

AVERY COUNTY, NORTH CAROLINA

Newland, North Carolina

Financial Statements

June 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

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 then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Avery County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Avery County Airport Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Avery County Airport Authority, is solely based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement. The financial statements of the Avery County Airport Authority were audited in accordance with Governmental Auditing Standards.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Avery County, North Carolina as of June 30, 2015, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions and the Employer Contribution to Local Government Employees Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and the County Contributions, on pages 8

through 16 and 49 through 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Avery County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly

stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015 on our consideration of Avery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Avery County's internal control over financial reporting and compliance.

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
October 12, 2015

Management's Discussion and Analysis

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, 2015. 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 \$34,414,284.*
- *The government's total net position increased for the current year by \$4,181,140 primarily due to the sale of the old Banner Elk School building, an increase of state sales taxes, and a higher tax collection rate.*
- *As of the close of the current fiscal year, Avery County's governmental funds reported combined ending fund balances of \$19,816,223 an increase of \$2,698,132 in comparison with the prior year. Approximately 77 percent of this total amount, or \$15,276,458, 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 \$12,771,159, or 50 percent of total general fund expenditures and transfers to other funds for the fiscal year.*
- *Avery County's total debt decreased by \$1,076,777 during the current fiscal year primarily due to repayment of debt proceeds.*

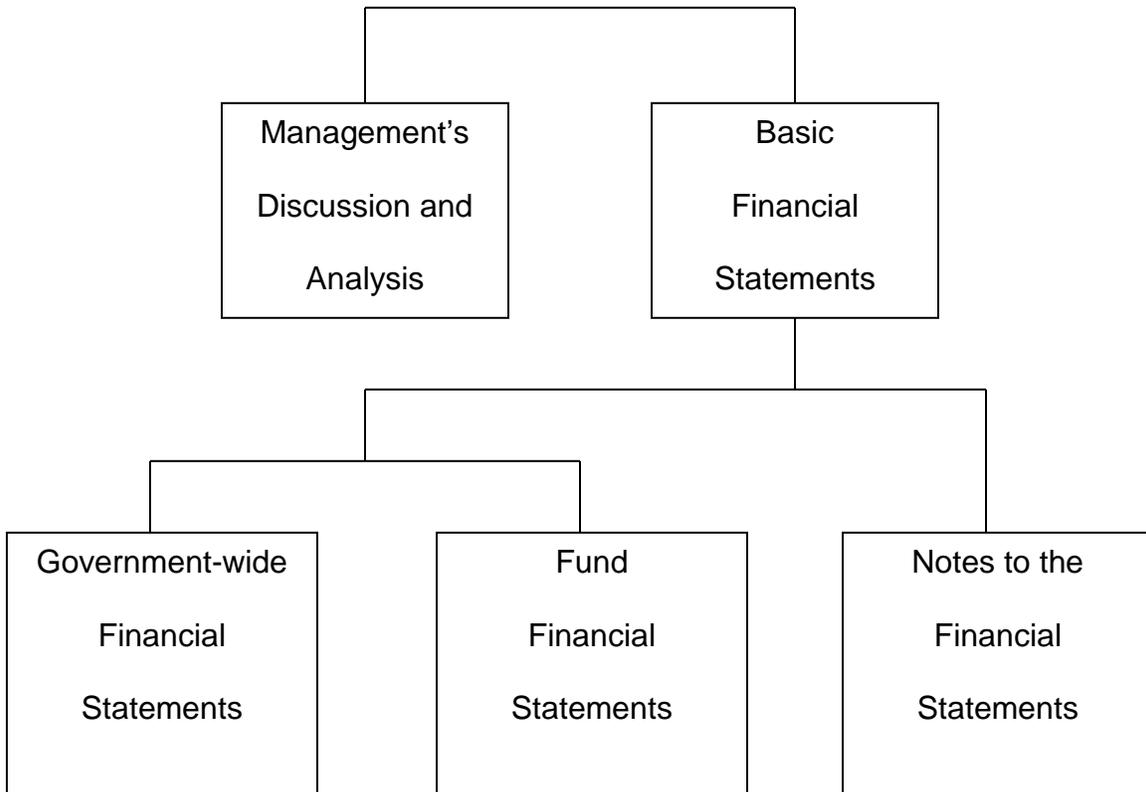
Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and total liabilities. Measuring net position 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 Position 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

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 six fiduciary funds, including five agency funds and one pension trust fund.*

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 25 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 49 of this report.*

Management's Discussion and Analysis

Government-Wide Financial Analysis

Avery County's Net Position

Figure 2

| | Governmental Activities | | |
|------------------------------------|----------------------------|---------------|----------------|
| | 2015 | 2014 | Difference |
| Current and other assets | \$ 22,547,426 | \$ 19,637,314 | \$ 2,910,112 |
| Capital assets | 20,502,456 | 20,342,516 | 159,940 |
| Deferred outflows | 539,710 | - | |
| Total assets and deferred outflows | \$ 43,589,592 | \$ 39,979,830 | \$ 3,609,762 |
| Long-term liabilities outstanding | \$ 4,009,005 | \$ 5,085,787 | \$ (1,076,782) |
| Other liabilities | 3,451,968 | 3,944,746 | (492,778) |
| Total liabilities | 7,460,973 | 9,030,533 | (1,569,560) |
| Deferred Inflows | 1,714,335 | 55,337 | 1,658,998 |
| Net position: | | | |
| Net investment in capital assets | 20,502,456 | 20,342,516 | 159,940 |
| Restricted | 4,410,394 | 10,719,488 | (6,309,094) |
| Unrestricted | 9,501,434 | (168,044) | 9,669,478 |
| Total net position | \$ 34,414,284 | \$ 30,893,960 | \$ 3,520,324 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Avery County exceeded liabilities by \$34,414,284 as of June 30, 2015. The County's net position increased by a net of \$3,520,324 for the fiscal year ended June 30, 2015. One of the larger portions of net position 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 position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,501,434 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.08%,
- Additional revenues due to an increase in state sales taxes.
- Sale of the old Banner Elk School building to the Town of Banner Elk

Management's Discussion and Analysis

Avery County's Changes in Net Position

Figure 3

| | | Governmental Activities | |
|---|--------|----------------------------|-------------------|
| | | 2015 | 2014 |
| <i>Revenues:</i> | | | |
| <i>Program revenues:</i> | | | |
| <i>Charges for services</i> | \$ | 1,446,707 | \$ 1,763,499 |
| <i>Operating grants and contributions</i> | | 3,109,164 | 2,309,797 |
| <i>Capital grants and contributions</i> | | 155,319 | 60,131 |
| <i>General revenues:</i> | | | |
| <i>Property taxes</i> | | 19,121,834 | 18,805,703 |
| <i>Other taxes</i> | | 5,233,707 | 5,138,935 |
| <i>Investment earnings</i> | | 243,265 | 252,968 |
| <i>Other</i> | | 974,920 | 142,265 |
| <i>Total revenues</i> | | 30,284,916 | 28,473,298 |
| <i>Expenses:</i> | | | |
| <i>General government</i> | | 3,078,207 | 3,488,904 |
| <i>Public safety</i> | | 9,200,942 | 9,375,470 |
| <i>Transportation</i> | | 752,829 | 701,132 |
| <i>Environmental protection</i> | | 1,979,051 | 2,192,350 |
| <i>Economic and physical development</i> | | 503,170 | 497,012 |
| <i>Human services</i> | | 4,665,925 | 4,531,853 |
| <i>Cultural and recreation</i> | | 542,064 | 523,166 |
| <i>Education</i> | | 5,153,826 | 5,041,425 |
| <i>Interest on long-term debt</i> | | 227,762 | 255,802 |
| <i>Total expenses</i> | | 26,103,776 | 26,607,114 |
| <i>Increase in net position</i> | | 4,181,140 | 1,866,184 |
| <i>Net position, beginning</i> | | 30,893,960 | 28,974,904 |
| <i>Prior period adjustment</i> | | (660,816) | 52,872 |
| <i>Net position, beginning, as restated</i> | | 30,233,144 | 29,027,776 |
| <i>Net position, ending</i> | \$ | 34,414,284 | \$ 30,893,960 |

Management's Discussion and Analysis

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 position by \$2,698,132.*

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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.*

The general fund is the chief operating fund of Avery County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,771,159 while total general fund balance reached \$17,898,121. 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 50% percent of total General Fund expenditures and transfers to other funds, while total fund balance represents 70% percent of that same amount.

At June 30, 2015, the governmental funds of Avery County reported a combined fund balance of \$19,816,223, an increase over last year. The primary reason for this increase is the additional revenue generated from the sale of the old Banner Elk School building.

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 \$756,435. 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, 2015, total \$20,502,456 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.*

Management's Discussion and Analysis

Major capital asset transactions during the year include:

- Construction project completion for Courthouse renovations
- Loader and equipment for use in various functions of government

Avery County's Capital Assets (net of depreciation)

Figure 4

| | <i>Governmental Activities</i> | | <i>Governmental Activities</i> | | <i>Difference</i> |
|--|------------------------------------|----|------------------------------------|----|-------------------|
| | <i>2015</i> | | <i>2014</i> | | |
| <i>Land</i> | \$ 3,687,923 | \$ | 3,616,789 | \$ | 71,134 |
| <i>Construction in progress</i> | 66,350 | | 2,547,273 | | (2,480,923) |
| <i>Buildings</i> | 15,027,438 | | 12,189,380 | | 2,838,058 |
| <i>Improvements other than buildings</i> | 530,853 | | 599,677 | | (68,824) |
| <i>Machinery and equipment</i> | 872,736 | | 946,307 | | (73,571) |
| <i>Vehicles and motorized equipment</i> | 317,156 | | 443,090 | | (125,934) |
| <i>Total</i> | \$ 20,502,456 | \$ | 20,342,516 | \$ | 159,940 |

Additional information on the County's capital assets can be found in note 2A pages 35 through 36 of the Financial Statements.

Long-term Debt. As of June 30, 2015 Avery County had total debt outstanding of \$6,680,781. Of this, \$5,085,786 is debt secured by deeds of trust, \$219,033 is a pension obligation, \$449,790 is accrued vacation liability, and \$926,172 is for other post employment health benefits offered to employees.

Additional information regarding Avery County's long-term debt can be found in note 2B beginning on page 44.

Management's Discussion and Analysis

Budget Highlights for the Fiscal Year Ending June 30, 2016

Total budgeted revenues not including fund balance appropriation are projected to decrease \$1,843,246 or 7.4 percent from the 2014-15 budgeted revenues. The decrease is primarily attributed to a reduced ad valorem tax rate, even though sales tax and state and federal grants are projected to be increased. The 2015-16 budget includes a \$2,350,150 fund balance appropriation.

Budgeted General Fund appropriations are expected to decrease \$524,578 or 2.0 percent from the 2014-15 budget. Most of the major functions, including debt service, had decreases in expenditures from the prior fiscal year. Also the Economic Development and Human Resource positions were eliminated. This was partially offset by an increase in funds allocated to education.

