

AVERY COUNTY, NORTH CAROLINA

Newland, North Carolina

Financial Statements

June 30, 2007

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June 30, 2007***

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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, 2007, 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, 2007, and the respective changes in financial position 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 24, 2007 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 24, 2007*

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, 2007. 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 \$24,979,447.*
- *The government's total net assets increased by \$6,544,822 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 \$20,043,290 an increase of \$3,529,332 in comparison with the prior year. Approximately 86.0 percent of this total amount, or \$17,294,410, 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 \$4,504,136, or 20 percent of total general fund expenditures and transfers to other funds for the fiscal year.*
- *Avery County's total debt increased by \$1,492,089 during the current fiscal year due to a bond issuance for the high school renovation project of \$2,000,000 and principal reductions in the amount of \$507,911 resulting from regularly scheduled payments.*

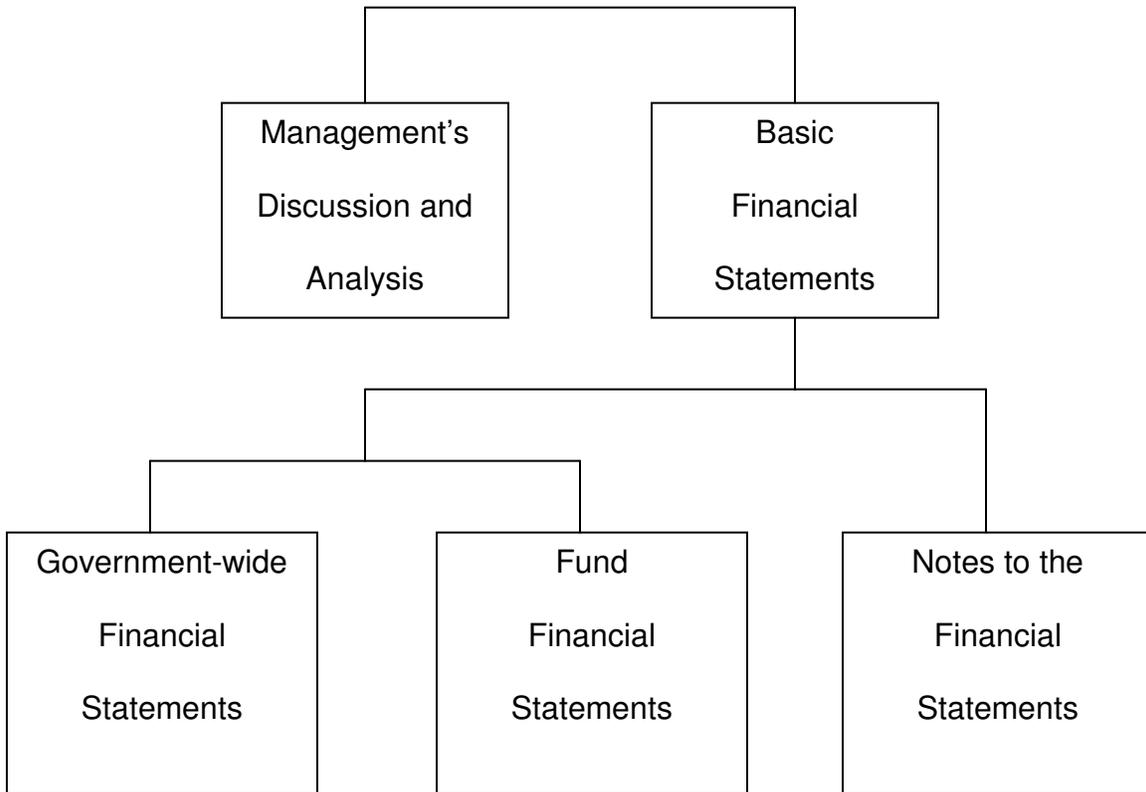
Overview of the Financial Statements

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 34 of this report.*

Management's Discussion and Analysis

Government-Wide Financial Analysis

Avery County's Net Assets

Figure 2

	Governmental Activities		
	2007	2006	Difference
Current and other assets	\$ 22,230,155	\$ 18,046,537	\$ 4,183,618
Capital assets	13,977,205	10,503,168	3,474,037
Total assets	\$ 36,207,360	\$ 28,549,705	\$ 7,657,655
Long-term liabilities outstanding	\$ 8,063,117	\$ 7,510,120	\$ 552,997
Other liabilities	3,164,796	2,604,958	559,838
Total liabilities	11,227,913	10,115,078	1,112,835
 Net assets:			
Invested in capital assets, net of related debt	13,838,749	10,300,535	3,538,214
Restricted	11,745	29,836	(18,091)
Unrestricted	11,128,953	8,104,254	3,024,699
Total net assets	\$ 24,979,447	\$ 18,434,625	\$ 6,544,822

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 \$24,979,447 as of June 30, 2007. The County's net assets increased by \$6,544,822 for the fiscal year ended June 30, 2007. 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 \$11,128,953 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 98.03%, higher than the statewide average for counties of comparable size of 95.61%.
- Increased ad valorem tax revenues due to economic growth
- Increased investment earnings due to an increasing interest rate environment
- Controlled expenditures

Management's Discussion and Analysis

Avery County's Changes in Net Assets
Figure 3

		<i>Governmental Activities</i>	
		<u>2007</u>	<u>2006</u>
<i>Revenues:</i>			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$	1,453,153	\$ 1,751,395
