

AVERY COUNTY, NORTH CAROLINA

Newland, North Carolina

Financial Statements

June 30, 2008

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June 30, 2008***

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Avery County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Avery County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Avery County Airport Authority. Other auditors whose reports thereon have been furnished to us audited those financial statements; and our opinion, insofar as it relates to the amounts included for Avery County Airport Authority, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Avery County, North Carolina as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2008 on our consideration of Avery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Avery County, North Carolina. The combining and individual non-major

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

*Young, Miller & Gillespie, P.A.
October 17, 2008*

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, 2008. 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 \$26,495,018.*
- *The government's total net assets increased by \$1,515,571 primarily due to increased net assets in the General Fund.*
- *As of the close of the current fiscal year, Avery County's governmental funds reported combined ending fund balances of \$23,296,592 an increase of \$3,253,302 in comparison with the prior year. Approximately 87 percent of this total amount, or \$20,335,146, is available for spending at the government's discretion.*
- *At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,503,146, or 20.0 percent of total general fund expenditures and transfers to other funds for the fiscal year.*
- *Avery County's total debt decreased by \$1,417,291 during the current fiscal year primarily due to principal reductions resulting from regularly scheduled payments.*

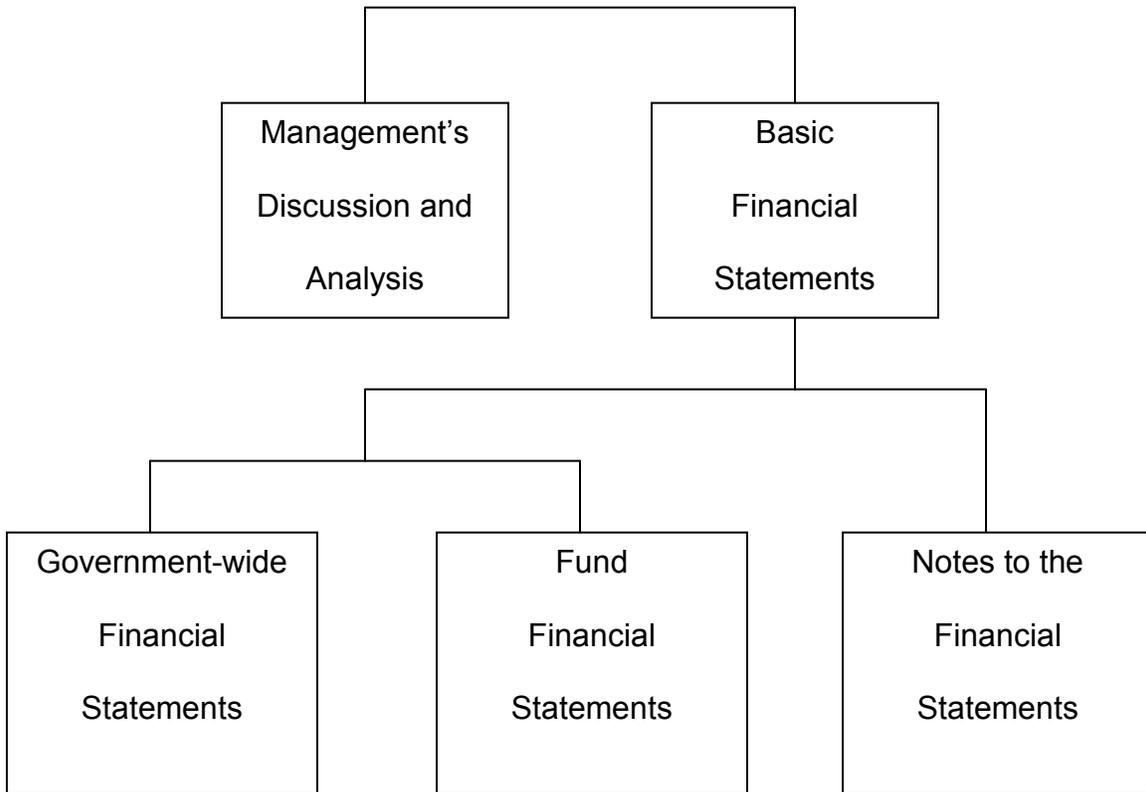
Overview of the Financial Statements

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

Management's Discussion and Analysis

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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis

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

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

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

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

Management's Discussion and Analysis

Government-Wide Financial Analysis

Avery County's Net Assets

Figure 2

	<i>Governmental Activities</i>		
	<u>2008</u>	<u>2007</u>	<u>Difference</u>
<i>Current and other assets</i>	\$ 25,098,013	\$ 22,230,155	\$ 2,867,858
<i>Capital assets</i>	11,138,317	13,977,205	(2,838,888)
<i>Total assets</i>	<u>\$ 36,236,330</u>	<u>\$ 36,207,360</u>	<u>\$ 28,970</u>
<i>Long-term liabilities outstanding</i>	\$ 6,576,575	\$ 8,063,117	\$ (1,486,542)
<i>Other liabilities</i>	3,164,737	3,164,796	(59)
<i>Total liabilities</i>	<u>9,741,312</u>	<u>11,227,913</u>	<u>(1,486,601)</u>
<i>Net assets:</i>			
<i>Invested in capital assets, net of related debt</i>	11,037,159	13,838,749	(2,801,590)
<i>Restricted</i>	32,476	11,745	20,731
<i>Unrestricted</i>	15,425,383	11,128,953	4,296,430
<i>Total net assets</i>	<u>\$ 26,495,018</u>	<u>\$ 24,979,447</u>	<u>\$ 1,515,571</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Avery County exceeded liabilities by \$26,495,018 as of June 30, 2008. The County's net assets increased by \$1,515,571 for the fiscal year ended June 30, 2008. One of the largest portions of net assets reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Avery County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Avery County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Avery County's net assets (< 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,425,383 is unrestricted.

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

- *Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.31%, higher than the statewide average for counties of comparable size of 95.13%.*
- *Increased ad valorem tax revenues due to economic growth*
- *Increased sales tax revenue*
- *Controlled expenditures*

Management's Discussion and Analysis

Avery County's Changes in Net Assets
Figure 3

		<i>Governmental Activities</i>	
		<u>2008</u>	<u>2007</u>
<i>Revenues:</i>			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$	1,492,974	\$ 1,453,153
<i>Operating grants and contributions</i>		2,862,864	3,689,210
<i>Capital grants and contributions</i>		560,329	1,115,738
<i>General revenues:</i>			
<i>Property taxes</i>		15,178,099	14,497,315
<i>Other taxes</i>		6,774,534	6,244,115
<i>Investment earnings</i>		878,781	926,052
<i>Other</i>		301,505	190,879
<i>Total revenues</i>		<u>28,049,086</u>	<u>28,116,462</u>
 <i>Expenses:</i>			
<i>General government</i>		2,771,409	2,660,715
<i>Public safety</i>		6,454,217	6,429,654
<i>Transportation</i>		642,053	496,967
<i>Environmental protection</i>		1,690,094	1,476,175
<i>Economic and physical development</i>		635,785	870,053
<i>Human services</i>		4,766,948	4,786,337
<i>Cultural and recreation</i>		496,596	388,763
<i>Education</i>		8,014,831	4,119,367
<i>Interest on long-term debt</i>		272,998	343,609
<i>Total expenses</i>		<u>25,744,931</u>	<u>21,571,640</u>
<i>Increase in net assets</i>		2,304,155	6,544,822
<i>Net assets, beginning</i>		24,979,447	18,434,625
<i>Prior period adjustment</i>		(788,584)	-
<i>Net assets, beginning, as restated</i>		<u>24,190,863</u>	<u>18,434,625</u>
<i>Net assets, ending</i>	\$	<u>26,495,018</u>	\$ <u>24,979,447</u>

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 assets by \$1,515,571.*

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

The general fund is the chief operating fund of Avery County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5,503,146, while total fund balance reached \$11,351,172. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20.0 percent of total General Fund expenditures and transfers to other funds, while total fund balance represents 41.2 percent of that same amount.

At June 30, 2008, the governmental funds of Avery County reported a combined fund balance of \$23,296,592, a 16.2 percent increase over last year. The primary reason for this increase is increased ad valorem tax revenues and sales tax revenues along with controlled spending.

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

Total amendments to General Fund expenditures increased the original budget by \$1,394,009. The majority of the amendments were due to educational capital projects that were funded by transfers from the capital reserve fund.

Capital Asset and Debt Administration

Capital assets. *Avery County's capital assets for its governmental activities as of June 30, 2008, totals \$11,138,317 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.*

Major capital asset transactions during the year include:

- *Landfill site development plans*
- *Vehicles purchased for County motor pool*

Management's Discussion and Analysis

- *Completion of the High School Renovation Project*
- *Completion of the Transportation Building*
- *Completion of the Courthouse Renovation Project*
- *Completion of the Health Department Project*
- *Green Valley EMS Substation*

Avery County's Capital Assets (net of depreciation)

Figure 4

	<i>Governmental Activities</i>		<i>Governmental Activities</i>		<i>Difference</i>
	<u>2008</u>		<u>2007</u>		
<i>Land</i>	\$ 1,962,786	\$	1,721,381	\$	241,405
<i>Construction in progress</i>	877,027		7,360,052		(6,483,025)
<i>Buildings</i>	6,151,053		2,808,266		3,342,787
<i>Improvements other than buildings</i>	530,214		550,989		(20,775)
<i>Machinery and equipment</i>	1,177,779		1,223,548		(45,769)
<i>Vehicles and motorized equipment</i>	439,458		312,969		126,489
<i>Total</i>	<u>\$ 11,138,317</u>	<u>\$</u>	<u>13,977,205</u>	<u>\$</u>	<u>(2,838,888)</u>

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

Long-term Liabilities: *As of June 30, 2008, Avery County had total debt outstanding of \$8,444,677. Of this, \$7,959,297 is debt secured by deeds of trust, \$101,158 is capitalized leases, \$54,126 is a pension obligation, and \$330,096 is accrued vacation liability.*

Additional information regarding Avery County's long-term debt can be found in note 3 beginning on page 37.

Management's Discussion and Analysis

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: Property taxes (benefiting from the economic growth) and local option sales taxes are expected to lead the increase in revenue projections. The County will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to decline 5.8 percent to \$24,067,515.