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 Position
June 30, 2015

| | Primary Government | Component Unit |
|--|---------------------------|-----------------------|
| | Governmental | Avery County |
| | Activities | Airport |
| ASSETS | | |
| Cash and cash equivalents | \$ 17,665,005 | \$ 136,020 |
| Receivables (net) | 1,492,835 | 5,000 |
| Due from other governments | 2,606,323 | - |
| Prepaid items | 79,873 | - |
| Net pension asset | 703,390 | - |
| Capital assets: | | |
| Land, improvements, and construction in progress | 3,687,923 | 112,000 |
| Other capital assets, net of depreciation | 16,814,533 | 1,286,650 |
| Total capital assets | <u>20,502,456</u> | <u>1,398,650</u> |
| Total assets | <u>43,049,882</u> | <u>1,539,670</u> |
| DEFERRED OUTFLOWS OF RESOURCES | 539,710 | - |
| LIABILITIES | | |
| Accounts payable and accrued expenses | 552,431 | 320 |
| Accrued interest payable | 227,761 | - |
| Long-term liabilities: | | |
| Due within one year | 2,671,776 | - |
| Due in more than one year | 4,009,005 | - |
| Total liabilities | <u>7,460,973</u> | <u>320</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>1,714,335</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 20,502,456 | 1,398,650 |
| Restricted for: | | |
| Stabilization by State Statute | 2,623,776 | 5,000 |
| Register of Deeds | 55,406 | - |
| Fire Protection | 1,571,772 | - |
| Emergency Telephone System | 159,440 | - |
| Unrestricted (deficit) | 9,501,434 | 135,700 |
| Total net position | <u>\$ 34,414,284</u> | <u>\$ 1,539,350</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, 2015

| <i>Functions/Programs</i> | <i>Expenses</i> | <i>Program Revenues</i> | | <i>Net (Expense) Revenue and Changes in Net Position</i> | | <i>Component</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 Unit</i> |
| Primary government: | | | | | | |
| <i>Governmental Activities:</i> | | | | | | |
| <i>General government</i> | \$ 3,078,207 | \$ 212,833 | \$ - | \$ - | \$ (2,865,374) | |
| <i>Public safety</i> | 9,200,942 | 797,263 | 228,986 | - | (8,174,693) | |
| <i>Transportation</i> | 752,829 | 24,958 | 281,224 | - | (446,647) | |
| <i>Environmental protection</i> | 1,979,051 | 348,874 | 32,585 | - | (1,597,592) | |
| <i>Economic and physical development</i> | 503,170 | 28,151 | - | 70,000 | (405,019) | |
| <i>Human services</i> | 4,665,925 | - | 2,559,169 | 85,319 | (2,021,437) | |
| <i>Cultural and recreation</i> | 542,064 | 34,628 | 7,200 | - | (500,236) | |
| <i>Education</i> | 5,153,826 | - | - | - | (5,153,826) | |
| <i>Interest on long-term debt</i> | 227,762 | - | - | - | (227,762) | |
| <i>Total governmental activities</i> | <u>\$ 26,103,776</u> | <u>\$ 1,446,707</u> | <u>\$ 3,109,164</u> | <u>\$ 155,319</u> | <u>\$ (21,392,586)</u> | |
| Component units: | | | | | | |
| <i>Airport</i> | 255,737 | 11,277 | 59,178 | 137,677 | | |
| | <u>\$ 255,737</u> | <u>\$ 11,277</u> | <u>\$ 59,178</u> | <u>\$ 137,677</u> | | (47,605) |
| General revenues: | | | | | | |
| <i>Taxes:</i> | | | | | | |
| <i>Property taxes, levied for general purpose</i> | | | | | 19,121,834 | - |
| <i>Local option sales tax</i> | | | | | 4,777,515 | - |
| <i>Other taxes and licenses</i> | | | | | 456,192 | - |
| <i>Investment earnings, unrestricted</i> | | | | | 243,265 | - |
| <i>Gain on disposal of assets</i> | | | | | 866,331 | - |
| <i>Miscellaneous, unrestricted</i> | | | | | 108,589 | 1,879 |
| <i>Total general revenues, special items, and transfers</i> | | | | | <u>25,573,726</u> | <u>1,879</u> |
| <i>Change in net position</i> | | | | | <u>4,181,140</u> | <u>(45,726)</u> |
| <i>Net position-beginning, as previously reported</i> | | | | | <u>30,893,960</u> | <u>1,473,076</u> |
| <i>Prior period adjustment</i> | | | | | <u>(660,816)</u> | <u>(112,000)</u> |
| <i>Net position, beginning, as restated</i> | | | | | <u>30,233,144</u> | <u>1,585,076</u> |
| <i>Net position-ending</i> | | | | | <u>\$ 34,414,284</u> | <u>\$ 1,539,350</u> |

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

Avery County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

| | General | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 15,743,373 | \$ 1,921,632 | \$ 17,665,005 |
| Receivables, net | 1,086,633 | 150,433 | 1,237,066 |
| Due from other governments | 2,574,582 | 31,741 | 2,606,323 |
| Prepaid assets | 79,873 | - | 79,873 |
| Total assets | <u>\$ 19,484,461</u> | <u>\$ 2,103,806</u> | <u>\$ 21,588,267</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| <i>Liabilities:</i> | | | |
| Accounts payable and accrued liabilities | \$ 517,160 | \$ 35,271 | \$ 552,431 |
| Total liabilities | <u>517,160</u> | <u>35,271</u> | <u>552,431</u> |
| Deferred Inflows of Resources: | <u>1,069,180</u> | <u>150,433</u> | <u>1,219,613</u> |
| <i>Fund balances:</i> | | | |
| <i>Nonspendable:</i> | | | |
| Prepaid assets | 79,873 | - | 79,873 |
| <i>Restricted:</i> | | | |
| Stabilization by State statute | 2,592,035 | 31,741 | 2,623,776 |
| Register of Deeds | 55,406 | - | 55,406 |
| Fire Protection | - | 1,571,772 | 1,571,772 |
| Emergency Telephone System | - | 159,440 | 159,440 |
| <i>Committed:</i> | | | |
| Tax revaluation | 49,498 | - | 49,498 |
| <i>Assigned:</i> | | | |
| Subsequent years' expenditures | 2,350,150 | 155,149 | 2,505,299 |
| Unassigned | 12,771,159 | - | 12,771,159 |
| Total fund balances | <u>17,898,121</u> | <u>1,918,102</u> | <u>19,816,223</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 19,484,461</u> | <u>\$ 2,103,806</u> | |

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

| | |
|--|----------------------|
| Deferred revenue not available for current operations | 1,219,613 |
| Net pension assets | 703,390 |
| Contributions to pension plan in the current year are not current resources and therefore are deferred outflows of resources | 498,107 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 20,502,456 |
| Pension related deferrals | (1,672,732) |
| Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds | 255,769 |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4). | <u>(6,908,542)</u> |
| Net position of governmental activities | <u>\$ 34,414,284</u> |

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, 2015

| | General Fund | Other Non- major Governmental Funds | Total Governmental Funds |
|--|----------------------|--|-------------------------------------|
| REVENUES | | | |
| <i>Ad valorem taxes</i> | \$ 16,788,022 | \$ 2,458,313 | \$ 19,246,335 |
| <i>Local option sales taxes</i> | 4,777,515 | - | 4,777,515 |
| <i>Other taxes and licenses</i> | 321,186 | - | 321,186 |
| <i>Unrestricted intergovernmental</i> | 169,552 | - | 169,552 |
| <i>Restricted intergovernmental</i> | 2,687,322 | 280,100 | 2,967,422 |
| <i>Permits and fees</i> | 287,743 | - | 287,743 |
| <i>Sales and services</i> | 1,317,294 | - | 1,317,294 |
| <i>Investment earnings</i> | 208,446 | 2,068 | 210,514 |
| <i>Miscellaneous</i> | 1,285,832 | - | 1,285,832 |
| <i>Total revenues</i> | <u>27,842,912</u> | <u>2,740,481</u> | <u>30,583,393</u> |
| EXPENDITURES | | | |
| <i>Current:</i> | | | |
| <i>General government</i> | 3,044,745 | 10,803 | 3,055,548 |
| <i>Public safety</i> | 6,655,522 | 2,171,570 | 8,827,092 |
| <i>Transportation</i> | 657,136 | - | 657,136 |
| <i>Environmental protection</i> | 1,964,804 | - | 1,964,804 |
| <i>Economic and physical development</i> | 325,057 | 85,319 | 410,376 |
| <i>Human services</i> | 4,600,733 | - | 4,600,733 |
| <i>Cultural and recreational</i> | 516,633 | - | 516,633 |
| <i>Intergovernmental:</i> | | | |
| <i>Education</i> | 5,153,826 | - | 5,153,826 |
| <i>Capital outlay</i> | 533,047 | 798,588 | 1,331,635 |
| <i>Debt service:</i> | | | |
| <i>Principal</i> | 1,076,778 | - | 1,076,778 |
| <i>Interest</i> | 290,700 | - | 290,700 |
| <i>Total expenditures</i> | <u>24,818,981</u> | <u>3,066,280</u> | <u>27,885,261</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>3,023,931</u> | <u>(325,799)</u> | <u>2,698,132</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| <i>Transfers to other funds</i> | (144) | 144 | - |
| <i>Transfers from other funds</i> | 620,786 | (620,786) | - |
| <i>Total other financing sources and uses</i> | <u>620,642</u> | <u>(620,642)</u> | <u>-</u> |
| <i>Net change in fund balance</i> | 3,644,573 | (946,441) | 2,698,132 |
| <i>Fund balances-beginning</i> | 13,999,548 | 2,864,543 | 16,864,091 |
| <i>Prior period adjustment</i> | 254,000 | - | 254,000 |
| <i>Fund balances - beginning, as restated</i> | <u>14,253,548</u> | <u>2,864,543</u> | <u>17,118,091</u> |
| <i>Fund balances-ending</i> | <u>\$ 17,898,121</u> | <u>\$ 1,918,102</u> | <u>\$ 19,816,223</u> |

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, 2015

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

| | |
|---|----------------------------|
| Net changes in fund balances - total governmental funds | \$ 2,698,132 |
| <i>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.</i> | 366,706 |
| <i>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</i> | (91,707) |
| <i>In the statement of activities, the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the depreciated cost of the fixed assets disposed of during the year.</i> | (206,767) |
| <i>Net contributions to the pension plan in the current year are not included in the statement of activities</i> | 443,581 |
| <i>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. 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.</i> | 1,076,778 |
| <i>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.</i> | <u>(105,583)</u> |
| <i>Total changes in net position of governmental activities</i> | <u><u>\$ 4,181,140</u></u> |

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, 2015

| | <i>Original Budget</i> | <i>Final Budget</i> | <i>Actual</i> | <i>Variance With Final Positive (Negative)</i> |
|--|----------------------------|-------------------------|----------------------|--|
| <i>Revenues:</i> | | | | |
| <i>Ad valorem taxes</i> | \$ 15,909,500 | \$ 16,024,500 | \$ 16,788,022 | \$ 763,522 |
| <i>Local option sales tax</i> | 4,250,000 | 4,250,000 | 4,777,515 | 527,515 |
| <i>Other taxes and licenses</i> | 332,000 | 332,000 | 321,186 | (10,814) |
| <i>Unrestricted intergovernmental</i> | 351,500 | 158,000 | 169,552 | 11,552 |
| <i>Restricted intergovernmental</i> | 2,458,924 | 2,540,303 | 2,687,322 | 147,019 |
| <i>Permits and fees</i> | 314,760 | 317,960 | 287,743 | (30,217) |
| <i>Sales and services</i> | 1,310,800 | 1,222,800 | 1,317,294 | 94,494 |
| <i>Investment earnings</i> | 16,500 | 212,000 | 208,446 | (3,554) |
| <i>Miscellaneous</i> | 39,200 | 210,050 | 1,285,832 | 1,075,782 |
| <i>Total revenues</i> | <u>24,983,184</u> | <u>25,267,613</u> | <u>27,842,912</u> | <u>2,575,299</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| <i>General government</i> | 3,399,115 | 3,589,747 | 3,083,862 | 505,885 |
| <i>Public safety</i> | 7,387,051 | 7,354,770 | 6,815,835 | 538,935 |
| <i>Transportation</i> | 731,937 | 731,937 | 592,959 | 138,978 |
| <i>Environmental protection</i> | 2,050,947 | 2,336,127 | 2,179,467 | 156,660 |
| <i>Economic and physical development</i> | 511,559 | 447,959 | 342,863 | 105,096 |
| <i>Human services</i> | 4,824,318 | 5,043,072 | 4,613,501 | 429,571 |
| <i>Cultural and recreational</i> | 532,331 | 575,181 | 523,521 | 51,660 |
| <i>Intergovernmental:</i> | | | | |
| <i>Education</i> | 5,046,425 | 5,161,325 | 5,153,826 | 7,499 |
| <i>Debt service:</i> | | | | |
| <i>Principal retirement</i> | 1,076,778 | 1,076,778 | 1,076,778 | - |
| <i>Interest and other charges</i> | 290,700 | 290,700 | 290,700 | - |
| <i>Total expenditures</i> | <u>25,851,161</u> | <u>26,607,596</u> | <u>24,673,312</u> | <u>1,934,284</u> |
| <i>Revenues over (under) expenditures</i> | <u>(867,977)</u> | <u>(1,339,983)</u> | <u>3,169,600</u> | <u>(4,509,583)</u> |
| <i>Other financing sources (uses):</i> | | | | |
| <i>Transfers (to) from other funds</i> | (110,000) | (110,150) | 510,643 | (620,793) |
| <i>Transfers to component unit</i> | (64,178) | (64,178) | (64,178) | - |
| <i>Fund balance appropriated</i> | 1,042,155 | 1,514,311 | - | 1,514,311 |
| <i>Total other financing sources (uses)</i> | <u>867,977</u> | <u>1,339,983</u> | <u>446,465</u> | <u>893,518</u> |
| <i>Revenues and other financing sources over expenditures and other financing uses</i> | <u>\$ -</u> | <u>\$ -</u> | <u>3,616,065</u> | <u>\$ (3,616,065)</u> |
| <i>Fund balances:</i> | | | | |
| <i>Beginning of year, July 1</i> | | | 13,999,548 | |
| <i>Restatement</i> | | | 254,000 | |
| <i>Beginning of year, July 1, as restated</i> | | | <u>14,253,548</u> | |
| <i>A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:</i> | | | | |
| <i>Transfers in from General Fund</i> | | | 110,000 | |
| <i>Labor and Fringe Benefits</i> | | | (81,492) | |
| <i>Fund Balance, Ending (Exhibit 4)</i> | | | <u>\$ 17,898,121</u> | |

