,212	\$ (72,255)	\$ -
<b>Fines and Forfeitures -</b>				
<i>Assets:</i>				
Cash and investments	\$ 591	\$ 117,193	\$ (117,784)	\$ -
<i>Liabilities:</i>				
Intergovernmental payables - Board of Education	\$ -	\$ 109,804	\$ (109,804)	\$ -
Intergovernmental payables - State of North Carolina	591	7,389	(7,980)	-
Total intergovernmental payables	\$ 591	\$ 117,193	\$ (117,784)	\$ -
<b>Totals - All Agency Funds</b>				
<i>Assets:</i>				
Cash and investments	\$ 9,209	\$ 261,544	\$ (263,103)	\$ 7,650
Taxes receivable	43	72,212	(72,255)	-
Total assets	\$ 9,252	\$ 333,756	\$ (335,358)	\$ 7,650
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 8,618	\$ 144,351	\$ (145,319)	\$ 7,650
Intergovernmental payables - Town Motor Vehicles	43	72,212	(72,255)	-
Intergovernmental payables - Board of Education	-	109,804	(109,804)	-
Intergovernmental payables - State of North Carolina	591	7,389	(7,980)	-
Total liabilities	\$ 9,252	\$ 333,756	\$ (335,358)	\$ 7,650

See the accompanying Independent Auditor's report.

***OTHER SCHEDULES***

**AVERY COUNTY, NORTH CAROLINA****General Fund****Schedule of Ad Valorem Taxes Receivable****June 30, 2009**

	<i>Uncollected Balance June 30, 2008</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2009</i>
2008 - 2009	\$	\$ 14,434,851	\$ 13,996,522	\$ 438,329
2007 - 2008	365,174	-	114,197	250,977
2006 - 2007	143,678	-	30,840	112,838
2005 - 2006	103,872	-	14,941	88,931
2004 - 2005	41,514	-	7,275	34,239
2003 - 2004	34,717	-	5,102	29,615
2002 - 2003	26,012	-	3,460	22,552
2001 - 2002	24,688	-	2,792	21,896
2000 - 2001	19,044	-	1,253	17,791
1999 - 2000	15,053	-	1,093	13,960
1998 - 1999	15,538	-	15,538	-
	<u>\$ 789,290</u>	<u>\$ 14,434,851</u>	<u>\$ 14,193,013</u>	<u>\$ 1,031,128</u>
<i>Less: allowance for uncollectible accounts:</i>				
General Fund				<u>283,280</u>
<i>Ad valorem taxes receivable - net</i>				
General Fund				<u>\$ 747,848</u>
<b>Reconciliation with revenues:</b>				
<i>Ad valorem taxes - General Fund</i>				<u>\$ 14,274,903</u>
<i>Reconciling items:</i>				
Interest collected				(109,200)
Taxes written off				27,310
Total reconciling items				<u>(81,890)</u>
<i>Total collections and credits</i>				<u>\$ 14,193,013</u>

**AVERY COUNTY, NORTH CAROLINA****Analysis of Current Tax Levy****County-Wide Levy****For the Fiscal Year Ended June 30, 2009**

	<i>County-wide</i>		<i>Total Levy</i>		
	<i>Property Valuation</i>	<i>Rate</i>	<i>Amount of Levy</i>	<i>Property excluding Registered Motor Vehicles</i>	<i>Registered Motor Vehicles</i>
<i>Original levy:</i>					
<i>Property taxed at current year's rate</i>	\$ 4,096,700,758	0.352	\$ 14,420,387	\$ 13,821,402	\$ 598,984
<i>Penalties</i>	-		6,592	6,592	-
<i>Total</i>	<u>4,096,700,758</u>		<u>14,426,979</u>	<u>13,827,994</u>	<u>598,984</u>
 <i>Discoveries:</i>					
<i>Current year taxes</i>	<u>2,236,695</u>	0.352	<u>7,873</u>	<u>7,873</u>	<u>-</u>
<i>Total</i>	<u>2,236,695</u>		<u>7,873</u>	<u>7,873</u>	<u>-</u>
 <i>Total property valuations</i>	<u><u>4,098,937,453</u></u>				
 <i>Net levy</i>			14,434,852	13,835,867	598,984
 <i>Uncollected taxes at June 30, 2009</i>			<u>438,329</u>	<u>386,818</u>	<u>51,511</u>
 <i>Current year's taxes collected</i>			\$ <u>13,996,523</u>	\$ <u>13,449,049</u>	\$ <u>547,473</u>
 <i>Current year's collection percentage</i>			<u>96.96%</u>	<u>97.20%</u>	<u>91.40%</u>

See the accompanying Independent Auditor's Report.