Requests for Information

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

Avery County, North Carolina
Statement of Net Assets
June 30, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Avery County</u> <u>Airport</u>
ASSETS		
Cash and cash equivalents	\$ 22,340,757	\$ 69,749
Receivables (net)	922,703	197
Due from other governments	1,811,335	61,858
Prepaid items	23,218	-
Capital assets:		
Land, improvements, and construction in progress	2,839,813	399,053
Other capital assets, net of depreciation	8,298,504	984,733
Total capital assets	<u>11,138,317</u>	<u>1,383,786</u>
Total assets	<u>36,236,330</u>	<u>1,515,590</u>
LIABILITIES		
Accounts payable and accrued expenses	965,687	10,427
Accrued interest payable	330,948	-
Long-term liabilities:		
Due within one year	1,872,033	-
Due in more than one year	6,572,644	-
Total liabilities	<u>9,741,312</u>	<u>10,427</u>
NET ASSETS		
Invested in capital assets, net of related debt	11,037,159	1,383,786
Restricted for:		
Register of Deeds	32,476	-
Unrestricted (deficit)	15,425,383	121,377
Total net assets	<u>\$ 26,495,018</u>	<u>\$ 1,505,163</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, 2008

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	Unit	
Primary government:								
<i>Governmental Activities:</i>								
General government	\$ 2,771,409	\$ 279,887	\$ 18,721	\$ -	\$ (2,472,801)			
Public safety	6,454,217	873,490	193,379	8,681	(5,378,667)			
Transportation	642,053	26,738	311,374	344,059	40,118			
Environmental protection	1,690,094	277,049	27,422	-	(1,385,623)			
Economic and physical development	635,785	3,125	77,185	-	(555,475)			
Human services	4,766,948	9,955	2,163,348	279,024	(2,314,621)			
Cultural and recreation	496,596	22,730	-	-	(473,866)			
Education	8,014,831	-	-	-	(8,014,831)			
Interest on long-term debt	272,998	-	-	-	(272,998)			
Total governmental activities	\$ 25,744,931	\$ 1,492,974	\$ 2,791,429	\$ 631,764	\$ (20,828,764)			
Component units:								
Airport	147,509	8,718	83,960	199,751				
	\$ 147,509	\$ 8,718	\$ 83,960	\$ 199,751				144,920
General revenues:								
<i>Taxes:</i>								
Property taxes, levied for general purpose					15,178,099			-
Local option sales tax					6,063,022			-
Other taxes and licenses					711,512			-
Investment earnings, unrestricted					878,781			3,478
Miscellaneous, unrestricted					301,505			1,000
Total general revenues, special items, and transfers					23,132,919			4,478
Change in net assets					2,304,155			149,398
Net assets-beginning					24,979,447			1,355,765
Prior period adjustment					(788,584)			-
Net assets-beginning, as restated					24,190,863			1,355,765
Net assets-ending					\$ 26,495,018			\$ 1,505,163

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

Avery County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	General	Courthouse Capital Project Fund	Capital Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,390,440	\$ 6,588,459	\$ 4,453,745	\$ 908,113	\$ 22,340,757
Receivables, net	741,536	-	-	66,356	807,892
Due from other governments	1,810,980	-	-	355	1,811,335
Prepaid assets	23,218	-	-	-	23,218
Total assets	\$ 12,966,174	\$ 6,588,459	\$ 4,453,745	\$ 974,824	\$ 24,983,202

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 960,435	\$ -	\$ -	\$ 5,252	\$ 965,687
Deferred revenue	654,567	-	-	66,356	720,923
Total liabilities	1,615,002	-	-	71,608	1,686,610

Fund balances:

Reserved for:

Subsequent years' expenditures	131,335	-	-	27,304	158,639
State statute	1,897,949	-	-	355	1,898,304
Register of Deeds	32,476	-	-	-	32,476
Capital reserve funds	3,786,266	-	4,453,745	-	8,240,011
Unreserved	5,503,146	-	-	-	5,503,146

Unreserved, reported in nonmajor:

Special revenue funds	-	-	-	872,027	872,027
Capital projects funds	-	6,588,459	-	3,530	6,591,989
Total fund balances	11,351,172	6,588,459	4,453,745	903,216	23,296,592

Total liabilities and fund balances	\$ 12,966,174	\$ 6,588,459	\$ 4,453,745	\$ 974,824	
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Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Deferred revenue not available for current operations 720,923

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,138,317

Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds 114,811

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4). (8,775,625)

Net assets of governmental activities \$ 26,495,018

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, 2008

	General Fund	Courthouse Capital Project Fund	Capital Reserve Fund	Other Non- major Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 13,778,224	\$ -	\$ -	\$ 1,463,099	\$ 15,241,323
Local option sales taxes	6,063,022	-	-	-	6,063,022
Other taxes and licenses	635,411	-	-	-	635,411
Unrestricted intergovernmental	126,676	-	-	-	126,676
Restricted intergovernmental	2,840,034	-	-	540,861	3,380,895
Permits and fees	464,703	-	-	-	464,703
Sales and services	1,233,509	-	-	-	1,233,509
Investment earnings	819,067	-	-	59,713	878,780
Miscellaneous	87,991	-	-	-	87,991
Total revenues	26,048,637	-	-	2,063,673	28,112,310
EXPENDITURES					
Current:					
General government	2,509,449	-	-	31,149	2,540,598
Public safety	4,528,224	-	-	1,617,587	6,145,811
Transportation	613,973	-	-	-	613,973
Environmental protection	1,616,007	-	-	-	1,616,007
Economic and physical development	355,619	-	-	279,024	634,643
Human services	4,705,576	-	-	-	4,705,576
Cultural and recreational	453,575	-	-	-	453,575
Intergovernmental:					
Education	5,141,427	-	-	-	5,141,427
Capital outlay	965,279	79,367	-	429,768	1,474,414
Debt service:					
Principal	1,442,543	-	-	-	1,442,543
Interest	359,955	-	-	-	359,955
Total expenditures	22,691,627	79,367	-	2,357,528	25,128,522
Excess (deficiency) of revenues over expenditures	3,357,010	(79,367)	-	(293,855)	2,983,788
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,639,946	-	3,911,910	80,397	5,632,253
Transfers to other funds	(4,834,587)	(80,300)	-	(717,366)	(5,632,253)
Proceeds from long term financing	25,254	-	-	-	25,254
Total other financing sources and uses	(3,169,387)	(80,300)	3,911,910	(636,969)	25,254
Net change in fund balance	187,623	(159,667)	3,911,910	(930,824)	3,009,042
Fund balances-beginning	11,163,549	6,748,126	541,835	1,589,780	20,043,290
Prior period adjustment	-	-	-	244,260	244,260
Fund balances - beginning, as restated	11,163,549	6,748,126	541,835	1,834,040	20,287,550
Fund balances-ending	\$ 11,351,172	\$ 6,588,459	\$ 4,453,745	\$ 903,216	\$ 23,296,592

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, 2008

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

Net changes in fund balances - total governmental funds \$ 3,009,042

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. (2,101,404)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (63,224)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,417,289

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. 42,452

Total changes in net assets of governmental activities \$ 2,304,155

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, 2008

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<i>Revenues:</i>				
<i>Ad valorem taxes</i>	\$ 13,758,542	\$ 13,758,542	\$ 13,778,224	\$ 19,682
<i>Local option sales tax</i>	4,790,000	4,790,000	6,063,022	1,273,022
<i>Other taxes and licenses</i>	574,000	604,000	635,411	31,411
<i>Unrestricted intergovernmental</i>	86,500	86,500	126,676	40,176
<i>Restricted intergovernmental</i>	2,642,321	3,119,693	2,840,034	(279,659)
<i>Permits and fees</i>	390,250	400,000	464,703	64,703
<i>Sales and services</i>	1,273,100	1,300,764	1,233,509	(67,255)
<i>Investment earnings</i>	270,000	270,000	819,067	549,067
<i>Miscellaneous</i>	408,250	72,599	87,991	15,392
<i>Total revenues</i>	<u>24,192,963</u>	<u>24,402,098</u>	<u>26,048,637</u>	<u>1,646,539</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government</i>	2,974,636	3,042,267	2,593,972	448,295
<i>Public safety</i>	4,996,476	5,324,152	4,808,501	515,651
<i>Transportation</i>	1,760,553	1,788,730	738,801	1,049,929
<i>Environmental protection</i>	1,875,905	2,069,207	1,929,087	140,120
<i>Economic and physical development</i>	690,946	468,793	355,619	113,174
<i>Human services</i>	5,305,865	5,389,714	4,739,284	650,430
<i>Cultural and recreational</i>	498,625	516,975	498,478	18,497
<i>Intergovernmental:</i>				
<i>Education</i>	4,241,250	5,141,427	5,141,427	-
<i>Debt service:</i>				
<i>Principal retirement</i>	1,445,597	1,442,597	1,442,543	54
<i>Interest and other charges</i>	360,000	360,000	359,955	45
<i>Total expenditures</i>	<u>24,149,853</u>	<u>25,543,862</u>	<u>22,607,667</u>	<u>2,936,195</u>
<i>Revenues over (under) expenditures</i>	<u>43,110</u>	<u>(1,141,764)</u>	<u>3,440,970</u>	<u>(4,582,734)</u>
<i>Other financing sources (uses):</i>				
<i>Proceeds from issuance of capital lease</i>			25,254	(25,254)
<i>Transfers (to) from other funds</i>	(274,700)	(3,202,641)	(3,194,641)	(8,000)
<i>Transfers to component unit</i>	(88,460)	(88,460)	(83,960)	(4,500)
<i>Fund balance appropriated</i>	320,050	4,432,865	-	4,432,865
<i>Total other financing sources (uses)</i>	<u>(43,110)</u>	<u>1,141,764</u>	<u>(3,253,347)</u>	<u>4,395,111</u>
<i>Revenues and other financing sources over expenditures and other financing uses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>187,623</u>	<u>\$ (187,623)</u>
<i>Fund balances:</i>				
<i>Beginning of year, July 1</i>			<u>11,163,549</u>	
<i>End of year, June 30</i>			<u>\$ 11,351,172</u>	

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

Avery County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(With Comparative Totals for June 30, 2007)

	<i>Agency Funds</i>	
	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Assets		
<i>Current assets:</i>		
<i>Cash and cash equivalents</i>	\$ 9,209	\$ 17,305
<i>Taxes receivable - net</i>	43	2,703
<i>Total assets</i>	\$ <u>9,252</u>	\$ <u>20,008</u>
Liabilities and Net Assets		
<i>Liabilities:</i>		
<i>Miscellaneous liabilities</i>	\$ 8,618	\$ 16,643
<i>Intergovernmental payable - Town Motor Vehicle Tax</i>	43	2,703
<i>Intergovernmental payable - State of North Carolina</i>	<u>591</u>	<u>662</u>
<i>Total liabilities</i>	9,252	20,008
<i>Net assets</i>	<u>-</u>	<u>-</u>
<i>Total liabilities and net assets</i>	\$ <u>9,252</u>	\$ <u>20,008</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, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) Reporting Entity

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

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

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

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

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

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

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

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

The County reports the following major governmental fund:

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

The County reports the following fund types:

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

(C) Measurement Focus, Basis of Accounting

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

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

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

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Avery County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

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

(D) Budgetary Data

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

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

County Manager is authorized to transfer any non-salary related appropriations within a fund. During the year, several amendments to the original budget were necessary, the effects of which were not material.