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

Avery County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

| | <u>Pension Trust Fund</u> | <u>Agency Funds</u> |
|---|-------------------------------|--------------------------|
| | <u>June 30, 2015</u> | <u>June 30, 2015</u> |
| Assets | | |
| <i>Current assets:</i> | | |
| <i>Cash and cash equivalents</i> | \$ 133,971 | \$ 22,608 |
| <i>Total assets</i> | <u>\$ 133,971</u> | <u>\$ 22,608</u> |
| Liabilities and Net Position | | |
| <i>Liabilities:</i> | | |
| <i>Miscellaneous liabilities</i> | \$ - | \$ 22,608 |
| <i>Total liabilities</i> | <u>-</u> | <u>22,608</u> |
| <i>Net position</i> | <u>133,971</u> | <u>-</u> |
| <i>Total liabilities and net position</i> | <u>\$ 133,971</u> | <u>\$ 22,608</u> |

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

Avery County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2015

| | <i>Pension Trust Fund</i> |
|--------------------------------------|-----------------------------------|
| <i>Additions:</i> | |
| <i>Employer contributions</i> | \$ 2,650 |
| <i>Investment income</i> | 5,819 |
| <i>Total additions</i> | <u>8,469</u> |
| <i>Deductions:</i> | |
| <i>Withdrawals and transfers out</i> | <u>304</u> |
| <i>Total deductions</i> | 304 |
| <i>Change in net position</i> | 8,165 |
| <i>Net position, beginning</i> | 125,806 |
| <i>Net position, ending</i> | \$ <u><u>133,971</u></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, 2015

(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 position 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, 2015

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 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 Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

The County reports the following fund types:

Pension Trust Fund. The County maintains a Pension Trust Fund to account for the IRC section 457 deferred compensation plan. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans.

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 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, the Deed of Trust Fee Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis and the Inmate Trust Fund, used to account for monies held on behalf inmates during their incarceration.

Nonmajor Funds. The County maintains four legally annually budgeted funds. The Emergency Telephone System Fund, the Fire District Fund, the Revaluation Fund and the Grant Project Fund are reported as nonmajor special revenue funds.

In addition, the County reported one non-major capital fund type for the year. The Jail Renovation Project Fund and the Courthouse Renovation Project Fund are both capital projects funds that account for expansion and renovation of the facilities.

(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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes 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 position 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.

(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, 2015

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, Deferred Inflows of Resources 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.

Restricted Cash

Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2014.

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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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 position.

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meet this criterion – pension related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only two items that meet the criteria for this category - prepaid taxes and other pension related deferrals.

Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets; restricted, and unrestricted. Restricted net position represents 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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Register of Deeds- portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Emergency Telephone System – portion of fund balance that is restricted by revenue source for the emergency telephone system fund.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Restricted for Fire Protection- portion of fund balance that is restricted by revenue source for fire protection expenditures.

Restricted for School Capital-portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance - Portion of fund balance that can only be used for specific purpose imposed by majority vote of Avery County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance- portion of fund balance that the Avery County governing board has budgeted.

Subsequent year's expenditures-portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Assigned School Capital Outlay- portion of fund balance that has been budgeted by the board for future school capital construction.

Unassigned Fund Balance - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

Avery County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manor that available fund balance is at least equal to 20% of budgeted expenditures.

(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 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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Defined Benefit Pension Plans

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

(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 position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$14,598,061 consists of several elements as follows:

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

| 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) | \$ 32,681,912 |
| Less Accumulated Depreciation | <u>(12,179,456)</u> |
| Net capital assets | 20,502,456 |
| Net pension asset is recorded in the government wide statements | \$ 703,390 |
| 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 | 255,769 |
| Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide | 1,219,613 |
| Deferrals related to pension fund | (1,174,625) |
| 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 | (219,033) |
| Compensated absences payable | (449,790) |
| Bonds, leases, and installment financing | (5,085,786) |
| Other post-employment health benefits | (926,173) |
| Accrued interest payable | <u>(227,760)</u> |
| Total adjustment | <u>\$ 14,598,061</u> |

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 position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,540,679 as follows:

| Description | Amount |
|---|-------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$2,683,904 |
| 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 | (1,123,804) |
| 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 | 1,076,777 |
| 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 | (128,943) |

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

| | |
|--|--------|
| <i>Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)</i> | 92,227 |
|--|--------|

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements

| | |
|--|-------------|
| <i>Reversal of deferred tax revenue recorded at 7/1/13</i> | (1,372,887) |
| <i>Recording of tax receipts deferred in the fund statements as of 6/30/14</i> | 1,344,114 |
| <i>Increase in accrued interest on taxes receivable for year ended 6/30/14</i> | (30,709) |

| | |
|-------------------------|----------------------------|
| <i>Total adjustment</i> | <u><u>\$ 2,540,679</u></u> |
|-------------------------|----------------------------|

(2) 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, 2015, the County's deposits had a carrying value of \$2,613,482 and a bank balance of \$2,691,197. This includes \$156,579 in fiduciary funds. Of the bank balance, \$500,000 was covered by federal depository insurance and \$2,113,482 was covered by collateral held under the Pooling Method. The County maintains a petty cash fund of \$500.

At June 30, 2015, the carrying amount of deposits for the Avery County Airport Authority was \$136,020 and the bank balance was \$136,594. All of the bank balance was covered by federal depository insurance.

At June 30, 2015, the carrying amount of deposits for the Avery County Fire Commission was \$1,576,566 and the bank balance was \$1,576,725. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling method.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Investments

At June 30, 2015, the County's investments consisted of \$13,631,036 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.

Receivable – Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2015 were as follows:

| | Taxes and Related Accrued | | Due from Other | Total |
|---------------------------------|------------------------------|--------------|----------------|--------------|
| | Accounts | Interest | Governments | |
| Governmental Activities: | | | | |
| General | \$ 17,453 | \$ 1,472,773 | \$ 2,574,582 | \$ 4,064,808 |
| Other Governmental | - | 205,588 | 31,741 | 237,329 |
| Total receivables | 17,453 | 1,678,361 | 2,606,323 | 4,302,137 |
| Allowance for doubtful accounts | - | (202,979) | - | (202,979) |
| Total-governmental activities | \$ 17,453 | \$ 1,475,382 | \$ 2,606,323 | \$ 4,099,158 |

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

| <u>Fund</u> | <u>June 30, 2015</u> |
|-----------------------|----------------------|
| General Fund: | |
| Property taxes | \$ 176,115 |
| Special Revenue Fund: | |
| Total | \$ 26,864 |
| | \$ 202,979 |

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

| | |
|------------------------------------|---------------------|
| Town of Banner Elk – Building note | \$ 1,000,000 |
| Local option sales and related tax | 1,202,120 |
| NC DHHS operating funds | 122,935 |
| NC DOT operating and capital funds | 63,411 |
| NC DMV Motor Vehicle tax | 79,726 |
| NC E-911 fees | 16,232 |
| Sales tax refunds | 93,305 |
| Public safety grant | 15,875 |
| Miscellaneous | 12,719 |
| Total | <u>\$ 2,606,323</u> |

The County sold the old Banner Elk School building and to the Town of Banner Elk for \$1,000,000 in exchange for a note receivable. Terms of the note call for annual principle payments of \$83,333 for a term of twelve years at a zero percent interest rate with payments beginning on July 15, 2015.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

| | Beginning Balances | Increases | Transfers/ (Decreases) | Ending Balances |
|--|-----------------------|------------------|---------------------------|----------------------|
| <i>Governmental activities:</i> | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 3,616,789 | \$ 72,134 | \$ (1,000) | \$ 3,687,923 |
| Construction in progress | 2,547,273 | - | (2,480,923) | 66,350 |
| Total capital assets not being depreciated | <u>6,164,062</u> | <u>72,134</u> | <u>(2,481,923)</u> | <u>3,754,273</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 16,254,490 | 835,883 | 2,317,535 | 19,407,908 |
| Other improvements | 1,980,687 | 40,074 | (50,505) | 1,970,256 |
| Equipment | 4,124,610 | 245,202 | (8,245) | 4,361,567 |
| Vehicles and motor equipment | 3,137,363 | 138,342 | (87,797) | 3,187,908 |
| Total capital assets being depreciated | <u>25,497,150</u> | <u>1,259,501</u> | <u>2,170,988</u> | <u>28,927,639</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | 4,065,109 | 319,665 | 4,306 | 4,380,468 |
| Other improvements | 1,381,010 | 67,161 | 8,768 | 1,439,403 |
| Equipment | 3,178,304 | 313,826 | 3,298 | 3,488,832 |
| Vehicles and motor equipment | 2,694,273 | 264,277 | 87,797 | 2,870,753 |
| Total accumulated depreciation | <u>11,318,696</u> | <u>964,929</u> | <u>104,169</u> | <u>12,179,456</u> |
| Total capital assets being depreciated, net | <u>14,178,454</u> | | | <u>16,748,183</u> |
| Governmental activity capital assets, net | <u>\$ 20,342,516</u> | | | <u>\$ 20,502,456</u> |
| General government | \$ 155,553 | | | |
| Public safety | 517,360 | | | |
| Economic and Physical Development | 20,178 | | | |
| Environmental Protection | 85,073 | | | |
| Human services | 78,238 | | | |
| Transportation | 87,415 | | | |
| Cultural and recreational | 21,112 | | | |
| Total depreciation expense | <u>\$ 964,929</u> | | | |

Construction commitments

The government has one active construction project as of June 30, 2015. At June 30, 2015, the government's commitment with contractors follow:

| <u>Project</u> | <u>Spent To Date</u> | <u>Remaining Commitment</u> |
|------------------------------|----------------------|-----------------------------|
| Parks and Recreation Complex | \$ 66,350 | \$ - |

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

Discretely presented component units

Activity for the Avery County Airport for the year ended June 30, 2015, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|--------------------------|------------------|------------------|-----------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ - | 112,000 | - | \$ 112,000 |
| Construction in progress | 246,007 | 158,519 | 404,526 | - |
| Total capital assets not being depreciated | 246,007 | 270,519 | 404,526 | 112,000 |
| <i>Capital assets being depreciated:</i> | | | | |
| Equipment | 11,978 | - | - | 11,978 |
| Building improvements | 5,310 | - | - | 5,310 |
| Leasehold improvements | 2,211,934 | 404,526 | - | 2,616,460 |
| Fuel storage facility | 66,604 | - | - | 66,604 |
| Total capital assets being depreciated | 2,295,825 | 404,526 | - | 2,700,352 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Equipment | 11,978 | - | - | 11,978 |
| Building improvements | 3,208 | 221 | - | 3,429 |
| Leasehold improvements | 1,129,935 | 201,756 | - | 1,331,691 |
| Fuel storage facility | 66,604 | - | - | 66,604 |
| Total accumulated depreciation | 1,211,723 | 201,977 | - | 1,413,702 |
| Total capital assets being depreciated, net | 1,084,102 | | | 1,286,650 |
| Avery County Airport capital assets, net | \$1,330,109 | | | \$1,398,650 |

Payables

Payables at the government-wide level at June 30, 2015, were as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Accrued Interest</u> | <u>Total</u> |
|--------------------------------------|-------------------|------------------------------|-------------------------|-------------------|
| <i>Governmental Activities:</i> | | | | |
| General | \$ 466,241 | \$ 50,919 | \$ 227,761 | \$ 744,921 |
| Other Governmental | 35,271 | - | - | 35,271 |
| Total-governmental activities | \$ 501,512 | \$ 50,919 | \$ 227,761 | \$ 780,192 |