***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  
Avery County, North Carolina*

*We have audited the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of Avery County, North Carolina, as of and for the year ended June 30, 2009, which collectively comprises Avery County's basic financial statements, and have issued our report thereon dated September 25, 2009. We did not audit the financial statements of the Avery County Airport Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Avery County Airport Authority, is based solely on the reports 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.*

***Internal Control Over Financial Reporting***

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

*Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.*

*A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by Avery County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 09-1 and 09-2 to be significant deficiencies in internal control over financial reporting.*

*A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Avery County's internal control.*

*Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are not material weaknesses.*

***Compliance and Other Matters***

*As part of obtaining reasonable assurance about whether Avery 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 tests disclosed no instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.*

*Avery County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.*

*This report is intended solely for the information and use of management, others within the organization, members of Board of Commissioners of Avery County, 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 specified parties.*

*Young, Miller & Gillespie, P.A.  
September 25, 2009*

***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 Commissioners  
Avery County, North Carolina*

*Compliance*

*We have audited the compliance of Avery 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, 2009. Avery 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 Avery County's management. Our responsibility is to express an opinion on Avery 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 Avery 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 Avery County's compliance with those requirements.*

*In our opinion, Avery County, North Carolina 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, 2009.*

*Internal Control Over Compliance*

*The management of Avery County, North Carolina 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 Avery 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.*

*A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.*

*A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Avery County's internal control.*

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

*This report is intended for the information and use of management, others within the organization, Commissioners of Avery County, North Carolina, and federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.*

*Young, Miller & Gillespie, P.A.  
September 25, 2009*

**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  
Newland, North Carolina

Compliance

*We have audited the compliance of Avery 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, 2009. Avery 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 Avery County's management. Our responsibility is to express an opinion on Avery 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; 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 Avery 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 Avery County's compliance with those requirements.*

*In our opinion, Avery 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, 2009.*

Internal Control Over Compliance

*The management of Avery 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 Avery 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.*

*A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions,*

*to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.*

*A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.*

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

*This report is intended solely for the information and use of management, others within the organization, members of Board of 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 specified parties.*

*Young, Miller & Gillespie, P.A.  
September 25, 2009*

**AVERY COUNTY, NORTH CAROLINA****Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings  
For the Year Ended June 30, 2009****I. Summary of Auditor's Results**

- A. An unqualified opinion was issued on the financial statements of Avery County, North Carolina.
- B. Our audit of the financial statements disclosed two significant deficiencies in the internal controls. The significant deficiencies were not determined to be material weaknesses.
- C. Our audit of the financial statements disclosed no instances of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the financial statements.
- D. Our audit of compliance with types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies in internal controls over major programs.
- E. An unqualified opinion was issued on Avery County's compliance with the types of compliance requirements applicable to its major federal and State programs.
- F. Audit findings relative to the major federal and State award programs for Avery County are reported in this schedule.
- G. Major federal programs for Avery County for the fiscal year ended June 30, 2009 are:

<u>Program Name</u>	<u>CFDA #s</u>
Food Stamp Program Cluster	10.551, 10.561
Medical Assistance Program	93.778

- H. Major State programs for Avery County for the fiscal year ended June 30, 2009 are:  
Parks and Recreation Trust Fund Grant
- I. The threshold for determining Type A programs for Avery County is \$ 516,120.
- J. Avery County qualified as a low risk auditee under Section .530 of Circular No. A-133.

**II. Findings related to the Audit of the Financial Statements of Avery County, North Carolina**Finding 09-1*Internal Controls/Segregation of Duties*

- Criteria:* Duties should be segregated to provide reasonable assurance that transactions are appropriately handled.
- Condition:* There are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among County personnel.
- Effect:* Transactions could be mishandled.
- Cause:* There are a limited number of personnel for certain functions.
- Recommendation:* The duties should be segregated as much as possible and alternative controls should be used to compensate for lack of segregation. The Board of Commissioners should provide some of these controls.

***AVERY COUNTY, NORTH CAROLINA******Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings  
For the Year Ended June 30, 2009***

*Management Response: The Board of Commissioners agrees with this finding.*

*Corrective Action Plan*

*Contact person: Robert Wiseman, County Manager*

*Corrective Action: This is an ongoing significant deficiency for governmental units of comparable size to Avery County. As new employees are hired, management will make every attempt to segregate duties to the extent practical considering the availability of personnel within the financial function.*

*Completion Date: The Board will immediately implement the above procedures.*

*Finding 09-2*

*Refer to Note (2) Stewardship, Compliance and Accountability of the Notes to Financial Statements.*

*Condition: Budgetary violations of the General Statutes of North Carolina were noted during the year of audit regarding disbursements in the Fire Tax fund in excess of budget.*

*Effect: The requisite and contemporaneous financial information necessary to perform their duties within the framework of the General Statutes of North Carolina was not available to the governing body of Avery County, North Carolina.*