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

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

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

July 1 – the governing board shall adopt the budget ordinance.

(E) Assets, Liabilities and Fund Equity

Deposits and Investments

All deposits of the County, the Avery County Airport Authority, and the Avery County Fire Commission are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and its two component units may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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

Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

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	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

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

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

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

Long-Term Debt

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

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

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

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2008-2009 budget ordinance.

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

(F) Revenues, Expenditures and Expenses

Other Resources

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

Compensated Absences

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

Comparative Data/Reclassifications

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$3,198,426 consists of several elements as follows:

<i>Description</i>	<i>Amount</i>
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)	\$ 17,699,828
Less Accumulated Depreciation	<u>(6,561,511)</u>
Net capital assets	11,138,317
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	114,811
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide	720,923
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	(54,126)
Compensated absences payable	(330,096)
Bonds, leases, and installment financing	(8,060,455)
Accrued interest payable	<u>(330,948)</u>
Total adjustment	<u>\$ 3,198,426</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$ 704,887) as follows:

<i>Description</i>	<i>Amount</i>
<i>Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities</i>	\$ 1,474,414
<i>Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.</i>	(702,414)
<i>Cost of capital assets transferred out during the year affect only the statement of activities since they were expensed previously in the fund statements</i>	(2,873,404)
<i>New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets</i>	(25,254)
<i>Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements</i>	1,442,543
<i>Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.</i>	(44,506)
<i>Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)</i>	86,958
<i>Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.</i>	
<i>Reversal of deferred tax revenue recorded at 7/1/06</i>	(786,249)
<i>Recording of tax receipts deferred in the fund statements as of 6/30/07</i>	720,923
<i>Increase in accrued interest on taxes receivable for year ended 6/30/07</i>	2,102
<i>Total adjustment</i>	<u>\$ (704,887)</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Noncompliance with North Carolina General Statutes

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2008, the County reported expenditures within the capital projects funds object lines that violated State law because they exceeded the amounts appropriated in the budget.

(3) DETAIL NOTES ON ALL FUNDS

(A) Assets

Deposits

All of the County's, the Airport Authority's, and the Fire Commission's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Airport Authority's and the Fire Commission's agents in these units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Airport Authority, and the Fire Commission, these deposits are considered to be held by their agents in the entities' name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Airport Authority, and the Fire Commission or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Airport Authority and the Fire Commission under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2008, the County's deposits had a carrying value of \$2,186,407 and a bank balance of \$2,331,603. Of the bank balance, \$200,000 was covered by federal depository insurance and \$2,131,603 was covered by collateral held under the Pooling Method. The County maintains a petty cash fund of \$500.

At June 30, 2008, the carrying amount of deposits for the Avery County Airport Authority was \$69,749 and the bank balance was \$72,120. All of the bank balance was covered by federal depository insurance.

At June 30, 2008, the carrying amount of deposits for the Avery County Fire Commission was \$223,314 and the bank balance was \$235,332. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Investments

At June 30, 2008, the County's investments consisted of \$19,931,036 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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

Receivable – Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2008, were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 89,660	\$ 895,220	\$ 1,810,980	\$ 2,795,860
Other Governmental	-	83,266	355	83,621
Total receivables	<u>89,660</u>	<u>978,486</u>	<u>1,811,335</u>	<u>2,879,481</u>
Allowance for doubtful accounts	-	(145,442)	-	(145,442)
Total-governmental activities	<u>\$ 89,660</u>	<u>\$ 833,044</u>	<u>\$ 1,811,335</u>	<u>\$ 2,734,039</u>

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

<u>Fund</u>	<u>June 30, 2008</u>
General Fund:	
Property taxes	\$ 134,725
Special Revenue Fund:	10,717
Total	<u>\$ 145,442</u>

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

Local option sales tax	\$ 1,369,410
NC DHHS operating funds	112,360
NC DOT operating funds	146,395
Senior Center operations	22,107
NC DOC CJPP funds	22,511
Interest earnings from NCCMT	44,118
Video programming tax	16,417
CHAF grant funds	9,482
Sales tax refunds	<u>68,535</u>
Total	<u>\$ 1,811,335</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<i>Beginning Balances</i>		<i>Increases</i>		<i>Transfers/ (Decreases)</i>		<i>Ending Balances</i>
<i>Governmental activities:</i>							
<i>Capital assets not being depreciated:</i>							
Land	\$ 1,721,381	\$	241,405	\$	-	\$	1,962,786
Construction in progress	7,360,052		647,378		(7,130,403)		877,027
Total capital assets not being depreciated	<u>9,081,433</u>		<u>888,783</u>		<u>(7,130,403)</u>		<u>2,839,813</u>
<i>Capital assets being depreciated:</i>							
Buildings	5,041,657		43,707		3,519,516		8,604,880
Other improvements	1,542,989		29,183		-		1,572,172
Equipment	2,478,124		148,321		-		2,626,445
Vehicles and motor equipment	1,728,904		364,419		(36,806)		2,056,517
Total capital assets being depreciated	<u>10,791,674</u>		<u>585,630</u>		<u>3,482,710</u>		<u>14,860,014</u>
<i>Less accumulated depreciation for:</i>							
Buildings	2,233,391		220,436		-		2,453,827
Other improvements	992,001		49,958		-		1,041,959
Equipment	1,234,076		214,589		-		1,448,665
Vehicles and motor equipment	1,436,434		217,431		36,806		1,617,059
Total accumulated depreciation	<u>5,895,902</u>		<u>702,414</u>		<u>36,806</u>		<u>6,561,510</u>
Total capital assets being depreciated, net	<u>4,895,772</u>						<u>8,298,504</u>
Governmental activity capital assets, net	<u>\$ 13,977,205</u>						<u>\$ 11,138,317</u>
General government	\$ 220,164						
Public safety	283,469						
Environmental Protection	69,020						
Human services	61,561						
Transportation	27,013						
Cultural and recreational	41,187						
Total depreciation expense	<u>\$ 702,414</u>						

Construction commitments

The government has one active construction project as of June 30, 2008. The project is for a courthouse project. At June 30, 2008, the government's commitments with contractors are as follows:

<i>Project</i>	<i>Spent To Date</i>	<i>Remaining Commitment</i>
Courthouse Annex	\$787,902	\$42,968

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

Discretely presented component units

Activity for the Avery County Airport for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$980,171	199,751	780,869	\$399,053
Total capital assets not being depreciated	980,171	199,751	780,869	399,053
<i>Capital assets being depreciated:</i>				
Equipment	11,978	-	-	11,978
Building improvements	5,310	-	-	5,310
Leasehold improvements	353,651	780,869	-	1,134,520
Fuel storage facility	66,604	-	-	66,604
Total capital assets being depreciated	437,543	780,869	-	1,218,412
<i>Less accumulated depreciation for:</i>				
Equipment	11,978	-	-	11,978
Building improvements	1,585	221	-	1,806
Leasehold improvements	94,938	69,747	-	164,685
Fuel storage facility	49,123	6,087	-	55,210
Total accumulated depreciation	157,624	76,055	-	233,679
Total capital assets being depreciated, net	279,919			984,733
Avery County Airport capital assets, net	<u>\$1,260,090</u>			<u>\$1,383,786</u>

Payables

Payables at the government-wide level at June 30, 2008, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
<i>Governmental Activities:</i>				
General	\$ 445,110	\$ 515,325	\$ 330,948	\$ 1,291,383
Other Governmental	5,252	-	-	5,252
Total-governmental activities	<u>\$ 450,362</u>	<u>\$ 515,325</u>	<u>\$ 330,948</u>	<u>\$ 1,296,635</u>

(B) Liabilities

(1) Pension Plan Obligations

(a) Local Governmental Employees' Retirement System

Plan Description. Avery County contributes to the statewide Local Governmental Employee's Retirement System (LGERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employee's Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27609-1410, or calling (919) 981-5454.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

Funding Policy. *Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.98% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Avery County are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2008, 2007, and 2006 was \$243,063, \$231,695, and \$212,057, respectively. The contributions made by the County equaled the required contributions for each year.*

(b) Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Avery County administers a public employee retirement system (the "Separation Allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time County law enforcement officers. At December 31, 2007 the Separation Allowance membership consisted of:

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

2. Summary of Significant Accounting Policies:

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

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

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases.

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:

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

Annual required contribution	\$ 15,365
Annual pension cost	15,855
Contributions made	(6,084)
Increase (decrease) in net pension obligation	<u>9,771</u>
Net pension obligation beginning of year	44,355
Net pension obligation end of year	<u>\$ 54,126</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, 2008 were \$40,899 all of which was contributed by the County.

d. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

e. Register of Deeds' Supplemental Pension Fund

Plan Description. Avery County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERs) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policies. On a monthly basis, the County remits to Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven-percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2008, the County contributed \$12,277 to the fund, representing 100% of its required contribution.

f. Other Employment Benefits

The County has elected to provide death benefits to employees of the County through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. These contributions are a part of the monthly actuarially determined rate the County pays to the Local Government Employees' Retirement System. Contributions are determined as a percentage of monthly payrolls, based on rates established annually by the State. Because the benefits are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the County made contributions to the State for death benefits of \$7,378. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .16% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

(2) *Deferred Revenue*

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

	General Fund	Special Revenue Fund
Taxes receivable (net)	654,567	66,356
	\$ 654,567	\$ 66,356

(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) *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, workers' compensation coverage up to the statutory limits, and health and dental insurance for County employees. The pools are audited annually by certified public accountants, and 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. For health and dental insurance, the County is reinsured through the annual losses in excess of \$40,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through commercial carrier for individual losses in excess of \$250,000.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

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.

(5) Claims and Judgments

At June 30, 2008, 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, 2008 that may have an unfavorable outcome are covered by the County's liability insurance.

(6) Long-Term Obligations

a. Capital Leases

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

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

The agreement for the lease purchase of Heritage Park lighting equipment was entered into during June, 2004. Terms of this contract are five annual payments of \$30,935.79, including interest of 4.44% and applicable taxes. Under the terms of the above agreement, title passes to the County at the end of the lease term.

The agreement for a lease purchase of a MAPX System for the Tax Assessor's office was consummated on July 21, 2004. Terms of this contract are five annual payments of \$7,468.63 including interest at 3.21% and applicable taxes. Under the terms of this agreement, title passes to the County at the end of the lease term.