(B) Liabilities

(1) Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$498,107 for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported an asset of \$703,390 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .11927%, which was an increase of .00287% from its proportion measured as of June 30, 2013.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

For the year ended June 30, 2015, the County recognized pension expense of \$54,526. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 76,858 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,637,477 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 41,603 | - |
| County contributions subsequent to the measurement date | 498,107 | - |
| Total | <u>\$ 539,710</u> | <u>\$ 1,714,335</u> |

\$498,107 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|--------------|
| 2016 | \$ (418,205) |
| 2017 | (418,205) |
| 2018 | (418,205) |
| 2019 | (418,117) |
| 2020 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 4.25 to 8.55 percent, including inflation and productivity factor |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 36.0% | 2.5% |
| Global Equity | 40.5% | 6.1% |
| Real Estate | 8.0% | 5.7% |
| Alternatives | 6.5% | 10.5% |
| Credit | 4.5% | 6.8% |
| Inflation Protection | 4.5% | 3.7% |
| Total | 100% | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LRS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | <u>1% Decrease (6.25%)</u> | <u>Discount Rate (7.25%)</u> | <u>1% Increase (8.25%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 2,387,611 | \$ (703,390) | \$ (3,305,914) |

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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

(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, 2013 the Separation Allowance membership consisted of:

| | |
|---|-------------|
| <i>Retirees receiving benefits</i> | 2 |
| <i>Terminated plan members entitled to but not Yet receiving benefits</i> | 0 |
| <i>Active plan members</i> | 25 |
| | <hr/> |
| <i>Total</i> | 27 |
| | <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, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3%. The assumptions did not include post-retirement benefit increases.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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:*

| | |
|---|-------------------|
| Annual required contribution | \$ 37,796 |
| Interest on net pension obligation | 10,100 |
| Adjustment to ARC | (17,063) |
| | <u>30,833</u> |
| Contributions made | (13,792) |
| Increase (decrease) in net pension obligation | 17,041 |
| Net pension obligation beginning of year | 201,992 |
| Net pension obligation end of year | <u>\$ 219,033</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, 2015 were \$51,839 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.

(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, 2012, the date of the latest actuarial valuation:

| | |
|---|----------|
| General Employees: | 186 |
| Law Enforcement Officers: | 24 |
| Retirees and dependents receiving benefits: | <u>7</u> |
| Total: | 217 |

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*

Avery County, North Carolina
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For the Fiscal Year Ended June 30, 2015

healthcare benefits on a “pay as you go” basis. The current ARC rate is 3.92% of annual covered payroll. For the current year, the County made contributions of \$75,936. 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 estimated 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 | \$ 252,494 |
| Valuation Discount Rate | 4.00% |
| Interest on Net OPEB Obligation | 29,931 |
| Amortization Factor | 26.1695 |
| Adjustment to Annual Required Contribution | <u>28,594</u> |
| Annual OPEB cost (expense) | 253,831 |
| Contributions made | 75,936 |
| Increase (decrease) in net OPEB obligation | <u>177,895</u> |
| Net OPEB obligation, beginning of year | <u>748,281</u> |
| Net OPEB obligation, end of year | <u><u>\$926,176</u></u> |

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, the date of the latest full actuarial study, were as follows:

| <u>For the Year</u> <u>Ended</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> |
|-------------------------------------|-----------------------------------|---|--------------------------------------|
| 30-Jun-13 | \$ 201,054 | 48.2% | \$ 599,741 |
| 30-Jun-14 | \$ 246,212 | 39.7% | \$ 748,281 |
| 30-Jun-15 | \$ 253,831 | 29.9% | \$ 926,176 |

Funded Status and Funding Progress. As of December 31, 2012, 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 \$2,355,749. The covered payroll (annual payroll of active employees covered by the plan) was \$6,248,842, and the ratio of the UAAL to the covered payroll was 37.7 percent. Actuarial valuations of an ongoing 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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2012 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 8.50 to 5.00 percent annually. Both rates included a 3.00 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, 2012, was 30 years.

(3) *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.

(4) *Deferred Inflows of Resources*

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

| | General Fund | Special Revenue Fund |
|------------------------|-------------------------|-------------------------------------|
| Taxes receivable (net) | \$1,069,180 | \$150,433 |

(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 workers' compensation.

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, Tax Collector, County Manager and Chairman of the Board, \$50,000 and Register of Deeds \$25,000.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015, 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, 2015 that may have an unfavorable outcome are covered by the County's liability insurance.

(7) *Long-Term Obligations*

Notes Payable

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.

On May 14, 2010, the County entered into a commitment of \$5,000,000 in order to finance a school renovation project. The contract is a two part commitment. The first loan, in the amount of \$4,645,266, is for the issuance of Qualified School Construction Bond (QSCB) funding. The second commitment, for \$354,734, is financed through Build America Bonds. Required principal repayment is \$83,333 per quarter for a fifteen year term. The interest rate on the bonds is 6.73% per annum.

For Avery County, the future minimum payments as of June 30, 2015 are:

| Year Ending June 30 | General Long-Term Debt | | Interest Due and Payable |
|------------------------------------|---------------------------------------|-----------|---|
| 2016 | \$1,076,777 | \$ | 227,369 |
| 2017 | 443,443 | | 193,488 |
| 2018 | 443,443 | | 171,054 |
| 2019 | 443,443 | | 143,013 |
| 2020 | 443,443 | | 120,579 |
| 2021-2025 | <u>2,235,237</u> | | <u>240,020</u> |
| Total | \$5,085,786 | \$ | 1,095,523 |

At June 30, 2015, the County had a legal debt margin of \$ 356,967,361.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

a. 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, 2015:

| Governmental activities: | <i>Balance</i> <i>July 1, 2014</i> | <i>Increases</i> | <i>Decreases</i> | <i>Balance</i> <i>June 30, 2015</i> | <i>Current</i> <i>Portion</i> |
|--------------------------------------|---------------------------------------|------------------|---------------------|--|----------------------------------|
| Installment purchase | \$ 6,162,563 | - | 1,076,777 | 5,085,786 | 1,076,777 |
| Other post employment benefits | 748,281 | 177,895 | - | 926,176 | 926,176 |
| Pension plan obligation | 201,992 | 17,041 | - | 219,033 | 219,033 |
| Vacation pay obligation | 476,205 | - | 26,415 | 449,790 | 449,790 |
| Total governmental activities | \$ 7,589,041 | \$194,936 | \$ 1,103,192 | \$ 6,680,785 | \$2,671,776 |

b. Interfund Balances and Activity

Transfers to/from other fund

Transfers to/from other funds at June 30, 2015, consist of the following:

| | |
|---|------------------|
| From the Jail Renovation fund to the General fund | \$620,786 |
| From the General fund to the E-911 fund | (144) |
| Total | \$620,642 |

(3) 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, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$83,280 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 funding for the College's facilities. Avery County contributed \$310,000 to the College for operating purposes and \$18,000 for capital outlay during the fiscal year ended June 30, 2015. 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, 2015. 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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$289,900 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 Smoky Mountain Center (a public manager of care for individuals facing challenges with mental illness, intellectual/development disabilities and/or substance use/addiction) with members in a twenty three county region. Each participating government appoints a council member to the governing board of the Smoky Mountain Center. 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, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$89,600 to the Center to supplement its activities. Complete financial statements can be obtained from the Smoky Mountain Center's offices located in Boone, North Carolina 28607.

(4) 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 \$8,887 to the Council during the fiscal year ending June 30, 2015.

(5) 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, 2015, 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.

(6) 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 | \$ 14,258,152 | \$ 7,926,117 |
| N.C. Health Choice | 447,833 | 143,618 |
| Temporary Assistance for Needy Families | 60,235 | - |
| Title IV-E Foster Care Assistance | 50,657 | 13,126 |
| Title IV-E Adoption Assistance | 95,658 | 24,798 |
| Special Children Adoption | 55,200 | - |
| State Foster Care Benefits Program | - | 9,854 |
| State Special Assistance for Adults | - | 100,311 |
| CWS Adoption Subsidy | - | 168,470 |

(7) SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Federal and State Assisted Programs

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

(8) FUND BALANCE

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

The following schedule provides management and citizens with information on the portion of governmental fund balances that are available for appropriation:

| | |
|---|---------------------|
| Total fund balance-Governmental Funds | \$19,816,223 |
| Less: | |
| Prepaid assets | 79,873 |
| Stabilization by State Statute | 2,623,776 |
| Register of Deeds fund | 55,406 |
| Fire Protection | 1,571,772 |
| Emergency Telephone System | 159,440 |
| Appropriated Fund Balance in 2015 budget | 2,505,299 |
| Tax Revaluation | 49,498 |
| Working Capital/ Fund Balance Policy | 12,771,159 |
| Remaining Fund Balance | -0- |

(9) CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The County implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$914,816. Also, an entry was made to adjust the group health insurance liability account in the amount of \$254,000. This was a result of the change from the County's self-insured plan to a plan provided by a commercial insurance carrier.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2015, the date which the financial statements were available to be issued.

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

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value Assets (a) | Actuarial Liability (AAL) -Projected Unit Credit (b) | Unfunded (AAL) (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b -a)/c) |
|---------------------------------|-----------------------------------|---|--------------------------------------|---------------------------|----------------------------|--|
| 12/31/2007 | 0 | 144,437 | 144,437 | 0% | 825,800 | 17.49% |
| 12/31/2008 | 0 | 169,706 | 169,706 | 0% | 914,098 | 18.57% |
| 12/31/2009 | 0 | 218,478 | 218,478 | 0% | 877,706 | 24.89% |
| 12/31/2010 | 0 | 248,739 | 248,739 | 0% | 966,193 | 25.74% |
| 12/31/2011 | 0 | 249,011 | 249,011 | 0% | 970,426 | 25.66% |
| 12/31/2012 | 0 | 266,923 | 266,923 | 0% | 965,799 | 27.64% |
| 12/31/2013 | 0 | 257,127 | 257,127 | 0% | 974,015 | 26.40% |
| 12/31/2014 | 0 | 257,480 | 257,480 | 0% | 1,004,855 | 25.62% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contributions | Percentage Contributed |
|---------------------------|--------------------------------------|-------------------------------|
| 2007 | 10,117 | 0% |
| 2008 | 15,855 | 38.38% |
| 2009 | 20,669 | 19.25% |
| 2010 | 23,720 | 0% |
| 2011 | 28,275 | 0% |
| 2012 | 31,515 | 0% |
| 2013 | 30,946 | 19.87% |
| 2014 | 28,342 | 21.69% |
| 2015 | 30,833 | 44.73% |

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 | 12/31/2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 18 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return | 5.00% |
| Projected salary increases | 4.25-7.85% |
| Includes inflation at | 3.00% |
| Cost of living adjustments | N/A |

See the accompanying Independent Auditor's Report.

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

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value Assets (a) | Actuarial Accrued Liability (AAL) -Projected Unit Credit (b) | Unfunded (AAL) (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b - a)/c) |
|---------------------------------|-----------------------------------|---|--------------------------------------|---------------------------|----------------------------|---|
| 12/31/2008 | 0 | 1,498,496 | 1,498,496 | 0% | 5,236,537 | 28.62% |
| 12/31/2009 | 0 | 1,702,012 | 1,701,012 | 0% | 5,564,426 | 30.60% |
| 12/31/2012 | 0 | 2,355,749 | 2,355,749 | 0% | 6,248,842 | 37.70% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|---------------------------|-------------------------------------|-------------------------------|
| 2011 | 163,265 | 19.00% |
| 2012 | 163,265 | 57.60% |
| 2013 | 201,054 | 48.20% |
| 2014 | 246,212 | 39.70% |
| 2015 | 253,831 | 29.90% |

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 | 12/31/2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay, open |
| Remaining amortization period | 30 years |
| Amortization factor | 26.1695 |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Investment rate of return | 4.00% |
| Pre-Medicare trend rate | 8.5%-5% |
| Post-Medicare trend rate | 0.00% |
| Year of Ultimate trend rate | 2018 |
| Includes inflation at | 3.00% |

See the accompanying Independent Auditor's Report.