*Cause: The governing body of the blended component unit, the Fire Tax Commission, failed to monitor and acknowledge the deficiencies within the financial/accounting functions of the County and implement corrective action.*

*Recommendation: The governing body should monitor financial statements and accounting functions to ensure that the budget is amended as needed.*

*Internal Control*

*Condition: The Fire Commission board members failed to properly monitor revenues and expenditures as they related to the budget ordinance as adopted and amended during the year of audit.*

*Recommendation: The Board members should monitor the activities of the financial staff to insure that the budget amendments are requested and recorded in accordance with the General Statutes of North Carolina.*

*Corrective Action Plan*

*Contact person: Robert Wiseman, County Manager*

*Corrective action: Management concurs with the above recommendations and is aware of General Statute requirements. Procedures to correct these deficiencies will be immediately implemented by the Fire Commission Board and management.*

*Implementation Date: To be immediately implemented.*

**AVERY COUNTY, NORTH CAROLINA****Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings  
For the Year Ended June 30, 2009**

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

*None*

**IV. Status of Prior Year Findings**

*Findings as noted in the prior year audit related to the same significant deficiency as discussed above under item 09-1 in regard to lack of segregation of duties due to small staff size. It is likely that this deficiency will appear in future audits of Avery County, North Carolina. It is not economically feasible for governmental entities of this size to employ a staff of the size necessary to achieve an optimum level of separation of duties. Prior year audit finding 08-2 in regard to prior period adjustments has been resolved.*

**AVERY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2009**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Grants:</b>				
<b>Cash Programs:</b>				
<b>U.S. Department of Health &amp; Human Services</b>				
<i>Passed-through Region D Council of Governments:</i>				
<i>Special Programs for the Aging-Title III B</i>				
<i>Grants for Supportive Services and Senior Centers</i>				
	93.044	\$ 25,435	\$ 77,076	\$ -
<i>Special Programs for the Aging-Title III C</i>				
<i>Nutrition Services</i>				
	93.045	43,527	20,883	-
<i>Special Programs for the Aging-Title III F</i>				
<i>Disease Prevention and Health Promotion</i>				
	93.043	2,310	122	-
<i>Family Caregiver Support</i>				
	93.052	1,974	126	-
<i>In Home &amp; Supplemental Support</i>				
	93.667	7,598	-	-
 <i>Passed through N.C. Dept. of Health and Human Resources</i>				
<i>Division of Social Services:</i>				
<i>Administration:</i>				
<i>Family Preservation</i>				
	93.556	309	-	-
 <i>Work First Service</i>				
	93.558	187,319	-	121,777
<i>Work First Administrative</i>				
	93.558	49,863	-	24,832
<i>TANF-Domestic Violence</i>				
	93.558	8,292	-	1,444
<i>TANF - TEA Foster Care</i>				
	93.558	-	-	-
<i>TANF- TEA-Foster Care Max.</i>				
	93.558	-	-	-
 <i>Low-Income Home Energy Assistance</i>				
<i>Block Grant</i>				
	93.568	8,940	-	-
<i>Crisis Intervention Payments</i>				
	93.568	76,209	-	-
<i>Title IV-E Foster Care</i>				
	93.658	59,780	10,396	48,384
<i>Permanency Planning</i>				
	93.645	5,083	1,306	388
<i>Child Support Enforcement</i>				
	93.563	5,116	-	2,635
<i>In-Home Service - SSBG</i>				
	93.667	8,326	-	1,190
<i>Other Services and Training - SSBG</i>				
	93.667	53,006	6,362	19,789
<i>NC Health Choice</i>				
	93.767	31,608	1,008	9,485
<i>Independent Living - LINKS</i>				
	93.674	1,398	350	-
 <i>Direct Benefit Payments:</i>				
<i>Temporary Assistance for Needy Families</i>				
	93.558	107,914	-	3,175
<i>Energy Assistance Payment</i>				
	93.568	159,259	-	-
<i>Title IV-E Foster Care Assistance</i>				
	93.658	405	968	307
<i>Title IV-E Adoption Assistance</i>				
	92.659	37,944	7,055	9,717
<i>Independent Living - LINKS</i>				
	93.674	1,000	-	-
 <i>Division of Medical Assistance:</i>				
<i>Administration:</i>				
<i>Title XIX - Medicaid</i>				
	93.778	297,042	12,205	282,380
 <i>Direct Benefit Payments:</i>				
<i>Title XIX - Medicaid</i>				
	93.778	13,120,083	5,302,669	400,016