The agreement for a lease purchase of a vehicle for the County Manager's office was consummated in October, 2007. Terms of this contract call for a first year payment of \$4,000 with the remaining balance due in one year. Interest on the lease is 6.97%. Under the terms of this agreement, title passes to the County at the end of the lease term.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

At June 30, 2008, the County leased equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 270,263	\$ 181,459	\$ 88,804

For Avery County, the future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2008 are as follows:

Year Ending June 30	General Long-Term Debt
2009	\$ 82,380
2010	20,618
Total minimum lease payments: \$ 102,998	
Less: amount representing interest and taxes <u>1,840</u>	
Present value minimum lease payments <u>\$ 101,158</u>	

b. Notes Payable

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

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

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

For Avery County, the future minimum payments as of June 30, 2008 are:

Year Ending June 30	General Long-Term Debt
2009	\$ 1,405,431
2010	1,084,195
2011	743,443
2012	743,443
2013	743,443
2014-2019	2,449,999
2020-2025	789,343
Total	\$ <u>7,959,297</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

At June 30, 2008, the County had a legal debt margin of \$ 378,253,680.

c. Long Term Obligation Activity

The following is a summary of changes in the County's long term obligations for the fiscal year ended June 30, 2008.

Governmental activities:	<i>Balance</i> <i>July 1, 2007</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <i>June 30, 2008</i>	<i>Current</i> <i>Portion</i>
Capitalized leases	\$ 138,457	\$ 25,254	\$ 62,553	\$ 101,158	\$ 82,380
Installment purchase	9,339,289	-	1,379,992	7,959,297	1,405,431
Pension plan obligation	44,355	9,771	-	54,126	54,126
Vacation pay obligation	295,361	34,735	-	330,096	330,096
Total governmental activities	\$ 9,817,462	\$ 69,760	\$ 1,442,545	\$ 8,444,677	\$1,872,033

d. Interfund Balances and Activity

Transfers to/from other fund

Transfers to/from other funds at June 30, 2008, consist of the following:

From the General fund to the Capital Reserve fund to accumulate resources	\$3,911,910
From the General fund to the Capital Projects fund for the Health Department Facilities	45,397
From the General fund to the Revaluation fund to accumulate resources for the revaluation of real property	35,000
To the General fund from the Capital Projects fund to close the funds	797,666
To the General fund from the Capital Reserve fund to adjust to necessary amount	842,280
Total	\$5,632,253

(4) JOINT VENTURES

The County participates in a joint venture to operate Avery-Mitchell-Yancey Regional Library with three other local governments. Each participating government appoints three members to the twelve-member board of the library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$76,000 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 \$245,500 to the College for operating purposes and \$30,000 for capital outlay during the fiscal year ended June 30, 2008. The participating governments do not have

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2008. Complete financial statements for Mayland Community College may be obtained from the College's administrative offices at 200 Mayland Tech Road, Spruce Pine, North Carolina 28777.

The County participates in a joint venture to operate the Toe River Health District with two other local governments. Each participating government appoints one member to the twelve-member board of directors of the Health District. The County has an ongoing financial responsibility for the joint venture because the Health District's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Health District, so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$302,130 to the Health District to supplement its activities. Complete financial statements can be obtained from the Toe River Health District's offices at Greenwood Road, Spruce Pine, North Carolina 28777.

The County participates in a joint venture to operate the New River Center for Mental Health, Developmental Disability & Substance Abuse Services with three other local governments. Each participating government appoints four members to the twenty-member board of the New River Area Authority (regional area authority). The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$88,000 to the Center to supplement its activities. Complete financial statements can be obtained from the New River Center's offices located in Boone, North Carolina 28607.

(5) JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with seven other counties and nineteen municipalities, established the Region D 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 \$ -0 - to the Council during the fiscal year ending June 30, 2008.

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2008, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for public school capital outlays.

(7) PUBLIC SCHOOL BUILDING BOND ACT OF 1996

The General Assembly passed the Public School Building Bond Act of 1996 to provide for the issuance of \$1.8 billion in State bonds to be used for making grants to counties for qualified public school capital outlay projects. The Department of Public Instruction is responsible for project approval and the distribution of funds. The principal amounts of bonds or notes issued by the State in any twelve-month period may not exceed \$450 million.

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

on the average daily membership, the ability to pay, and the growth rate of the school administrative units located within each county.

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

The County recognizes revenues equal to the liabilities incurred for approved project expenditures. Avery County requests bond funds by project to be transferred to an account established by Avery County Board of Education for payment of invoices. To date, the County has expended the total allocation of \$2.8 million.

(8) SCHOOL FACILITIES FINANCE ACT OF 1987

The General Assembly passed the School Facilities Finance Act of 1987 (Act) to assist county governments in meeting public school facility capital needs. The Act created two State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the Office of State Budget and Management and the Critical School Facilities Needs Fund administered by the State Board of Education. The Public School Building Capital Fund may also be used to finance equipment needs under the local school unit's technology plan.

Public School Building Capital Fund

This program is funded using a portion of the corporate income taxes, which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. For the period from 10/01/1999 to 09/30/2000, the applicable fraction was one-fourteenth (1/14) of the net collection, for the periods after 09/30/2000 the applicable fraction is five sixty-ninths (5/69) of the net collections of corporate taxes.

Monies in the fund are allocated to Avery County on the basis of the average daily membership (ADM) for Avery County Board of Education as determined and certified by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County. At June 30, 2008, the balance of the County's ADM allocation account was \$ 76,748. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a county match.

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 2008, the County's disbursing account had a zero balance.

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

Critical School Facilities Needs Fund

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

The Commission on School Facilities Needs established a priority list of the counties receiving grants. The Commission on School Facilities Needs has since been abolished. The State Board of Education awards grants

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2008

based on the grant priority list. The Avery County Board of Commissioners and the Avery County Board of Education must make a joint application and had not done so at June 30, 2008.

(9) BENEFIT PAYMENTS ISSUED BY THE STATE

The State, from federal and State monies, paid the amounts listed below directly 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	\$ 10,746,978	\$ 5,718,166
Temporary Assistance for Needy Families	92,053	-
Food Stamp Program	1,263,973	-
Title IV-E Foster Care Assistance	12,099	1,439
Title IV-E Adoption Assistance	29,341	8,194
State Foster Care Benefits Program	-	30,221
State Special Assistance for Adults	-	148,141
Low Income Energy Assistance	52,641	-
CWS Adoption Subsidy	-	56,710
Foster Care At Risk Maximization	-	402

(10) SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Federal and State Assisted Programs

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

(11) PRIOR PERIOD ADJUSTMENT

During the year under audit, prior period adjustments were necessary. One adjustment was to the fire tax fund to account for the prior activity of the blended component unit, Avery County Fire Commission. This resulted in restatement of the fund balances and net assets at both the government-wide and the fund financial statement level. The County also adopted a new vacation policy plan, and an adjustment was made to properly account for the accrual of a potential liability at June 30, 2007. In addition, fixed assets were overstated on the prior year government-wide statements due to incorrectly booking a transfer. These two entries affected the government-wide statements only.

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 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)
12/31/2001	0	42,093	42,093	0%	441,548	9.53%
12/31/2002	0	41,923	41,923	0%	511,018	8.20%
12/31/2003	0	43,634	43,634	0%	477,186	9.14%
12/31/2004	0	43,871	43,781	0%	427,258	10.27%
12/31/2005	0	58,560	58,560	0%	560,577	10.45%
12/31/2006	0	100,271	100,271	0%	720,597	13.91%
12/31/2007	0	144,437	144,437	0%	825,800	17.49%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	8,052	0%
2004	9,097	0%
2005	8,410	0%
2006	8,398	0%
2007	10,117	0%
2008	15,855	38%

Notes to the Required Schedules:

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

Valuation date	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5-12.3%
Includes inflation at	3.75%
Cost of living adjustments	N/A

Avery County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Revenues:				
<i>Ad valorem taxes:</i>				
Taxes	\$	\$ 13,992,722	\$	\$ 13,258,997
Penalties and interest		88,547		97,296
Refunds and releases		(303,045)		(57,228)
Total		13,758,542		13,299,065
<i>Local option sales taxes:</i>				
Article 39 one percent		2,363,300		2,231,749
Article 40 one-half of one percent		1,114,527		1,099,605
Article 42 one-half of one percent		1,102,320		1,088,281
Article 44 one-half of one percent		1,028,723		973,650
Video programming distribution		77,949		10,971
Medicaid Hold Harmless payment		376,203		-
Total		4,790,000		5,404,256
<i>Other taxes and licenses:</i>				
Real estate transfer tax		607,989		554,681
White goods disposal tax		7,003		7,574
Scrap tire disposal tax		20,419		19,396
Total		604,000		581,651
<i>Unrestricted intergovernmental:</i>				
Payments in lieu of taxes		101,712		97,278
Food stamp tax reimbursement		1,811		2,418
Sales tax refunds		23,153		17,943
Total		86,500		117,639
<i>Restricted intergovernmental:</i>				
State and federal grants		2,800,985		3,542,186
Court facilities fees		31,177		27,058
ABC bottle tax		7,872		7,738
Total		3,119,693		3,576,982
<i>Licenses and permits:</i>				
Inspection fees and building permits		224,492		247,663
Register of deeds		202,957		206,325
Marriage licenses		7,250		7,350
Officer fees		8,044		8,653
Gun permits		1,235		855
IPM dues		3,125		1,175
Fingerprint fees		1,430		1,570
Adoption fees		9,955		30
Concealed weapons fees		6,215		6,153
Total		400,000		479,774
<i>Sales and services:</i>				
Election department		9,671		-
Transportation fees		263,153		258,158
Rents, concessions and fees		12,409		13,537

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, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Recreation fees		22,730		22,488
Jail fees		21,888		15,209
Tax assessor fees		2,917		3,041
Emergency medical service		610,186		549,019
Solid waste fees		277,049		328,774
Civil process fees		10,808		11,482
Civil license revocations		2,698		2,770
Total	1,300,764	1,233,509	(67,255)	1,204,478
Investment earnings	270,000	819,067	549,067	833,701
Miscellaneous:				
Sales of fixed assets		13,660		158,623
Sloop Hospital reimbursement		-		-
Donations		0		76,913
Restitution fees		1,337		1,004
Drug fund		2,979		5,344
Other		70,015		13,307
Total	72,599	87,991	15,392	255,191
Total revenues	24,402,098	26,048,637	1,646,539	25,752,737
Expenditures:				
General government -				
Governing body:				
Salaries and employee benefits		102,416		108,934
Other operating expenditures		28,593		33,054
Total	195,706	131,009	64,697	141,988
Administration:				
Salaries and employee benefits		124,323		114,704
Other operating expenditures		20,622		21,334
Capital outlay		30,152		-
Total	155,847	175,097	(19,250)	136,038
Elections:				
Salaries and employee benefits		113,917		91,421
Other operating expenditures		45,501		40,810
Capital outlay		5,862		15,990
Total	253,065	165,280	87,785	148,221
Finance:				
Salaries and employee benefits		223,227		207,998
Other operating expenditures		33,574		44,140
Capital outlay		919		7,231
Total	315,485	257,720	57,765	259,369