EVERY COUNTY, NORTH CAROLINA
Proportionate Share of Net Pension (Liability) Asset
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees Retirement System

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| County's proportion of the net pension liability (asset) (%) | 0.074390 | 0.072600 |
| County's proportion of the net pension liability (asset) (\$) | (703,390) | 914,816 |
| County's covered-employee payroll | 6,995,484 | 6,829,415 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | (0.101) | 0.13 |
| Plan fiduciary net position as a percentage of the total pension liability | 1.0264 | 0.9435 |

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

EVERY COUNTY, NORTH CAROLINA
Schedule of Contributions to the Local Government Employees' Retirement System
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees Retirement System

| | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Contractually required contribution | 498,107 | 484,976 |
| Contributions in relation to the contractually required contribution | 498,107 | 484,976 |
| County's covered-employee payroll | 6,995,484 | 6,829,415 |
| Contributions as a percentage of covered-employee payroll | 0.0712 | 0.0710 |

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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|--|--------|-------------------|--|-------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| <i>Ad valorem taxes:</i> | | | | |
| Taxes | \$ | \$ 16,624,197 | \$ | \$ 16,366,784 |
| Penalties and interest | | 218,001 | | 197,449 |
| Refunds and releases | | (54,176) | | (45,945) |
| Total | | <u>16,024,500</u> | | <u>16,518,288</u> |
| <i>Local option sales taxes:</i> | | | | |
| Article 39 one percent | | 2,148,581 | | 1,943,911 |
| Article 40 one-half of one percent | | 1,123,766 | | 1,035,049 |
| Article 42 one-half of one percent | | 1,082,335 | | 976,508 |
| Article 44 one-half of one percent | | 356 | | 4,055 |
| Video programming distribution | | 56,298 | | 55,551 |
| Medicaid Hold Harmless payment | | 366,179 | | 452,894 |
| Total | | <u>4,250,000</u> | | <u>4,467,968</u> |
| <i>Other taxes and licenses:</i> | | | | |
| Real estate transfer tax | | 286,639 | | 281,564 |
| Scrap tire disposal tax | | 22,585 | | 21,457 |
| Solid waste disposal | | 11,962 | | 11,170 |
| Total | | <u>332,000</u> | | <u>314,191</u> |
| <i>Unrestricted intergovernmental:</i> | | | | |
| Payments in lieu of taxes | | 168,731 | | 219,781 |
| Food stamp tax reimbursement | | 822 | | 400 |
| Sales tax refunds | | - | | 1,804 |
| Total | | <u>158,000</u> | | <u>221,985</u> |
| <i>Restricted intergovernmental:</i> | | | | |
| State and federal grants | | 2,660,391 | | 2,274,925 |
| Court facilities fees | | 19,400 | | 17,683 |
| ABC bottle tax | | 7,531 | | 6,215 |
| Total | | <u>2,540,303</u> | | <u>2,298,823</u> |
| <i>Licenses and permits:</i> | | | | |
| Inspection fees and building permits | | 117,633 | | 139,680 |
| Register of deeds | | 132,679 | | 149,735 |
| Marriage licenses | | 7,140 | | 7,320 |
| Officer fees | | 5,774 | | 5,230 |
| Gun permits | | 1,415 | | 1,250 |
| IPM dues | | 1,925 | | 1,167 |
| Fingerprint fees | | 3,010 | | 2,800 |
| Concealed weapons fees | | 18,166 | | 21,395 |
| Total | | <u>317,960</u> | | <u>328,577</u> |

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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|--------------------------------|-------------------|-------------------|--|-------------------|
| | Budget | Actual | | Actual |
| Sales and services: | | | | |
| Election department | | - | | 14,230 |
| Transportation fees | | 306,182 | | 381,796 |
| Rents, concessions and fees | | 31,634 | | 41,222 |
| Recreation fees | | 41,828 | | 43,848 |
| Jail fees | | 7,149 | | 3,280 |
| Tax assessor fees | | 230 | | 440 |
| Emergency medical service | | 545,382 | | 491,493 |
| Solid waste fees | | 363,138 | | 270,476 |
| Civil process fees | | 19,644 | | 23,585 |
| Spay neuter program income | | - | | 1,444 |
| Civil license revocations | | 2,107 | | 1,397 |
| Total | 1,222,800 | 1,317,294 | 94,494 | 1,273,211 |
| Investment earnings | 212,000 | 208,446 | (3,554) | 219,629 |
| Miscellaneous: | | | | |
| Sales of fixed assets | | 1,073,098 | | 12,934 |
| Donations | | 67 | | 42,250 |
| Restitution fees | | 654 | | 555 |
| Drug fund | | 5,451 | | - |
| School resource officer | | 90,725 | | 71,257 |
| Inmate housing reimbursement | | 98,733 | | 140,058 |
| Other | | 17,104 | | 15,369 |
| Total | 210,050 | 1,285,832 | 1,075,782 | 282,423 |
| Total revenues | 25,267,613 | 27,842,912 | 2,575,299 | 25,925,095 |
| Expenditures: | | | | |
| General government - | | | | |
| Governing body: | | | | |
| Salaries and employee benefits | | 133,117 | | 134,210 |
| Other operating expenditures | | 92,652 | | 78,158 |
| Capital outlay | | 2,153 | | 3,945 |
| Total | 323,917 | 227,922 | 95,995 | 216,313 |
| Administration: | | | | |
| Salaries and employee benefits | | 195,178 | | 242,608 |
| Other operating expenditures | | 16,367 | | 20,376 |
| Capital outlay | | - | | 4,443 |
| Total | 269,729 | 211,545 | 58,184 | 267,427 |
| Elections: | | | | |
| Salaries and employee benefits | | 153,604 | | 140,639 |
| Other operating expenditures | | 52,272 | | 64,278 |
| Capital outlay | | 4,576 | | 512 |
| Total | 252,902 | 210,452 | 42,450 | 205,429 |

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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|------------------------------------|-----------|-----------|--|-----------|
| | Budget | Actual | | Actual |
| <i>Finance:</i> | | | | |
| Salaries and employee benefits | | 239,054 | | 263,900 |
| Other operating expenditures | | 43,179 | | 41,611 |
| Capital outlay | | 10,116 | | 10,261 |
| Total | 404,747 | 292,349 | 112,398 | 315,772 |
| <i>Tax listing and supervisor:</i> | | | | |
| Salaries and employee benefits | | 291,310 | | 289,167 |
| Other operating expenditures | | 102,396 | | 98,736 |
| Capital outlay | | 3,594 | | 800 |
| Total | 413,155 | 397,300 | 15,855 | 388,703 |
| <i>Tax collections:</i> | | | | |
| Salaries and employee benefits | | 110,338 | | 109,563 |
| Other operating expenditures | | 6,833 | | 33,594 |
| Total | 123,385 | 117,171 | 6,214 | 143,157 |
| <i>Tax mapping:</i> | | | | |
| Salaries and employee benefits | | 53,654 | | 62,845 |
| Operating expenditures | | 25,529 | | 22,551 |
| Capital outlay | | 2,574 | | 1,498 |
| Total | 112,236 | 81,757 | 30,479 | 86,894 |
| <i>Register of Deeds:</i> | | | | |
| Salaries and employee benefits | | 165,574 | | 166,922 |
| Other operating expenditures | | 250,537 | | 254,772 |
| Capital outlay | | 1,711 | | 11,400 |
| Total | 500,386 | 417,822 | 82,564 | 433,094 |
| <i>Public Buildings:</i> | | | | |
| Salaries and employee benefits | | 393,459 | | 386,162 |
| Other operating expenditures | | 486,731 | | 448,588 |
| Capital outlay | | 127,122 | | 77,387 |
| Total | 1,063,040 | 1,007,312 | 55,728 | 912,137 |
| <i>Legal and auditing:</i> | | | | |
| Contracted services | 119,400 | 113,851 | 5,549 | 172,782 |
| <i>Facilities fees:</i> | | | | |
| Operating expenditures | | 6,381 | | 5,976 |
| Capital outlay | | - | | - |
| Total | 6,850 | 6,381 | 469 | 5,976 |
| Total general government | 3,589,747 | 3,083,862 | 505,885 | 3,147,684 |

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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|------------------------------------|-----------|-----------|--|-----------|
| | Budget | Actual | | Actual |
| <i>Public safety -</i> | | | | |
| <i>Sheriff's Department:</i> | | | | |
| Salaries and employee benefits | | 1,644,121 | | 1,607,660 |
| Other operating expenditures | | 338,256 | | 337,877 |
| Capital outlay | | 111,102 | | 110,763 |
| Total | 2,172,777 | 2,093,479 | 79,298 | 2,056,300 |
| <i>Jail:</i> | | | | |
| Salaries and employee benefits | | 1,173,009 | | 1,213,077 |
| Other operating expenditures | | 470,585 | | 501,601 |
| Capital outlay | | 3,081 | | 40,862 |
| Total | 1,773,986 | 1,646,675 | 127,311 | 1,755,540 |
| <i>Building inspection:</i> | | | | |
| Salaries and employee benefits | | 266,717 | | 277,262 |
| Other operating expenditures | | 42,035 | | 49,167 |
| Capital outlay | | 2,660 | | 668 |
| Total | 372,040 | 311,412 | 60,628 | 327,097 |
| <i>Emergency management:</i> | | | | |
| Salaries and employee benefits | | 78,897 | | 76,322 |
| Other operating expenditures | | 30,548 | | 34,757 |
| Capital outlay | | 9,508 | | 11,121 |
| Total | 143,690 | 118,953 | 24,737 | 122,200 |
| <i>Emergency medical services:</i> | | | | |
| Salaries and employee benefits | | 1,533,099 | | 1,553,570 |
| Other operating expenditures | | 262,333 | | 267,011 |
| Capital outlay | | 50,897 | | 66,025 |
| Total | 2,016,128 | 1,846,329 | 169,799 | 1,886,606 |
| <i>Central dispatch:</i> | | | | |
| Salaries and employee benefits | | 668,294 | | 654,030 |
| Other operating expenditures | | 70,018 | | 66,193 |
| Capital outlay | | 1,275 | | - |
| Total | 802,974 | 739,587 | 63,387 | 720,223 |
| <i>OSHA instruction:</i> | | | | |
| Total | 725 | - | 725 | - |
| <i>Medical examiner:</i> | | | | |
| Professional services | 15,000 | 1,950 | 13,050 | 5,750 |

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, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|--|-----------|-----------|--|-----------|
| | Budget | Actual | | Actual |
| <i>Community agency contributions:</i> | | | | |
| <i>Humane Society</i> | | 57,450 | | 57,450 |
| <i>Total</i> | 57,450 | 57,450 | - | 57,450 |
| <i>Total public safety</i> | 7,354,770 | 6,815,835 | 538,935 | 6,931,166 |
| <i>Public transportation:</i> | | | | |
| <i>Streets and highways:</i> | | | | |
| <i>Salaries and employee benefits</i> | | 458,121 | | 454,043 |
| <i>Other operating expenditures</i> | | 134,838 | | 131,846 |
| <i>Capital outlay</i> | | - | | 53,827 |
| <i>Total public transportation</i> | 731,937 | 592,959 | 138,978 | 639,716 |
| <i>Environmental protection -</i> | | | | |
| <i>Sanitation:</i> | | | | |
| <i>Salaries and employee benefits</i> | | 888,965 | | 866,962 |
| <i>Other operating expenditures</i> | | 822,067 | | 851,633 |
| <i>Capital outlay</i> | | 241,132 | | 138,864 |
| <i>Total</i> | 2,093,265 | 1,952,164 | 141,101 | 1,857,459 |
| <i>Soil conservation service:</i> | | | | |
| <i>Salaries and employee benefits</i> | | 104,057 | | 103,810 |
| <i>Other operating expenditures</i> | | 123,246 | | 111,560 |
| <i>Capital outlay</i> | | - | | - |
| <i>Total</i> | 242,862 | 227,303 | 15,559 | 215,370 |
| <i>Total environmental protection</i> | 2,336,127 | 2,179,467 | 156,660 | 2,072,829 |
| <i>Economic and physical development -</i> | | | | |
| <i>Agricultural extension agent:</i> | | | | |
| <i>Salaries and employee benefits</i> | | 206,976 | | 199,237 |
| <i>Other operating expenditures</i> | | 65,265 | | 89,134 |
| <i>Capital outlay</i> | | 28,861 | | 23,711 |
| <i>Total</i> | 358,001 | 301,102 | 56,899 | 312,082 |
| <i>Physical development:</i> | | | | |
| <i>Salaries and employee benefits</i> | | 39,213 | | 74,865 |
| <i>Other operating expenditures</i> | | 1,548 | | 47,773 |
| <i>Capital outlay</i> | | - | | 111,517 |
| <i>Total</i> | 88,958 | 40,761 | 48,197 | 234,155 |
| <i>Regional economic development:</i> | | | | |
| <i>Region D Development Council</i> | | 1,000 | | 1,000 |
| <i>W.N.C. Development Association</i> | | 1,000 | | 1,000 |
| <i>Total</i> | 1,000 | 1,000 | - | 1,000 |
| <i>Total economic and physical development</i> | 447,959 | 342,863 | 105,096 | 547,237 |