**AVERY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2009**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b><u>Subsidized Child Care Cluster:</u></b>				
<i>Division of Social Services:</i>				
Child Care Development Fund	93.596	79,030	-	-
<i>Division of Child Development:</i>				
Child Care Development Fund-Discretionary	93.575	35,126	-	-
Temporary Assistance	93.575	57,575	-	-
Child Care Development Fund	93.596	99,977	66,588	-
Total Child Care Fund Cluster:		271,708	66,588	-
Social Services Block Grant	93.667	2,803	-	-
Temporary Assistance for Needy Families	93.558	95,164	803	-
Smart Start		-	13,615	-
Temporary Assistance for Needy Families - MOE		-	28,333	-
State Funding		-	21,117	-
Total Subsidized Child Care Cluster		369,675	130,456	-
Adoption Foster Care	93.659	76,118	-	27,765
Total U.S. Department of Health & Human Resources		14,745,533	5,570,982	953,284
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed through Region D Council of Governments:</i>				
Nutrition Program for the Elderly	10.570	16,701	-	-
<i>Passed through N.C. Dept. of Health and Human Resources</i>				
<i>Division of Social Services:</i>				
<i>Administration:</i>				
<i>Food Stamp Cluster:</i>				
<i>Direct Benefit Payment:</i>				
Food Stamp Program	10.551	2,065,720	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	138,961	-	138,960
Total Food Stamp Cluster		2,204,681	-	138,960
Total U.S. Department of Agriculture		2,221,382	-	138,960
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed through N.C. Dept. of Transportation</i>				
<i>Public Transportation Programs:</i>				
Section 5311 Admin., Operating, Planning, & Capital	20.509	150,897	9,432	28,293
Total U.S. Department of Transportation		150,897	9,432	28,293
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Passed through N.C. Dept. of Commerce</i>				
<i>Division of Community Assistance:</i>				
Scattered Housing Grant	14.228	4,229	-	-
Total U.S. Department of Housing and Urban Development		4,229	-	-

**AVERY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2009**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed through N.C. Dept. of Crime Control &amp; Public Safety</i>				
Emergency Management Reimbursement	97.042	24,660	-	-
Violence Against Women	16.588	57,313	-	-
Crisis Housing			47,262	-
Total U.S. Department of Homeland Security		<u>81,973</u>	<u>47,262</u>	<u>-</u>
Total federal assistance		<u>17,204,014</u>	<u>5,627,676</u>	<u>1,120,537</u>
<b>STATE GRANTS</b>				
<b>Cash Programs:</b>				
<b><u>N.C. Department of Health and Human Resources:</u></b>				
<i>Passed-through Region D Council of Governments:</i>				
Senior Center Outreach		-	497	-
Senior Center Operations		-	11,609	-
Senior Center General Purchases		-	4,362	-
<i>Division of Social Services:</i>				
State Aid to Counties		-	10,554	-
<i>Direct Benefit Payment:</i>				
SFHF Maximization			17,012	17,011
State Foster Care Benefits Program		-	38,279	38,279
Foster Care at Risk Maximization			19,739	3,890
State/County Special Assistance for Adults		-	158,022	158,022
Child Welfare Services - Adoption Subsidy		-	77,692	24,621
TANF Program Integrity		-	646	-
<i>Department of Juvenile Justice and Delinquency Prevention:</i>				
Aolescent Substance Abuse		-	16,584	-
Juvenile Service Landship			10,500	
PASS		-	18,333	-
Juvenile Non-Det		-	5,274	-
Project Challenge		-	21,567	-
Juvenile Service Operational		-	150	-
Total N.C. Department of Health and Human Resources		<u>-</u>	<u>410,820</u>	<u>241,823</u>
<b><u>N.C. Department of Transportation:</u></b>				
Elderly & Disabled TAP	DOT 16 CL	-	62,465	-
Work First Program	DOT 16 CL	-	5,930	-
Rural General Public Transportation	DOT 16 CL	-	57,923	-
Facility Grant	DOT 2	-	66,264	7,362
Total N.C. Department of Transportation		<u>-</u>	<u>192,582</u>	<u>7,362</u>
<b><u>N.C. Department of Administration</u></b>				

**AVERY COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2009**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
County Aid - Veterans Service Office		-	2,000	-
Total N.C. Department of Administration		-	2,000	-
<b><u>N.C. Department of Environment and Natural Resources</u></b>				
Parks and Recreation Trust Fund Grant		-	376,125	376,125
<b><u>N.C. Department of Commerce</u></b>				
Criminal Justice Partnership Program		-	51,254	-
<b><u>N.C. Soil and Water Conservation</u></b>				
Conservation Grant		-	39,383	-
<b><u>N.C. Office of State Budget and Management</u></b>				
Public School Building Capital Fund		-	65,095	-
Total State assistance		-	1,137,259	625,310
Total assistance		\$ 17,204,014	\$ 6,764,935	\$ 1,745,847

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

**Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Avery 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 and the State Single Audit Implementation Act. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Benefits payments are paid directly to recipients and are included in the County's 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.

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