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, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
<i>Tax listing and supervisor:</i>				
Salaries and employee benefits		242,692		241,595
Other operating expenditures		88,941		103,701
Capital outlay		7,577		-
Total	384,945	339,210	45,735	345,296
<i>Tax collections:</i>				
Salaries and employee benefits		151,581		142,610
Other operating expenditures		24,463		25,522
Capital outlay		1,852		4,961
Total	193,250	177,896	15,354	173,093
<i>Tax mapping:</i>				
Operating expenditures		67,836		13,651
Capital outlay		3,209		1,649
Total	98,818	71,045	27,773	15,300
<i>Register of Deeds:</i>				
Salaries and employee benefits		179,948		194,417
Other operating expenditures		360,152		325,449
Capital outlay		4,572		10,652
Total	622,637	544,672	77,965	530,518
<i>Public Buildings:</i>				
Salaries and employee benefits		182,079		167,161
Other operating expenditures		385,120		387,909
Capital outlay		80,878		285,611
Total	733,404	648,077	85,327	840,681
<i>Legal and auditing:</i>				
Contracted services	76,000	73,659	2,341	69,746
<i>Facilities fees:</i>				
Operating expenditures		7,912		7,634
Capital outlay		2,395		565
Total	13,110	10,307	2,803	8,199
<i>Total general government</i>	<i>3,042,267</i>	<i>2,593,972</i>	<i>448,295</i>	<i>2,668,449</i>
<i>Public safety -</i>				
<i>Sheriff's Department:</i>				
Salaries and employee benefits		1,104,314		881,296
Other operating expenditures		294,565		200,145
Capital outlay		185,002		123,786
Total	1,576,355	1,583,881	(7,526)	1,205,227

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, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
<i>Jail:</i>				
Salaries and employee benefits		368,517		330,283
Other operating expenditures		207,863		181,404
Capital outlay		3,740		2,312
Total	583,017	580,120	2,897	513,999
<i>Building inspection:</i>				
Salaries and employee benefits		267,684		237,448
Other operating expenditures		69,285		59,022
Capital outlay		17,838		10,500
Total	408,427	354,807	53,620	306,970
<i>Emergency management:</i>				
Salaries and employee benefits		92,165		85,678
Other operating expenditures		28,080		16,284
Hazard mitigation and hurricane relief		69,791		764,165
Capital outlay		1,852		38,515
Total	358,511	191,888	166,623	904,642
<i>Emergency medical services:</i>				
Salaries and employee benefits		951,308		967,258
Other operating expenditures		216,124		203,275
Capital outlay		168,185		40,988
Total	1,572,571	1,335,617	236,954	1,211,521
<i>Central dispatch:</i>				
Salaries and employee benefits		462,169		436,250
Other operating expenditures		76,297		49,786
Capital outlay		4,057		510
Total	600,446	542,523	57,923	486,546
<i>OSHA instruction:</i>				
Other operating expenditures		65		342
Total	325	65	260	342
<i>Medical examiner:</i>				
Professional services	15,000	10,100	4,900	20,300
<i>Community agency contributions:</i>				
Avery Search & Rescue		152,000		143,000
Humane Society		57,500		54,450
Total	209,500	209,500	-	197,450
Total public safety	5,324,152	4,808,501	515,651	4,846,997

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, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
<i>Public transportation:</i>				
<i>Streets and highways:</i>				
Salaries and employee benefits		389,509		339,151
Other operating expenditures		130,092		107,541
Capital outlay		219,200		692,367
<i>Total public transportation</i>	<i>1,788,730</i>	<i>738,801</i>	<i>1,049,929</i>	<i>1,139,059</i>
<i>Environmental protection -</i>				
<i>Sanitation:</i>				
Salaries and employee benefits		614,341		564,114
Other operating expenditures		828,898		707,791
Capital outlay		332,196		65,000
Total	<i>1,913,450</i>	<i>1,775,435</i>	<i>138,015</i>	<i>1,336,905</i>
<i>Soil conservation service:</i>				
Contracted services	<i>155,757</i>	<i>153,652</i>	<i>2,105</i>	<i>147,541</i>
<i>Total environmental protection</i>	<i>2,069,207</i>	<i>1,929,087</i>	<i>140,120</i>	<i>1,484,446</i>
<i>Economic and physical development -</i>				
<i>Agricultural extension agent:</i>				
Salaries and employee benefits		160,063		153,466
Other operating expenditures		169,593		198,474
Capital outlay		10,560		5,370
Total	<i>436,130</i>	<i>340,216</i>	<i>95,914</i>	<i>357,310</i>
<i>Physical development:</i>				
Operating expenditures				
Total	<i>22,572</i>	<i>5,312</i>	<i>17,260</i>	<i>10,205</i>
<i>Regional economic development:</i>				
Region D Development Council		10,091		8,679
	<i>10,091</i>	<i>10,091</i>	<i>-</i>	<i>8,679</i>
<i>Total economic and physical development</i>	<i>468,793</i>	<i>355,619</i>	<i>113,174</i>	<i>376,194</i>
<i>Human services -</i>				
<i>Public Health:</i>				
Toe River Health District		302,130		232,178
New River Mental Health		88,000		80,000
Alcoholic rehabilitation		7,871		7,738
Total	<i>400,130</i>	<i>398,001</i>	<i>2,129</i>	<i>319,916</i>
<i>Veteran's Service Officer -</i>				
Salaries and employee benefits		15,925		13,605
Other operating expenditures		2,663		1,894
Total	<i>34,298</i>	<i>18,588</i>	<i>15,710</i>	<i>15,499</i>

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, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
<i>Social Services:</i>				
Salaries and employee benefits		1,306,532		1,190,674
Other operating expenditures		188,916		159,229
Capital outlay		29,556		15,091
Total	1,644,982	1,525,004	119,978	1,364,994
<i>County participation:</i>				
Medicaid		798,698		1,041,359
Special assistance		191,663		182,786
Foster care		92,293		148,694
Crisis intervention		34,923		25,260
Family Support Act		106,943		95,485
Aid for children		28,248		23,947
Independent living		8,422		2,260
JOBS program		51,611		56,472
Total	1,696,223	1,312,801	383,422	1,576,263
<i>Senior Citizens:</i>				
Salaries and employee benefits		454,992		432,679
Other operating expenditures		217,748		200,727
Capital outlay		21,141		6,936
Total	770,413	693,881	76,532	640,342
<i>Day Care and Child Development:</i>				
Contracted services				
	584,994	559,437	25,557	541,799
<i>Community Based Alternatives</i>				
Operating expenditures	105,616	91,711	13,905	106,986
<i>CJPP Program</i>				
	57,850	49,850	8,000	51,636
<i>Aid to the Blind</i>				
	6,708	1,511	5,197	1,631
<i>Community agency contributions:</i>				
Hospice		43,500		17,500
ADAP - Yellow Mountain		23,000		22,000
Avery Alzheimer's Support		1,000		1,000
WNC Development		-		1,000
ACADA		21,000		20,000
Total	88,500	88,500	-	61,500
Total human services	5,389,714	4,739,284	650,430	4,680,566

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, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Cultural and recreational -				
Parks & recreation:				
Salaries and employee benefits		184,743		168,309
Other operating expenditures		106,462		88,277
Capital outlay		63,673		24,886
Total	373,375	354,878	18,497	281,472
Community agency contributions:				
Shrine Club		1,000		1,000
Arts Council		3,500		3,000
Blue Ridge Resource		17,100		17,100
Avery Little League		27,000		2,000
WAMY		6,000		5,500
Tag Office		10,000		10,000
Municipality Donation		-		5,000
Avery Museum		3,000		3,000
Total	67,600	67,600	-	46,600
Library:				
Contracted services	76,000	76,000	-	66,000
Total cultural and recreational	516,975	498,478	18,497	394,072
Education -				
Public schools - current expense		3,756,000		3,564,500
Public schools - capital outlay		1,109,927		304,750
Community College - current expense		245,500		219,800
Community College - capital outlay		30,000		30,000
Total education	5,141,427	5,141,427	-	4,119,050
Debt service -				
Principal retirement		1,442,643		1,309,494
Interest and fees		359,855		421,165
Total debt service	1,802,597	1,802,498	99	1,730,659
Total expenditures	25,543,862	22,607,667	2,936,195	21,439,492
Revenue over (under) expenditures	(1,141,764)	3,440,970	4,582,734	4,313,245

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, 2008

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
<i>Other financing sources (uses):</i>				
<i>Operating transfers in (out):</i>				
<i>To Revaluation Fund</i>	(35,000)	(35,000)	-	(35,000)
<i>To/From E-911 Fund</i>	-	-	-	(118,323)
<i>To/From Capital Projects Fund (Courthouse)</i>	80,300	80,300	-	8,637
<i>To/From Capital Reserve Fund</i>	(3,911,910)	(3,911,910)	-	(541,835)
<i>To/From Capital Projects Fund (Health Department)</i>	(45,397)	(45,397)	-	-
<i>To/From Capital Projects Fund (High School Renovation)</i>	717,366	717,366	-	-
<i>To Fire Tax Fund</i>	(8,000)	-	8,000	(341,000)
<i>To component unit - Airport</i>	(88,460)	(83,960)	4,500	(45,000)
<i>Total operating transfers</i>	<u>(3,291,101)</u>	<u>(3,278,601)</u>	<u>12,500</u>	<u>(1,072,521)</u>
<i>Proceeds from capital lease</i>	-	25,254	25,254	-
<i>Total other financing sources (uses)</i>	<u>(3,291,101)</u>	<u>(3,253,347)</u>	<u>37,754</u>	<u>(1,072,521)</u>
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	(4,432,865)	187,623	4,620,488	3,240,724
<i>Appropriated fund balance</i>	<u>4,432,865</u>	-	<u>(4,432,865)</u>	-
<i>Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses</i>	\$ <u>-</u>	187,623	\$ <u>187,623</u>	3,240,724
<i>Fund balances - beginning of year</i>		11,163,549		7,922,825
<i>Fund balances - end of year</i>		\$ <u>11,351,172</u>		\$ <u>11,163,549</u>