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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|--|------------------|------------------|--|------------------|
| | Budget | Actual | | Actual |
| <i>Human services -</i> | | | | |
| <i>Public Health:</i> | | | | |
| <i>Toe River Health District</i> | | 289,900 | | 284,900 |
| <i>New River Mental Health</i> | | 89,600 | | 89,600 |
| <i>Alcoholic rehabilitation</i> | | 6,903 | | 6,879 |
| <i>Total</i> | <u>389,500</u> | <u>386,403</u> | <u>3,097</u> | <u>381,379</u> |
| <i>Veteran's Service Officer -</i> | | | | |
| <i>Salaries and employee benefits</i> | | 22,956 | | 21,412 |
| <i>Other operating expenditures</i> | | 2,558 | | 1,888 |
| <i>Capital outlay</i> | | 1,198 | | - |
| <i>Total</i> | <u>28,573</u> | <u>26,712</u> | <u>1,861</u> | <u>23,300</u> |
| <i>Social Services:</i> | | | | |
| <i>Salaries and employee benefits</i> | | 1,846,575 | | 1,845,009 |
| <i>Other operating expenditures</i> | | 168,756 | | 159,771 |
| <i>Capital outlay</i> | | 18,597 | | 32,398 |
| <i>Total</i> | <u>2,198,176</u> | <u>2,033,928</u> | <u>164,248</u> | <u>2,037,178</u> |
| <i>County participation:</i> | | | | |
| <i>Medicaid</i> | | 15,008 | | 13,466 |
| <i>Special assistance</i> | | 352,204 | | 366,326 |
| <i>Foster care</i> | | 155,566 | | 80,146 |
| <i>Crisis intervention</i> | | 120,743 | | 61,018 |
| <i>Family Support Act</i> | | 87,735 | | 84,521 |
| <i>JOBS program</i> | | 47,738 | | 50,138 |
| <i>Total</i> | <u>875,307</u> | <u>778,994</u> | <u>96,313</u> | <u>655,615</u> |
| <i>Senior Citizens:</i> | | | | |
| <i>Salaries and employee benefits</i> | | 558,990 | | 605,296 |
| <i>Other operating expenditures</i> | | 295,094 | | 268,352 |
| <i>Capital outlay</i> | | 4,289 | | 34,788 |
| <i>Total</i> | <u>960,884</u> | <u>858,373</u> | <u>102,511</u> | <u>908,436</u> |
| <i>Day Care and Child Development:</i> | | | | |
| <i>Contracted services</i> | | | | |
| | <u>385,634</u> | <u>331,222</u> | <u>54,412</u> | <u>298,535</u> |
| <i>Rural infrastructure grant</i> | <u>73,500</u> | <u>73,500</u> | - | - |
| <i>Community Based Alternatives</i> | | | | |
| <i>Operating expenditures</i> | <u>104,871</u> | <u>97,742</u> | <u>7,129</u> | <u>98,905</u> |
| <i>Aid to the Blind</i> | <u>1,657</u> | <u>1,657</u> | - | - |

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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|-------------------------------------|-----------|-----------|--|-----------|
| | Budget | Actual | | Actual |
| Community agency contributions: | | | | |
| ADAP - Yellow Mountain | | 24,000 | | 24,000 |
| Avery Alzheimer's Support | | 970 | | 970 |
| Total | 24,970 | 24,970 | - | 24,970 |
| | | | | |
| Total human services | 5,043,072 | 4,613,501 | 429,571 | 4,428,318 |
| | | | | |
| Cultural and recreational - | | | | |
| Parks & recreation: | | | | |
| Salaries and employee benefits | | 242,380 | | 274,465 |
| Other operating expenditures | | 118,552 | | 113,311 |
| Capital outlay | | 8,329 | | - |
| Total | 414,921 | 369,261 | 45,660 | 387,776 |
| | | | | |
| Community agency contributions: | | | | |
| Shrine Club | | 970 | | 970 |
| Spay Neuter Program | | - | | 1,444 |
| WAMY | | - | | 6,000 |
| Tag Office | | 38,000 | | 19,400 |
| Avery Smart Start | | 4,850 | | 4,850 |
| YMCA | | 24,250 | | 24,250 |
| Avery Museum | | 2,910 | | 2,910 |
| Total | 76,980 | 70,980 | 6,000 | 59,824 |
| | | | | |
| Library: | | | | |
| Contracted services | 83,280 | 83,280 | - | 78,280 |
| | | | | |
| Total cultural and recreational | 575,181 | 523,521 | 51,660 | 525,880 |
| | | | | |
| Education - | | | | |
| Public schools - current expense | | 3,973,725 | | 3,973,725 |
| Public schools - capital outlay | | 852,101 | | 744,700 |
| Community College - current expense | | 310,000 | | 305,000 |
| Community College - capital outlay | | 18,000 | | 18,000 |
| | | | | |
| Total education | 5,161,325 | 5,153,826 | 7,499 | 5,041,425 |
| | | | | |
| Debt service - | | | | |
| Principal retirement | | 1,076,778 | | 1,076,779 |
| Interest and fees | | 290,700 | | 348,029 |
| | | | | |
| Total debt service | 1,367,478 | 1,367,478 | - | 1,424,808 |

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, 2015

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|--|--------------------|-----------------------------|--|----------------------------|
| | Budget | Actual | | Actual |
| Total expenditures | <u>26,607,596</u> | <u>24,673,312</u> | <u>1,934,284</u> | <u>24,759,063</u> |
| Revenue over (under) expenditures | <u>(1,339,983)</u> | <u>3,169,600</u> | <u>4,509,583</u> | <u>1,166,032</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in (out): | | | | |
| To Revaluation Fund | (110,000) | (110,000) | - | (110,000) |
| To/From E-911 Fund | (150) | (143) | 7 | (16,010) |
| To/From CapitalProjects Fund | - | - | - | 42,000 |
| To component unit - Airport | <u>(64,178)</u> | <u>(64,178)</u> | - | <u>(54,171)</u> |
| Total operating transfers | <u>(174,328)</u> | <u>(174,321)</u> | <u>7</u> | <u>(138,181)</u> |
| Total other financing sources (uses) | <u>(174,328)</u> | <u>(174,321)</u> | <u>7</u> | <u>(138,181)</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | <u>(1,514,311)</u> | <u>2,995,279</u> | <u>4,509,590</u> | <u>1,027,851</u> |
| Appropriated fund balance | <u>1,514,311</u> | <u>-</u> | <u>(1,514,311)</u> | <u>-</u> |
| Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses | \$ <u>-</u> | <u>2,995,279</u> | \$ <u>2,995,279</u> | <u>1,027,851</u> |
| Fund balances - beginning of year | | <u>9,966,151</u> | | <u>8,938,300</u> |
| Fund balances - end of year | | \$ <u><u>12,961,430</u></u> | | \$ <u><u>9,966,151</u></u> |

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, 2015**

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|---|---------------|------------------|--|------------------|
| | Budget | Actual | | Actual |
| <i>Revenues:</i> | | | | |
| <i>Investment earnings</i> | \$ - | \$ - | \$ - | \$ - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Expenditures:</i> | | | | |
| <i>General government:</i> | | | | |
| <i>Tax listing</i> | 99,058 | 81,493 | 17,565 | 105,000 |
| <i>Total expenditures</i> | <u>99,058</u> | <u>81,493</u> | <u>17,565</u> | <u>105,000</u> |
| <i>Revenues over (under) expenditures</i> | (99,058) | (81,493) | 17,565 | (105,000) |
| <i>Other financing sources (uses):</i> | | | | |
| <i>Fund balance appropriated</i> | (10,942) | | (10,942) | |
| <i>Operating transfer in (out) from General Fund</i> | 110,000 | 110,000 | - | 110,000 |
| <i>Total other financing sources (uses)</i> | <u>99,058</u> | <u>110,000</u> | <u>(10,942)</u> | <u>110,000</u> |
| <i>Excess of revenues and other sources over (under) expenditures</i> | \$ <u>-</u> | 28,507 | \$ <u>28,507</u> | 5,000 |
| <i>Fund balances - beginning of year</i> | | <u>20,991</u> | | <u>15,991</u> |
| <i>Fund balances - end of year</i> | | \$ <u>49,498</u> | | \$ <u>20,991</u> |

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

| | <i>Emergency Telephone System Fund</i> | <i>Fire District Fund</i> | <i>Total Non-major Special Revenue Funds</i> |
|--|--|---------------------------|--|
| ASSETS | | | |
| <i>Cash and cash equivalents</i> | \$ 315,270 | \$ 1,606,362 | \$ 1,921,632 |
| <i>Taxes receivable, net</i> | - | 150,433 | 150,433 |
| <i>Due from other governments</i> | 22,507 | 9,234 | 31,741 |
| Total assets | \$ 337,777 | \$ 1,766,029 | \$ 2,103,806 |
| LIABILITIES AND FUND BALANCES | | | |
| <i>Liabilities:</i> | | | |
| <i>Accounts payable and accrued liabilities</i> | \$ 681 | \$ 34,590 | \$ 35,271 |
| <i>Deferred revenue</i> | - | 150,433 | 150,433 |
| Total liabilities | 681 | 185,023 | 185,704 |
| <i>Fund balances:</i> | | | |
| <i>Restricted:</i> | | | |
| <i>Reserved by State statute</i> | 22,507 | 9,234 | 31,741 |
| <i>Fire Protection</i> | - | 1,571,772 | 1,571,772 |
| <i>Emergency Telephone System</i> | 159,440 | - | 159,440 |
| <i>Assigned:</i> | | | |
| <i>Designated for subsequent year's expenditures</i> | 155,149 | - | 155,149 |
| Total fund balances | 337,096 | 1,581,006 | 1,918,102 |
| Total liabilities and fund balances | \$ 337,777 | \$ 1,766,029 | \$ 2,103,806 |

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, 2015

| | Emergency Telephone System Fund | | Fire District Fund | | Grant Projects Funds | | Total Non-major Special Revenue Funds | | Non-major Capital Projects Fund | | Total Non-major Governmental Funds | |
|---|--|---------------------|---------------------------|---------------------|-----------------------------|---------------------|--|-------------|--|-------------|---|---------------------|
| | | | | | | | | | | | | |
| REVENUES | | | | | | | | | | | | |
| Ad valorem taxes | \$ - | \$ 2,458,313 | \$ - | \$ 2,458,313 | \$ - | \$ 2,458,313 | \$ - | \$ - | \$ 2,458,313 | | \$ - | \$ 2,458,313 |
| Restricted intergovernmental | 194,781 | - | 85,319 | 280,100 | - | 280,100 | - | - | - | - | - | 280,100 |
| Investment earnings | 324 | 1,744 | - | 2,068 | - | 2,068 | - | - | - | - | - | 2,068 |
| Total revenues | 195,105 | 2,460,057 | 85,319 | 2,740,481 | 85,319 | 2,740,481 | - | - | - | - | - | 2,740,481 |
| EXPENDITURES | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Economic and physical development | - | - | 85,319 | 85,319 | - | 85,319 | - | - | - | - | - | 85,319 |
| Public safety | 156,139 | 2,015,431 | - | 2,171,570 | - | 2,171,570 | - | - | - | - | - | 2,171,570 |
| Capital outlay | 10,803 | - | - | 10,803 | - | 10,803 | 798,588 | - | 798,588 | - | - | 809,391 |
| Total expenditures | 166,942 | 2,015,431 | 85,319 | 2,267,692 | 85,319 | 2,267,692 | 798,588 | - | 798,588 | - | - | 3,066,280 |
| Excess (deficiency) of revenues over expenditures | 28,163 | 444,626 | - | 472,789 | - | 472,789 | (798,588) | - | (798,588) | - | - | (325,799) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers (to) from other funds | 144 | - | - | 144 | - | 144 | (620,786) | - | (620,786) | - | - | (620,642) |
| Total other financing sources and uses | 144 | - | - | 144 | - | 144 | (620,786) | - | (620,786) | - | - | (620,642) |
| Net change in fund balances | 28,307 | 444,626 | - | 472,933 | - | 472,933 | (1,419,374) | - | (1,419,374) | - | - | (946,441) |
| Fund balances - beginning | 308,789 | 1,136,380 | - | 1,445,169 | - | 1,445,169 | 1,419,374 | - | 1,419,374 | - | - | 2,864,543 |
| Fund balances - ending | \$ 337,096 | \$ 1,581,006 | \$ - | \$ 1,918,102 | \$ - | \$ 1,918,102 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,918,102 |

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2015
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|---|-----------------|--------------------------|--|--------------------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| E-911 surcharges | \$ | \$ 194,781 | \$ | \$ 167,318 |
| Investment earnings - surcharges | | 324 | | 316 |
| Total revenues | <u>167,766</u> | <u>195,105</u> | <u>27,339</u> | <u>167,634</u> |
| Expenditures: | | | | |
| Public safety: | | | | |
| Public safety expenditures | | 156,139 | | 151,017 |
| Capital outlay for public safety | | 10,803 | | 13,311 |
| Total expenditures | <u>197,503</u> | <u>166,942</u> | <u>30,561</u> | <u>164,328</u> |
| Revenues over (under) expenditures | <u>(29,737)</u> | <u>28,163</u> | <u>57,900</u> | <u>3,306</u> |
| Other financing sources (uses): | | | | |
| Operating transfer in (out): | | | | |
| From General Fund | - | 144 | (144) | 16,010 |
| Fund balance appropriated | 29,737 | - | 29,737 | - |
| Total other financing sources (uses) | <u>29,737</u> | <u>144</u> | <u>29,593</u> | <u>16,010</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | \$ <u>-</u> | \$ 28,307 | \$ <u>28,307</u> | \$ 19,316 |
| Fund balances - beginning of year | | <u>308,789</u> | | <u>289,473</u> |
| Fund balances - end of year | | \$ <u><u>337,096</u></u> | | \$ <u><u>308,789</u></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, 2015****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2014)**

| | 2015 | | Variance Favorable (Unfavorable) | 2014 |
|---|--------|------------------|--|------------------|
| | Budget | Actual | | Actual |
| <i>Revenues:</i> | | | | |
| Ad valorem taxes | \$ | \$ 2,458,313 | \$ | \$ 2,297,931 |
| Interest and other income | | 1,744 | | 2,016 |
| Total revenues | | <u>2,447,000</u> | | <u>2,299,947</u> |
| <i>Expenditures:</i> | | | | |
| <i>Public safety:</i> | | | | |
| Volunteer fire and rescue departments | | 757,494 | | 728,483 |
| Fire commission | | 1,257,937 | | 1,086,990 |
| Total expenditures | | <u>2,447,000</u> | | <u>1,815,473</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | \$ | <u>-</u> | \$ | <u>484,474</u> |
| Fund balances - beginning of year | | <u>1,136,380</u> | | <u>651,906</u> |
| Fund balances - end of year | \$ | <u>1,581,006</u> | \$ | <u>1,136,380</u> |

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
 Capital Projects Fund - Courthouse Renovation
 Statement of Revenue, Expenditures and Changes in Fund Balances--
 Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2015

| | Project Authorization | Actual | | Total To Date | Variance Favorable (Unfavorable) |
|--|--------------------------|----------------|-----------------|------------------|--|
| | | Prior Years | Current Year | | |
| <i>Revenues:</i> | | | | | |
| Restricted intergovernmental revenues | \$ - | \$ - | \$ - | \$ - | \$ - |
| | - | 298 | - | 298 | 298 |
| Total | - | 298 | - | 298 | 298 |
| <i>Expenditures - Public Safety</i> | | | | | |
| General construction | \$ 3,385,000 | 2,106,721 | 730,874 | 2,837,595 | 547,405 |
| Architect/engineering fees | 450,000 | 334,251 | 63,843 | 398,094 | 51,906 |
| Permits, surveys, insurance | 15,000 | 5,100 | - | 5,100 | 9,900 |
| Furniture | 50,000 | 34,852 | 4,231 | 39,083 | 10,917 |
| Total expenditures | 3,900,000 | 2,480,924 | 798,948 | 3,279,872 | 620,128 |
| Revenues over (under) expenditures | (3,900,000) | (2,480,626) | (798,948) | (3,279,574) | 620,426 |
| <i>Other financing sources and uses</i> | | | | | |
| Transfers in (out) - capital reserve fund | 3,900,000 | 3,900,000 | (620,426) | 3,279,574 | (620,426) |
| Total other financing sources | 3,900,000 | 3,900,000 | (620,426) | 3,279,574 | (620,426) |
| Revenues and other sources over (under) expenditures | \$ - | \$ 1,419,374 | (1,419,374) | \$ - | \$ - |
| <i>Fund balances:</i> | | | | | |
| Beginning of year, July 1 | | | 1,419,374 | | |
| End of year, June 30 | | | \$ - | | |

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, 2015

| | <u>Project</u> <u>Authorization</u> | <u>Prior</u> <u>Years</u> | <u>Actual</u> <u>Current</u> <u>Year</u> | <u>Total</u> <u>To Date</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|---|--|------------------------------|--|--------------------------------|---|
| <i>Revenues:</i> | | | | | |
| <i>Restricted intergovernmental revenues:</i> | | | | | |
| Grant 12-C-2408 | \$ 202,500 | \$ 60,131 | \$ 85,319 | \$ 145,450 | \$ (57,050) |
| Total | <u>202,500</u> | <u>60,131</u> | <u>85,319</u> | <u>145,450</u> | <u>(57,050)</u> |
| <i>Expenditures - Economic and physical development</i> | | | | | |
| Rehabilitation | 180,000 | 43,131 | 85,319 | 128,450 | 51,550 |
| Administration | 19,000 | 13,500 | - | 13,500 | 5,500 |
| Planning | 3,500 | 3,500 | - | 3,500 | - |
| Total expenditures | <u>202,500</u> | <u>60,131</u> | <u>85,319</u> | <u>145,450</u> | <u>57,050</u> |
| <i>Revenues and other sources over (under) expenditures</i> | <u>\$ -</u> | <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
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2015

| | <u>Balance July 1, 2014</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2015</u> |
|--|-------------------------------------|------------------|-------------------|--------------------------------------|
| Social Services - | | | | |
| Assets: | | | | |
| Cash and investments | \$ 14,205 | \$ 103,028 | \$ (102,092) | \$ 15,141 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 14,205 | \$ 103,028 | \$ (102,092) | \$ 15,141 |
| Motor Vehicle Tax - | | | | |
| Assets: | | | | |
| Taxes receivable | \$ - | \$ 106,896 | \$ (106,896) | \$ - |
| Liabilities: | | | | |
| Intergovernmental payables | \$ - | \$ 106,896 | \$ (106,896) | \$ - |
| Fines and Forfeitures - | | | | |
| Assets: | | | | |
| Cash and investments | \$ - | \$ 81,795 | \$ (81,795) | \$ - |
| Liabilities: | | | | |
| Intergovernmental payables - Board of Education | \$ - | \$ 81,795 | \$ (81,795) | \$ - |
| Total intergovernmental payables | \$ - | \$ 81,795 | \$ (81,795) | \$ - |
| Deed of Trust Fee Fund | | | | |
| Assets: | | | | |
| Cash and investments | \$ - | \$ 4,239 | \$ (4,239) | \$ - |
| Liabilities: | | | | |
| Intergovernmental payables - State of NC | \$ - | \$ 4,239 | \$ (4,239) | \$ - |
| Inmate Trust Fund | | | | |
| Assets: | | | | |
| Cash and investments | \$ 6,228 | \$ 49,531 | \$ (48,292) | \$ 7,467 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 6,228 | \$ 49,531 | \$ (48,292) | \$ 7,467 |
| Totals - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and investments | \$ 20,433 | \$ 238,593 | \$ (236,418) | \$ 22,608 |
| Taxes receivable | - | 106,896 | (106,896) | - |
| Total assets | \$ 20,433 | \$ 345,489 | \$ (343,314) | \$ 22,608 |
| Liabilities: | | | | |
| Miscellaneous liabilities | \$ 20,433 | \$ 152,559 | \$ (150,384) | \$ 22,608 |
| Intergovernmental payables - Town Motor Vehicles | - | 106,896 | (106,896) | - |
| Intergovernmental payables - Board of Education | - | 81,795 | (81,795) | - |
| Intergovernmental payables - State of North Carolina | - | 4,239 | (4,239) | - |
| Total liabilities | \$ 20,433 | \$ 345,489 | \$ (343,314) | \$ 22,608 |

See the accompanying Independent Auditor's report.

AVERY COUNTY, NORTH CAROLINA**General Fund****Schedule of Ad Valorem Taxes Receivable****June 30, 2015**

| | <i>Uncollected Balance June 30, 2014</i> | <i>Additions</i> | <i>Collections and Credits</i> | <i>Uncollected Balance June 30, 2015</i> |
|--|--|----------------------|------------------------------------|--|
| 2014 - 2015 | \$ | \$ 16,373,897 | \$ 15,895,089 | \$ 478,808 |
| 2013 - 2014 | 589,562 | - | 326,106 | 263,456 |
| 2012 - 2013 | 305,195 | - | 139,630 | 165,565 |
| 2011 - 2012 | 202,275 | - | 89,304 | 112,971 |
| 2010 - 2011 | 153,962 | - | 50,602 | 103,360 |
| 2009 - 2010 | 105,651 | - | 26,854 | 78,797 |
| 2008 - 2009 | 30,953 | - | 14,976 | 15,977 |
| 2007 - 2008 | 23,654 | - | 13,304 | 10,350 |
| 2006 - 2007 | 22,210 | - | 12,821 | 9,389 |
| 2005 - 2006 | 11,236 | - | 3,664 | 7,572 |
| 2004 - 2005 | 9,596 | - | 9,596 | - |
| | <u>\$ 1,454,294</u> | <u>\$ 16,373,897</u> | <u>\$ 16,581,946</u> | <u>\$ 1,246,245</u> |
| <i>Less: allowance for uncollectible accounts:</i> | | | | |
| <i>General Fund</i> | | | | <u>(176,115)</u> |
| <i>Ad valorem taxes receivable - net</i> | | | | |
| <i>General Fund</i> | | | | <u>\$ 1,070,130</u> |
| Reconciliation with revenues: | | | | |
| <i>Ad valorem taxes - General Fund</i> | | | | <u>\$ 16,788,022</u> |
| <i>Reconciling items:</i> | | | | |
| <i>Interest collected</i> | | | | (218,001) |
| <i>Taxes written off</i> | | | | 11,925 |
| <i>Total reconciling items</i> | | | | <u>(206,076)</u> |
| <i>Total collections and credits</i> | | | | <u>\$ 16,581,946</u> |

AVERY COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
County-Wide Levy
For the Fiscal Year Ended June 30, 2015

| | <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> | \$ 3,571,128,240 | 0.454 | \$ 16,212,922 | \$ 15,506,166 | \$ 706,756 |
| <i>Penalties</i> | - | | 6,357 | 6,357 | - |
| <i>Total</i> | <u>3,571,128,240</u> | | <u>16,219,279</u> | <u>15,512,523</u> | <u>706,756</u> |
| <i>Discoveries:</i> | | | | | |
| <i>Current year taxes</i> | <u>34,056,838</u> | 0.454 | <u>154,618</u> | <u>154,618</u> | <u>-</u> |
| <i>Total</i> | <u>34,056,838</u> | | <u>154,618</u> | <u>154,618</u> | <u>-</u> |
| <i>Total property valuations</i> | <u><u>3,605,185,078</u></u> | | | | |
| <i>Net levy</i> | | | 16,373,897 | 15,667,141 | 706,756 |
| <i>Uncollected taxes at June 30, 2015</i> | | | <u>478,808</u> | <u>478,808</u> | <u>-</u> |
| <i>Current year's taxes collected</i> | | | \$ <u>15,895,089</u> | \$ <u>15,188,333</u> | \$ <u>706,756</u> |
| <i>Current year's collection percentage</i> | | | <u>97.08%</u> | <u>96.94%</u> | <u>100.00%</u> |

See the accompanying Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of County Commissioners
Avery County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate 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, 2015, and the related notes to the financial statements, which collectively comprise Avery County, North Carolina's basic financial statements, and have issued our report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

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

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

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 15-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
October 12, 2015



Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the County of Avery, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County of Avery's major federal programs for the year ended June 30, 2015. The County of Avery's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Avery's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Avery's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Avery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters:

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-2. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the County of Avery is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Avery's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct,

noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-2 that we consider to be significant deficiencies.