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2008

	<i>E-911 Fund</i>	<i>Fire District Fund</i>	<i>Revaluation Fund</i>	<i>Total Non-major Special Revenue Funds</i>	<i>School Renovation Capital Project Funds</i>	<i>Total Non-major Governmental Funds</i>
ASSETS						
<i>Cash and cash equivalents</i>	\$ 633,071	\$ 223,314	\$ 48,198	\$ 904,583	\$ 3,530	\$ 908,113
<i>Accounts receivable, net</i>	-	-	-	-	-	-
<i>Taxes receivable, net</i>	-	66,356	-	66,356	-	66,356
<i>Due from other governments</i>	355	-	-	355	-	355
<i>Total assets</i>	<u>\$ 633,426</u>	<u>\$ 289,670</u>	<u>\$ 48,198</u>	<u>\$ 971,294</u>	<u>\$ 3,530</u>	<u>\$ 974,824</u>
LIABILITIES AND FUND BALANCES						
<i>Liabilities:</i>						
<i>Accounts payable and accrued liabilities</i>	\$ 5,252	\$ -	\$ -	\$ 5,252	\$ -	\$ 5,252
<i>Deferred revenue</i>	-	66,356	-	66,356	-	66,356
<i>Total liabilities</i>	<u>5,252</u>	<u>66,356</u>	<u>-</u>	<u>71,608</u>	<u>-</u>	<u>71,608</u>
<i>Fund balances:</i>						
<i>Reserved by state statute</i>	355	-	-	355	-	355
<i>Designated for subsequent years' expenditures</i>	-	-	27,304	27,304	-	27,304
<i>Unreserved</i>	627,819	223,314	20,894	872,027	3,530	875,557
<i>Total fund balances</i>	<u>628,174</u>	<u>223,314</u>	<u>48,198</u>	<u>899,686</u>	<u>3,530</u>	<u>903,216</u>
<i>Total liabilities and fund balances</i>	<u>\$ 633,426</u>	<u>\$ 289,670</u>	<u>\$ 48,198</u>	<u>\$ 971,294</u>	<u>\$ 3,530</u>	<u>\$ 974,824</u>

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended June 30, 2008

					Non-major Capital Projects Fund		Non-major Capital Projects Fund			
	E-911 Fund	Fire District Fund	Revaluation Fund	Grant Projects Funds	Total Non-major Special Revenue Funds	School Renovation Capital Project Funds	Health Department Capital Project Fund	Total Non-major Governmental Funds		
REVENUES										
Ad valorem taxes	\$ -	\$ 1,463,099	\$ -	\$ -	\$ 1,463,099	\$ -	\$ -	\$ 1,463,099		
Restricted intergovernmental	261,837	-	-	279,024	540,861	-	-	540,861		
Investment earnings	21,504	9,303	-	-	30,807	28,906	-	59,713		
Total revenues	283,341	1,472,402	-	279,024	2,034,767	28,906	-	2,063,673		
EXPENDITURES										
Current:										
General government	-	-	31,149	-	31,149	-	-	31,149		
Economic and physical development	-	-	-	279,024	279,024	-	-	279,024		
Human services	-	-	-	-	-	-	-	-		
Public safety	123,617	1,493,348	-	-	1,616,965	-	-	1,616,965		
Education	-	-	-	-	-	-	-	-		
Capital outlay	7,596	-	-	-	7,596	347,187	75,607	430,390		
Total expenditures	131,213	1,493,348	31,149	279,024	1,934,734	347,187	75,607	2,357,528		
Excess (deficiency) of revenues over expenditures	152,128	(20,946)	(31,149)	-	100,033	(318,281)	(75,607)	(293,855)		
OTHER FINANCING SOURCES (USES)										
Transfers (to) from other funds	-	-	35,000	-	35,000	(717,366)	45,397	(636,969)		
Proceeds from qualified zone academy bonds	-	-	-	-	-	-	-	-		
Total other financing sources and uses	-	-	35,000	-	35,000	(717,366)	45,397	(636,969)		
Net change in fund balances	152,128	(20,946)	3,851	-	135,033	(1,035,647)	(30,210)	(930,824)		
Fund balances - beginning	476,046	-	44,347	-	520,393	1,039,177	30,210	1,589,780		
Prior period adjustment	-	244,260	-	-	244,260	-	-	244,260		
Fund balances - beginning, as restated	476,046	244,260	44,347	-	764,653	1,039,177	-	1,834,040		
Fund balances - ending	\$ 628,174	\$ 223,314	\$ 48,198	\$ -	\$ 899,686	\$ 3,530	\$ -	\$ 903,216		

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
Capital Reserve Fund
Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2008
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Proceeds from capital lease	-	-	-	
Operating transfer in (out):				
From General Fund	3,911,910	3,911,910	-	541,835
Fund balance appropriated	<u>(3,911,910)</u>	<u>-</u>	<u>(3,911,910)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>3,911,910</u>	<u>(3,911,910)</u>	<u>541,835</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	\$ <u>3,911,910</u>	\$ <u>3,911,910</u>	\$ <u>541,835</u>
Fund balances - beginning of year		<u>541,835</u>		<u>-</u>
Fund balances - end of year		\$ <u>4,453,745</u>		\$ <u>541,835</u>

Avery County, North Carolina**E-911 Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2008****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)**

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
<i>Revenues:</i>				
E-911 surcharges	\$	\$ 194,677	\$	\$ 185,482
E-911 wireless surcharges		67,160		115,104
Investment earnings - surcharges		12,737		8,109
Investment earnings - wireless charges		8,767		6,318
Total revenues	<u>261,000</u>	<u>283,341</u>	<u>22,341</u>	<u>315,013</u>
<i>Expenditures:</i>				
Public safety:				
Salaries and fringe benefits		40,571		40,286
Other operating expenditures		83,046		106,079
E-911 addressing expense		-		622
Capital outlay		7,596		260,236
Total expenditures	<u>169,031</u>	<u>131,213</u>	<u>37,818</u>	<u>407,223</u>
Revenues over (under) expenditures	<u>91,969</u>	<u>152,128</u>	<u>60,159</u>	<u>(92,210)</u>
<i>Other financing sources (uses):</i>				
Operating transfer in (out):				
Fund balance appropriated	<u>(91,969)</u>	-	<u>(91,969)</u>	-
Total other financing sources (uses)	<u>(91,969)</u>	-	<u>(91,969)</u>	<u>118,323</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	<u>152,128</u>	\$ <u>152,128</u>	<u>26,113</u>
Fund balances - beginning of year		<u>476,046</u>		<u>449,933</u>
Fund balances - end of year		\$ <u>628,174</u>		\$ <u>476,046</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, 2008***(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)*

	2008		Variance Favorable (Unfavorable)	2007
	Budget	Actual		Actual
<i>Revenues:</i>				
Ad valorem taxes	\$	\$ 1,463,099	\$	\$ 1,049,175
Interest income		9,303		
Total revenues		<u>1,491,129</u>	<u>18,727</u>	<u>1,049,175</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
Volunteer fire departments		937,141		
Fire commission		556,207		
Total expenditures		<u>1,499,129</u>	<u>5,781</u>	<u>1,390,175</u>
Revenues over expenditures		<u>(8,000)</u>	<u>12,946</u>	<u>(341,000)</u>
<i>Other financing sources (uses):</i>				
Transfers in (out)		8,000	8,000	341,000
Total other financing sources (uses)		<u>8,000</u>	<u>8,000</u>	<u>341,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$	<u>-</u>	\$ <u>20,946</u>	<u>-</u>
Fund balances - beginning of year		-		-
Prior period adjustment		244,260		
Fund balances - beginning of year, as restated		<u>244,260</u>		
Fund balances - end of year	\$	<u>223,314</u>		<u>-</u>

See the accompanying Independent Auditor's Report.

Avery County, North Carolina**Revaluation Fund****Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--****For the Fiscal Year Ended June 30, 2008****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2007)**

	2008		Variance Favorable (Unfavorable)	2007
	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>	36,971	31,149	5,822	31,927
<i>Total expenditures</i>	<u>36,971</u>	<u>31,149</u>	<u>5,822</u>	<u>31,927</u>
<i>Revenues over (under) expenditures</i>	(36,971)	(31,149)	5,822	(31,927)
<i>Other financing sources (uses):</i>				
<i>Fund balance appropriated</i>	1,971	-	1,971	-
<i>Operating transfer in (out) from General Fund</i>	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
<i>Total other financing sources (uses)</i>	<u>36,971</u>	<u>35,000</u>	<u>1,971</u>	<u>35,000</u>
<i>Excess of revenues and other sources over (under) expenditures</i>	\$ <u>-</u>	3,851	\$ <u>3,851</u>	3,073
<i>Fund balances - beginning of year</i>		<u>44,347</u>		<u>41,274</u>
<i>Fund balances - end of year</i>		\$ <u>48,198</u>		\$ <u>44,347</u>

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
Capital Projects Fund - Courthouse Project
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues:</i>	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures - General Government</i>					
<i>General construction</i>	3,913,000	2,990,131	79,367	3,069,498	843,502
<i>Architect/engineering fees</i>	225,000	171,924	-	171,924	53,076
<i>Heating, ventilation, a/c</i>	82,500	6,728	-	6,728	75,772
<i>Plumbing and electric</i>	59,500	10,603	-	10,603	48,897
<i>Site prep</i>	32,500	10,446	-	10,446	22,054
<i>Furniture</i>	125,000	146,882	-	146,882	(21,882)
<i>Permits, insurance, and surveys</i>	22,500	4,785	-	4,785	17,715
<i>Total expenditures</i>	<u>4,460,000</u>	<u>3,341,499</u>	<u>79,367</u>	<u>3,420,866</u>	<u>1,039,134</u>
<i>Revenues over (under) expenditures</i>	(4,460,000)	(3,341,499)	(79,367)	(3,420,866)	1,039,134
<i>Other financing sources and uses</i>					
<i>Proceeds from loan</i>	-	230,000	-	230,000	230,000
<i>Transfers in (out) - general fund</i>	4,695,000	10,076,094	(80,300)	9,995,794	5,300,794
<i>Transfers out to debt service</i>	(235,000)	(216,470)	-	(216,470)	18,530
<i>Total other financing sources</i>	<u>4,460,000</u>	<u>10,089,624</u>	<u>(80,300)</u>	<u>10,009,324</u>	<u>5,549,324</u>
<i>Revenues and other sources over (under) expenditures</i>	\$ <u>-</u>	\$ <u>6,748,125</u>	(159,667)	\$ <u>6,588,458</u>	\$ <u>6,588,458</u>
<i>Fund balances:</i>					
<i>Beginning of year, July 1</i>			<u>6,748,125</u>		
<i>End of year, June 30</i>			\$ <u>6,588,458</u>		

Avery County, North Carolina
Capital Projects Fund - Health Department Project
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues</i>	\$ -	\$ 1,319,487	\$ -	\$ 1,319,487	\$ 1,319,487
<i>Total</i>	<u>-</u>	<u>1,319,487</u>	<u>-</u>	<u>1,319,487</u>	<u>1,319,487</u>
<i>Expenditures - Education</i>					
<i>General construction</i>	\$ 1,517,000	1,506,473	75,607	1,582,080	(65,080)
<i>Architect/engineering fees</i>	110,000	90,704	-	90,704	19,296
<i>Permits, surveys, insurance</i>	5,000	250	-	250	4,750
<i>Site prep</i>	155,000	5,995	-	5,995	149,005
<i>Furniture</i>	-	3,606	-	3,606	(3,606)
<i>Total expenditures</i>	<u>1,787,000</u>	<u>1,607,028</u>	<u>75,607</u>	<u>1,682,635</u>	<u>104,365</u>
<i>Revenues over (under) expenditures</i>	(1,787,000)	(287,541)	(75,607)	(363,148)	1,423,852
<i>Other financing sources and uses</i>					
<i>Insurance recovery</i>	-	250,251	-	250,251	250,251
<i>Transfers in (out) - general fund</i>	<u>1,787,000</u>	<u>67,500</u>	<u>45,397</u>	<u>112,897</u>	<u>(1,674,103)</u>
<i>Total other financing sources</i>	<u>1,787,000</u>	<u>317,751</u>	<u>45,397</u>	<u>363,148</u>	<u>(1,423,852)</u>
<i>Revenues and other sources over (under) expenditures</i>	\$ <u>-</u>	\$ <u>30,210</u>	(30,210)	\$ <u>-</u>	\$ <u>-</u>
<i>Fund balances:</i>					
<i>Beginning of year, July 1</i>			<u>30,210</u>		
<i>End of year, June 30</i>			\$ <u>-</u>		

Avery County, North Carolina
 Capital Projects Fund - Banner Elk School Project
 Statement of Revenue, Expenditures and Changes in Fund Balances--
 Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2008

	Project Authorization	Actual		Total To Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<i>Revenues:</i>					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total	-	-	-	-	-
<i>Expenditures - Education</i>					
Architect/engineering fees	10,000	6,853	-	6,853	3,147
Land purchase	537,150	537,150	-	537,150	-
Total expenditures	547,150	544,003	-	544,003	3,147
Revenues over (under) expenditures	(547,150)	(544,003)	-	(544,003)	3,147
<i>Other financing sources and uses</i>					
Proceeds from loan	500,000	500,000	-	500,000	-
Transfers in (out) - general fund	47,150	389,200	-	389,200	342,050
Transfers(out) to debt service	-	(341,667)	-	(341,667)	(341,667)
Total other financing sources	547,150	547,533	-	547,533	383
Revenues and other sources over (under) expenditures	\$ -	\$ 3,530	-	\$ 3,530	\$ 3,530
<i>Fund balances:</i>					
Beginning of year, July 1			3,530		
End of year, June 30			\$ 3,530		

Avery County, North Carolina
 Capital Projects Fund - High School Renovation Project
 Statement of Revenue, Expenditures and Changes in Fund Balances--
 Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2008

	Project Authorization	Actual		Total To Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<i>Revenues:</i>					
Investment earnings	\$ -	\$ 62,479	\$ 28,906	\$ 91,385	\$ 91,385
Total	-	62,479	28,906	91,385	91,385
<i>Expenditures - Education</i>					
General construction	2,728,750	2,283,008	340,123	2,623,131	105,619
Architect/engineering fees	300,000	229,848	6,765	236,613	63,387
Contingency	17,500	13,976	299	14,275	3,225
Total expenditures	3,046,250	2,526,832	347,187	2,874,019	172,231
Revenues over (under) expenditures	(3,046,250)	(2,464,353)	(318,281)	(2,782,634)	263,616
<i>Other financing sources and uses</i>					
Proceeds from loan	2,000,000	2,000,000	-	2,000,000	-
Transfers in (out) - general fund	1,046,250	1,500,000	(717,366)	782,634	(263,616)
Fund balance appropriated	-	-	-	-	-
Total other financing sources	3,046,250	3,500,000	(717,366)	2,782,634	(263,616)
Revenues and other sources over (under) expenditures	\$ -	\$ 1,035,647	(1,035,647)	\$ -	\$ -
<i>Fund balances:</i>					
Beginning of year, July 1			1,035,647		
End of year, June 30			\$ -		

See the accompanying Independent Auditor's Report.

AVERY COUNTY, NORTH CAROLINA
Grant Project Fund - Community Development Block Grants
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues:</i>					
Urgent Needs Grant	\$ 600,000	\$ 498,199	\$ 101,801	\$ 600,000	\$ -
Total	<u>600,000</u>	<u>498,199</u>	<u>101,801</u>	<u>600,000</u>	<u>-</u>
<i>Expenditures - Economic and physical development</i>					
Acquisition	278,292	181,991	96,301	278,292	-
Relocation assistance	203,708	203,708	-	203,708	-
Administration	105,000	99,500	5,500	105,000	-
Planning	3,000	3,000	-	3,000	-
Clearance	10,000	10,000	-	10,000	-
Total expenditures	<u>600,000</u>	<u>498,199</u>	<u>101,801</u>	<u>600,000</u>	<u>-</u>
Revenues over (under) expenditures	-	-	-	-	-
<i>Other financing sources</i>					
County match	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expend	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	<u>-</u>
<i>Fund balances:</i>					
Beginning of year, July 1			-		
End of year, June 30			\$ <u>-</u>		

See the accompanying Independent Auditor's Report.

EVERY 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, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>					
<i>Restricted intergovernmental revenues:</i>					
Scattered Housing Grant	\$ 400,000	\$ 217,153	\$ 177,183	\$ 394,336	\$ (5,664)
Total	<u>400,000</u>	<u>217,153</u>	<u>177,183</u>	<u>394,336</u>	<u>(5,664)</u>
<i>Expenditures - Economic and physical development</i>					
Relocation assistance	290,419	196,953	93,466	290,419	-
Rehabilitation	64,881	500	62,218	62,718	2,163
Administration	40,000	15,000	21,499	36,499	3,501
Planning	3,500	3,500	-	3,500	-
Clearance	1,200	1,200	-	1,200	-
Total expenditures	<u>400,000</u>	<u>217,153</u>	<u>177,183</u>	<u>394,336</u>	<u>5,664</u>
Revenues over (under) expenditures	-	-	-	-	-
<i>Other financing sources</i>					
County match	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expend	<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
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Social Services -				
<i>Assets:</i>				
Cash and investments	\$ 16,643	\$ 141,643	\$ (149,668)	\$ 8,618
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 16,643	\$ 141,643	\$ (149,668)	\$ 8,618
Motor Vehicle Tax -				
<i>Assets:</i>				
Taxes receivable	\$ 2,703	\$ 79,804	\$ (82,464)	\$ 43
<i>Liabilities:</i>				
Intergovernmental payables	\$ 2,703	\$ 79,804	\$ (82,464)	\$ 43
Fines and Forfeitures -				
<i>Assets:</i>				
Cash and investments	\$ 662	\$ 125,932	\$ (126,003)	\$ 591
<i>Liabilities:</i>				
Intergovernmental payables - Board of Education	\$ -	\$ 118,754	\$ (118,754)	\$ -
Intergovernmental payables - State of North Carolina	662	7,178	(7,249)	591
Total intergovernmental payables	\$ 662	\$ 125,932	\$ (126,003)	\$ 591
Totals - All Agency Funds				
<i>Assets:</i>				
Cash and investments	\$ 17,305	\$ 267,575	\$ (275,671)	\$ 9,209
Taxes receivable	2,703	79,804	(82,464)	43
Total assets	\$ 20,008	\$ 347,379	\$ (358,135)	\$ 9,252
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 16,643	\$ 141,643	\$ (149,668)	\$ 8,618
Intergovernmental payables - Town Motor Vehicles	2,703	79,804	(82,464)	43
Intergovernmental payables - Board of Education	-	118,754	(118,754)	-
Intergovernmental payables - State of North Carolina	662	7,178	(7,249)	591
Total liabilities	\$ 20,008	\$ 347,379	\$ (358,135)	\$ 9,252

See the accompanying Independent Auditor's report.

AVERY COUNTY, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2008

	<i>Uncollected Balance June 30, 2007</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2008</i>
2007 - 2008	\$ -	\$ 13,571,433	\$ 13,206,259	\$ 365,174
2006 - 2007	261,228	-	117,550	143,678
2005 - 2006	271,973	-	168,101	103,872
2004 - 2005	114,730	-	73,216	41,514
2003 - 2004	96,127	-	61,410	34,717
2002 - 2003	72,656	-	46,644	26,012
2001 - 2002	27,075	-	2,387	24,688
2000 - 2001	21,580	-	2,536	19,044
1999 - 2000	16,651	-	1,598	15,053
1998 - 1999	16,538	-	1,000	15,538
1997 - 1998	9,721	-	9,721	-
	<u>\$ 908,279</u>	<u>\$ 13,571,433</u>	<u>\$ 13,690,422</u>	<u>\$ 789,290</u>
<i>Less: allowance for uncollectible accounts:</i>				
General Fund				<u>134,725</u>
<i>Ad valorem taxes receivable - net</i>				
General Fund				<u>\$ 654,565</u>
Reconciliation with revenues:				
<i>Ad valorem taxes - General Fund</i>				<u>\$ 13,778,223</u>
<i>Penalties collected - Agency Fund</i>				7,178
<i>Reconciling items:</i>				
Interest collected				(88,547)
Taxes written off				(6,432)
Total reconciling items				<u>(87,801)</u>
<i>Total collections and credits</i>				<u>\$ 13,690,422</u>

AVERY COUNTY, NORTH CAROLINA
Analysis of Current Tax Levy
County-Wide Levy
For the Fiscal Year Ended June 30, 2008

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<i>Original levy:</i>					
Property taxed at current year's rate	\$ 3,963,374,881	0.352	\$ 13,951,080	\$ 13,400,546	\$ 550,533
Penalties	-		22,304	22,304	-
Total	<u>3,963,374,881</u>		<u>13,973,384</u>	<u>13,422,850</u>	<u>550,533</u>
<i>Discoveries:</i>					
Current year taxes	9,474,976	0.352	33,352	33,352	-
Penalties	-		1,745	1,745	-
Total	<u>9,474,976</u>		<u>35,097</u>	<u>35,097</u>	<u>-</u>
<i>Abatements</i>	<u>(124,161,080)</u>		<u>(437,047)</u>	<u>(291,941)</u>	<u>(145,106)</u>
Total property valuations	<u>3,848,688,777</u>				
Net levy			13,571,433	13,166,006	405,427
Uncollected taxes at June 30, 2008			<u>365,174</u>	<u>245,891</u>	<u>119,283</u>
Current year's taxes collected			\$ <u>13,206,259</u>	\$ <u>12,920,115</u>	\$ <u>286,144</u>
Current year's collection percentage			<u>97.31%</u>	<u>98.13%</u>	<u>70.58%</u>

***Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of
Financial Statements Performed In Accordance With
Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of Avery County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises Avery County's basic financial statements, and have issued our report thereon dated October 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by Avery County's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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

*Young, Miller & Gillespie, P.A.
October 17, 2008*

**Report On Compliance With Requirements Applicable To Each Major Federal Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the
State Single Audit Implementation Act**

To the Board of Commissioners
Avery County, North Carolina

Compliance

We have audited the compliance of Avery County, North Carolina with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. Avery County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Avery County's management. Our responsibility is to express an opinion on the Avery County's compliance based on our audit.