The County of Avery's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs, Corrective Action Plan and Prior Year Audit Findings. The County of Avery's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Young, Miller & Gillespie, P.A.

Young, Miller & Gillespie, P.A.
Spruce Pine, North Carolina
October 12, 2015

AVERY COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2015****I. Summary of Auditor's Results**

- A. An unmodified opinion was issued on the financial statements of Avery County, North Carolina.
- B. Our audit of the financial statements disclosed one significant deficiency in the internal controls. The significant deficiency was not determined to be a material weakness.
- 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 one significant deficiency in internal controls over major programs. This significant deficiency was not determined to be a material weakness.
- E. An unmodified 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 award programs for Avery County are reported in this schedule.
- G. Major federal programs for Avery County for the fiscal year ended June 30, 2015 are:

| <u>Program Name</u> | <u>CFDA # s</u> |
|----------------------------|-----------------|
| Medical Assistance Program | 93.778 |

- H. There are no major State programs for Avery County for the fiscal year ended June 30, 2015.
- I. The threshold for determining Type A programs for Avery County is \$ 516,097
- 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 CarolinaFinding 15-1*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.

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

AVERY COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2015***Corrective Action Plan*

Contact person: Tim Greene, 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.

III. Findings and Questioned Costs Related to the Audit of Federal and State Awards***U.S. Department of Health and Human Services******CFDA 93.667******Program Name: Title XIX Medical Assistance******Finding 15-2******Compliance, Internal Control***

Criteria: Allowable indirect costs for the period should be remitted to DHHS for reimbursement.

Condition: Costs as computed on monthly reimbursement form for indirect costs were inaccurate.

Questioned Costs: \$95,138. This amount was determined by computing monies that should have been requested monthly on form DSS 1571 and deducting the amount that was actually requested and received during the fiscal year.

Effect: The County Department of Social Services did not receive reimbursement for all indirect costs.

Cause: Correct cost reporting information was available but was not utilized.

Recommendation: The governing body and Executive Director should establish clear policies in regard to monitoring the cost reports. As soon as the Cost Allocation report is available from the third party preparer, steps should be documented to update monthly reporting procedures.

Corrective Action Plan

Contact person: Tim Greene, County Manager

Corrective action: The correct indirect cost figures were immediately transferred to the monthly report and additional reimbursement monies were requested by the County Department of Social Services.

Implementation date: October, 2015.

AVERY COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2015**

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 15-1 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.

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2015

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State Pass-Through Grantor's Number</u> | <u>Federal (Direct & Pass-Through) Expenditures</u> | <u>State Expenditures</u> | <u>Local Expenditures</u> |
|---|------------------------------------|--|---|-------------------------------|-------------------------------|
| Federal Grants: | | | | | |
| Cash Programs: | | | | | |
| <u>U.S. Department of Health & Human Services</u> | | | | | |
| <i>Passed-through Region D Council of Governments:</i> | | | | | |
| <i>Special Programs for the Aging-Title III B Grants for Supportive Services and Senior Centers</i> | | | | | |
| | 93.044 | | \$ 95,632 | \$ 15,249 | \$ - |
| <i>Special Programs for the Aging-Title III C Nutrition Services</i> | | | | | |
| | 93.045 | | 58,150 | 10,262 | - |
| <i>Passed through N.C. Dept. of Health and Human Resources</i> | | | | | |
| <i>Division of Social Services:</i> | | | | | |
| <i>Administration:</i> | | | | | |
| <i>Work First Service</i> | | | | | |
| | 93.558 | | 186,360 | - | 126,033 |
| <i>Work First Administrative</i> | | | | | |
| | 93.558 | | 35,178 | - | 31,065 |
| <i>Temporary Assistance For Needy Families Payments and Penalties</i> | | | | | |
| | 93.558 | | 60,635 | - | - |
| <i>Special Children Adoption</i> | | | | | |
| | 93.558 | | 55,200 | - | - |
| <i>Low-Income Home Energy Assistance</i> | | | | | |
| <i>Block Grant</i> | | | | | |
| | 93.568 | | 102,246 | - | - |
| <i>Crisis Intervention Payments</i> | | | | | |
| | 93.568 | | 58,232 | - | - |
| <i>Adoption Foster Care</i> | | | | | |
| | 93.658 | | 87,677 | 16,479 | 77,332 |
| <i>Permanency Planning</i> | | | | | |
| | 93.645 | | 4,626 | - | 1,542 |
| <i>Family Preservation</i> | | | | | |
| | 93.556 | | 7,676 | - | - |
| <i>Child Support Enforcement</i> | | | | | |
| | 93.563 | | 69,724 | - | 35,919 |
| <i>In-Home Service - SSBG</i> | | | | | |
| | 93.667 | | 65,179 | 6,362 | 23,847 |
| <i>NC Health Choice</i> | | | | | |
| | 93.767 | | 15,201 | 976 | 3,801 |
| <i>Independent Living - LINKS</i> | | | | | |
| | 93.674 | | 4,251 | 445 | - |
| <i>Direct Benefit Payments:</i> | | | | | |
| <i>NC Health Choice</i> | | | | | |
| | 93.767 | | 447,833 | 143,618 | - |
| <i>Title IV-E Foster Care Assistance</i> | | | | | |
| | 93.658 | | 54,584 | 13,920 | 15,132 |
| <i>IV-E Adoption Subsidy</i> | | | | | |
| | 93.659 | | 95,986 | 24,798 | 25,126 |
| <i>Division of Medical Assistance:</i> | | | | | |
| <i>Administration:</i> | | | | | |
| <i>Title XIX - Medicaid</i> | | | | | |
| | 93.778 | | 569,776 | 2,868 | 180,724 |
| <i>Direct Benefit Payments:</i> | | | | | |
| <i>Title XIX - Medicaid</i> | | | | | |
| | 93.778 | | 14,258,152 | 7,926,117 | - |
| <u>Subsidized Child Care Cluster:</u> | | | | | |
| <i>Division of Social Services:</i> | | | | | |
| <i>Child Care Development Fund</i> | | | | | |
| | 93.596 | | 80,000 | - | - |
| <i>Division of Child Development:</i> | | | | | |
| <i>Child Care Development Fund-Discretionary</i> | | | | | |
| | 93.575 | | 90,801 | - | - |
| <i>IV E Foster Care</i> | | | | | |
| | 93.658 | | 2,294 | 1,188 | - |
| <i>CCDF-Mandatory</i> | | | | | |
| | 93.596 | | 28,199 | - | - |
| <i>CCDF-Match</i> | | | | | |
| | 93.596 | | 128,709 | 67,950 | - |
| <i>Total Child Care Fund Cluster:</i> | | | | | |
| | | | <u>330,003</u> | <u>69,138</u> | <u>-</u> |
| <i>Temporary Assistance for Needy Families</i> | | | | | |
| | 93.558 | | 23,028 | - | - |
| <i>Temporary Assistance for Needy Families - MOE</i> | | | | | |
| | | | - | 24,389 | - |
| <i>State Funding</i> | | | | | |
| | | | - | 58,051 | - |
| <i>Total Subsidized Child Care Cluster</i> | | | | | |
| | | | <u>353,031</u> | <u>151,578</u> | <u>-</u> |
| <i>Total U.S. Department of Health & Human Resources</i> | | | | | |
| | | | <u>16,685,329</u> | <u>8,312,672</u> | <u>520,521</u> |
| <u>U.S. Department of Agriculture</u> | | | | | |
| <i>Passed through Region D Council of Governments:</i> | | | | | |
| <i>Nutrition Program for the Elderly</i> | | | | | |
| | 10.570 | | <u>21,048</u> | <u>-</u> | <u>-</u> |

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2015

| <i>Grantor/Pass-through Grantor/Program Title</i> | <i>Federal CFDA Number</i> | <i>State Pass-Through Grantor's Number</i> | <i>Federal (Direct & Pass-Through) Expenditures</i> | <i>State Expenditures</i> | <i>Local Expenditures</i> |
|--|------------------------------------|--|---|-------------------------------|-------------------------------|
| <i>Passed through N.C. Dept. of Health and Human Resources</i> | | | | | |
| <i>Division of Social Services:</i> | | | | | |
| <i>Administration:</i> | | | | | |
| <i>Supplemental Nutrition Assistance Program:</i> | | | | | |
| <i>State Administrative Matching Grants for the SNAP</i> | | | | | |
| | 10.561 | | 188,906 | - | 188,905 |
| <i>Total U.S. Department of Agriculture</i> | | | 209,954 | - | 188,905 |
| <u>U.S. Department of Transportation</u> | | | | | |
| <i>Passed through N.C. Dept. of Transportation</i> | | | | | |
| <i>Public Transportation Programs:</i> | | | | | |
| <i>Section 5311 Admin., Operating, Planning, & Capital</i> | | | | | |
| | 20.509 | | 172,544 | 10,782 | 32,357 |
| <i>Total U.S. Department of Transportation</i> | | | 172,544 | 10,782 | 32,357 |
| <u>U.S. Department of Housing and Urban Development</u> | | | | | |
| <i>Passed through N.C. Dept. of Commerce</i> | | | | | |
| <i>Division of Community Assistance:</i> | | | | | |
| <i>Scattered Housing Grant</i> | | | | | |
| | 14.228 | | 85,319 | - | - |
| <i>Total U.S. Department of Housing and Urban Development</i> | | | 85,319 | - | - |
| <u>U.S. Department of Homeland Security</u> | | | | | |
| <i>Passed through N.C. Dept. of Public Safety</i> | | | | | |
| <i>HMEP-2013-106</i> | | | | | |
| | 20.703 | | 10,000 | - | - |
| <i>Emergency Management Performance</i> | | | | | |
| | 97.042 | | 38,220 | - | - |
| <i>Homeland Security S01-1064</i> | | | | | |
| | 97.067 | | 1,856 | - | - |
| <i>Total U.S. Department of Homeland Security</i> | | | 50,076 | - | - |
| <i>Total federal assistance</i> | | | 17,203,222 | 8,323,454 | 741,783 |
| STATE GRANTS | | | | | |
| Cash Programs: | | | | | |
| <u>N.C. Department of Health and Human Resources:</u> | | | | | |
| <i>Passed-through Region D Council of Governments:</i> | | | | | |
| <i>Senior Center General Purchases</i> | | | | | |
| | | | - | 11,678 | - |
| <i>Senior Center FANS</i> | | | | | |
| | | | - | 142 | - |
| <i>Division of Social Services:</i> | | | | | |
| <i>Direct Benefit Payment:</i> | | | | | |
| <i>SFHF Maximization</i> | | | | | |
| | | | - | 15,599 | 15,599 |
| <i>State Foster Care Benefits Program</i> | | | | | |
| | | | - | 100,311 | 100,311 |
| <i>Child Welfare Services - Adoption Subsidy</i> | | | | | |
| | | | - | 168,471 | 52,125 |
| <i>North Carolina Department of Public Safety</i> | | | | | |
| <i>Asolescent Substance Abuse</i> | | | | | |
| | | | - | 16,745 | - |
| <i>Juvenile Service Landship</i> | | | | | |
| | | | - | 9,810 | - |
| <i>PASS</i> | | | | | |
| | | | - | 8,121 | - |
| <i>Juvenile Non-Det</i> | | | | | |
| | | | - | 10,000 | - |
| <i>Project Challenge</i> | | | | | |
| | | | - | 26,000 | - |
| <i>Juvenile Service Operational</i> | | | | | |
| | | | - | 2,348 | - |
| <i>Total N.C. Department of Health and Human Resources</i> | | | - | 369,225 | 168,035 |
| <u>N.C. Department of Transportation:</u> | | | | | |
| <i>Elderly & Disabled TAP</i> | | | | | |
| | DOT 16 CL | | - | 46,636 | - |
| <i>Work First Program</i> | | | | | |
| | DOT 16 CL | | - | 5,939 | - |

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2015

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State Pass-Through Grantor's Number</u> | <u>Federal (Direct & Pass-Through) Expenditures</u> | <u>State Expenditures</u> | <u>Local Expenditures</u> |
|---|------------------------------------|--|---|-------------------------------|-------------------------------|
| Rural General Public Transportation | DOT 16 CL | | - | 45,333 | - |
| Total N.C. Department of Transportation | | | - | 97,908 | - |
| Total State assistance | | | - | 467,133 | 168,035 |
| Total assistance | | | \$ 17,203,222 | \$ 8,790,587 | \$ 909,818 |

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