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

In our opinion, Avery County, North Carolina complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Avery County, North Carolina is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Avery County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

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

*Young, Miller & Gillespie, P.A.
October 17, 2008*

**Report On Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With OMB Circular A-133 and the
State Single Audit Implementation Act**

To the Board of County Commissioners
Newland, North Carolina

Compliance

We have audited the compliance of the Avery County, North Carolina, with the types of compliance requirements described in the Audit manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. Avery County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Avery County's management. Our responsibility is to express an opinion on Avery County's compliance based on our audit.

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

In our opinion, Avery County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Avery County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Avery County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

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

*Young, Miller & Gillespie, P.A.
October 17, 2008*

AVERY COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2008****I. Summary of Auditor's Results**

- A. An unqualified opinion was issued on the financial statements of Avery County, North Carolina.
- B. Our audit of the financial statements disclosed one significant deficiency in the internal controls. The significant deficiency was not determined to be material weaknesses.
- C. Our audit of the financial statements disclosed no instances of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that is material to the financial statements.
- D. Our audit of compliance with types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies in internal controls over major programs.
- E. An unqualified opinion was issued on Avery County's compliance with the types of compliance requirements applicable to its major federal and State programs.
- F. Audit findings relative to the major federal and State award programs for Avery County are reported in this schedule.
- G. Major federal programs for Avery County for the fiscal year ended June 30, 2008 are:

<u>Program Name</u>	<u>CFDA #s</u>
Food Stamp Program Cluster	10.551, 10.561
Medical Assistance Program	93.778
Child Care Cluster	93.596, 93.575, 93.667, 93.659, 93.558

- H. Major State programs for Avery County for the fiscal year ended June 30, 2008 are:
Public School Building Capital Fund
- I. The threshold for determining Type A programs for Avery County is \$ 424,267.
- J. Avery County qualified as a low risk auditee under Section .530 of Circular No. A-133.

II. Findings related to the Audit of the Financial Statements of Avery County, North Carolina**Finding 08-1***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.

AVERY COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2008**

Recommendation: *The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The Board of Commissioners should provide some of these controls.*

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

Corrective Action Plan

Contact person: *Robert Wiseman, County Manager*

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

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

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

None

IV. Status of Prior Year Findings

Findings as noted in the prior year audit related to the same significant deficiency as discussed above under item 08-1 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, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:				
Cash Programs:				
U.S. Department of Health & Human Services				
<i>Passed-through Region D Council of Governments:</i>				
<i>Special Programs for the Aging-Title III B</i>				
<i>Grants for Supportive Services and Senior Centers</i>				
	93.044	\$ 9,356	\$ 92,691	\$ -
<i>Special Programs for the Aging-Title III C</i>				
<i>Nutrition Services</i>				
	93.045	42,262	22,148	-
<i>Special Programs for the Aging-Title III F</i>				
<i>Disease Prevention and Health Promotion</i>				
	93.043	2,104	124	-
<i>Family Caregiver Support</i>				
	93.052	2,165	144	-
<i>In Home & Supplemental Support</i>				
	93.667	8,063	-	-
 <i>Passed through N.C. Dept. of Health and Human Resources</i>				
<i>Division of Social Services:</i>				
<i>Administration:</i>				
<i>Family Preservation</i>				
	93.556	1,898	-	-
 <i>Work First Service</i>				
	93.558	186,645	-	110,197
<i>Work First Administrative</i>				
	93.558	47,571	-	24,885
<i>TANF-Domestic Violence</i>				
	93.558	6,611	-	-
<i>TANF - TEA Foster Care</i>				
	93.558	390	-	-
<i>TANF- TEA-Foster Care Max.</i>				
	93.558	3,935	-	-
 <i>Low-Income Home Energy Assistance</i>				
<i>Block Grant</i>				
	93.568	3,247	-	-
<i>Crisis Intervention Payments</i>				
	93.568	35,972	-	-
<i>Title IV-E Foster Care</i>				
	93.658	61,129	10,666	50,463
<i>Permanency Planning</i>				
	93.645	4,900	1,336	298
<i>Child Support Enforcement</i>				
	93.563	3,921	-	2,020
<i>In-Home Service - SSBG</i>				
	93.667	3,493	-	499
<i>Other Services and Training - SSBG</i>				
	93.667	59,023	6,362	21,795
<i>NC Health Choice</i>				
	93.767	29,464	1,022	8,843
<i>Independent Living - LINKS</i>				
	93.674	1,019	255	-
 <i>Direct Benefit Payments:</i>				
<i>Temporary Assistance for Needy Families</i>				
	93.558	91,872	-	-
<i>Energy Assistance Payment</i>				
	93.568	52,641	-	-
<i>Title IV-E Foster Care Assistance</i>				
	93.658	12,099	1,439	5,362
<i>Title IV-E Adoption Assistance</i>				
	93.659	29,342	8,194	8,194
 <i>Division of Medical Assistance:</i>				
<i>Administration:</i>				
<i>Title XIX - Medicaid</i>				
	93.778	265,079	9,871	254,080
 <i>Direct Benefit Payments:</i>				
<i>Title XIX - Medicaid</i>				
	93.778	10,746,978	5,718,166	765,677

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Subsidized Child Care Cluster:</u>				
<i>Division of Social Services:</i>				
Child Care Development Fund	93.596	60,000	-	-
<i>Division of Child Development:</i>				
Social Services Block Grant	93.667	7,284	-	-
Child Care Development Fund-Discretionary	93.575	49,428	-	-
Temporary Assistance	93.575	108,536	-	-
Child Care Development Fund	93.596	158,230	-	-
Adoption Foster Care	93.659	75,198	-	42,258
Temporary Assistance for Needy Families	93.558	59,207	-	-
Smart Start		-	93,985	-
Child Care Development Fund - State Appropriation		-	15,701	-
Temporary Assistance for Needy Families - MOE		-	58,343	-
State Funding		-	48,747	-
Total Subsidized Child Care Cluster		<u>517,883</u>	<u>216,776</u>	<u>42,258</u>
Total U.S. Department of Health & Human Resources		<u>12,229,062</u>	<u>6,089,194</u>	<u>1,294,571</u>
<u>U.S. Department of Agriculture</u>				
<i>Passed through Region D Council of Governments:</i>				
Nutrition Program for the Elderly	10.570	<u>16,726</u>	<u>-</u>	<u>-</u>
<i>Passed through N.C. Dept. of Health and Human Resources</i>				
<i>Division of Social Services:</i>				
<i>Administration:</i>				
<i>Food Stamp Cluster:</i>				
<i>Direct Benefit Payment:</i>				
Food Stamp Program	10.551	1,263,973	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	<u>138,393</u>	<u>-</u>	<u>138,393</u>
Total Food Stamp Cluster		<u>1,402,366</u>	<u>-</u>	<u>138,393</u>
Total U.S. Department of Agriculture		<u>1,419,092</u>	<u>-</u>	<u>138,393</u>
<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>				
Total U.S. Department of Transportation	20.509	<u>194,500</u>	<u>16,124</u>	<u>32,500</u>
		<u>194,500</u>	<u>16,124</u>	<u>32,500</u>
<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>				
Capacity Building Grant	14.228	101,801	-	-
Scattered Housing Grant	14.228	<u>177,224</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>279,025</u>	<u>-</u>	<u>-</u>

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through N.C. Dept. of Crime Control & Public Safety</i>				
Emergency Management Reimbursement	97.042	20,548	-	-
Crisis Housing Assistance Fund		-	69,792	-
<i>Total U.S. Department of Homeland Security</i>		<u>20,548</u>	<u>69,792</u>	<u>-</u>
<i>Total federal assistance</i>		<u>14,142,227</u>	<u>6,175,110</u>	<u>1,465,464</u>
STATE GRANTS				
Cash Programs:				
<u>N.C. Department of Health and Human Resources:</u>				
<i>Passed-through Region D Council of Governments:</i>				
Senior Center Outreach		-	572	-
Senior Center Operations		-	10,553	-
Senior Center General Purchases		-	5,466	-
Fans		-	142	-
<i>Division of Social Services:</i>				
State Aid to Counties		-	10,554	-
<i>Direct Benefit Payment:</i>				
State Foster Care Benefits Program		-	30,221	30,221
Foster Care at Risk Maximization		-	4,549	2,395
State/County Special Assistance for Adults		-	148,141	148,141
Child Welfare Services - Adoption Subsidy		-	56,710	20,333
TANF Program Integrity		-	988	-
<i>Department of Juvenile Justice and Delinquency Prevention:</i>				
Adolescent Substance Abuse		-	17,669	-
PASS		-	28,776	-
Project Challenge		-	23,746	-
Juvenile Service Operational		-	150	-
Juvenile Service Mediation		-	7,090	-
<i>Total N.C. Department of Health and Human Resources</i>		<u>-</u>	<u>345,327</u>	<u>201,090</u>

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>N.C. Department of Transportation:</u>				
Elderly & Disabled TAP	DOT 16 CL	-	62,600	-
Work First Program	DOT 16 CL	-	2,688	-
Rural General Public Transportation	DOT 16 CL	-	30,233	-
Facility Grant	DOT 2	-	272,623	13,797
Total N.C. Department of Transportation		-	368,144	13,797
<u>N.C. Department of Administration</u>				
County Aid - Veterans Service Office		-	2,000	-
Total N.C. Department of Administration		-	2,000	-
<u>N.C. Department of Commerce</u>				
Criminal Justice Partnership Program		-	57,849	-
<u>N.C. Soil and Water Conservation</u>				
Conservation Grant		-	22,647	-
<u>N.C. Office of State Budget and Management</u>				
Public School Building Capital Fund		-	566,139	-
Total State assistance		-	1,362,106	214,887
Total assistance		\$ 14,142,227	\$ 7,537,216	\$ 1,680,351

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, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting List Services, Substance Abuse Services, and Infants and Toddlers with Disabilities.