<i>Operating grants and contributions</i>		3,689,210	2,461,977
<i>Capital grants and contributions</i>		1,115,738	6,021,712
<i>General revenues:</i>			
<i>Property taxes</i>		14,497,315	13,611,783
<i>Other taxes</i>		6,244,115	5,834,995
<i>Investment earnings</i>		926,052	617,778
<i>Other</i>		190,879	42,520
<i>Total revenues</i>		<u>28,116,462</u>	<u>30,342,160</u>
<i>Expenses:</i>			
<i>General government</i>		2,660,715	2,506,563
<i>Public safety</i>		6,429,654	9,529,762
<i>Transportation</i>		496,967	477,686
<i>Environmental protection</i>		1,476,175	1,452,127
<i>Economic and physical development</i>		870,053	702,102
<i>Human services</i>		4,786,337	4,573,591
<i>Cultural and recreation</i>		388,763	359,802
<i>Education</i>		4,119,367	3,829,800
<i>Interest on long-term debt</i>		343,609	497,667
<i>Total expenses</i>		<u>21,571,640</u>	<u>23,929,100</u>
<i>Increase in net assets</i>		6,544,822	6,413,060
<i>Net assets, beginning</i>		<u>18,434,625</u>	<u>12,021,565</u>
<i>Net assets, ending</i>	\$	<u>24,979,447</u>	\$ <u>18,434,625</u>

Financial Analysis of the County's Funds

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

Governmental Activities. Governmental activities increased the County's net assets by \$6,544,822.

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 \$4,504,136, while total fund balance reached \$11,163,549. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20 percent of total General Fund expenditures and transfers to other funds, while total fund balance represents 50 percent of that same amount.

At June 30, 2007, the governmental funds of Avery County reported a combined fund balance of \$20,043,290, an 18 percent increase over last year. The primary reason for this increase is the proceeds received from financing for the High School Capital Project Funds.

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

Total amendments to the General Fund increased the original budget by \$735,722. The majority of these amendments were due to federal and State pass through grants awarded to the County to recover from the flooding caused by Hurricanes Frances and Ivan.

Capital Asset and Debt Administration

Capital assets. Avery County's capital assets for its governmental activities as of June 30, 2007, totals \$13,977,205 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction in progress on the new Health Department
- Construction in progress on the High School Renovation Project
- Construction in progress on the Courthouse Renovation Project
- Construction of a new Transportation Department facility

Management's Discussion and Analysis

Avery County's Capital Assets (net of depreciation)

Figure 4

	<i>Governmental Activities</i>		<i>Governmental Activities</i>		<i>Difference</i>
	2007		2006		
<i>Land</i>	\$ 1,721,381	\$	1,721,381	\$	-
<i>Construction in progress</i>	7,360,052		4,722,052		2,638,000
<i>Buildings</i>	2,808,266		2,793,306		14,960
<i>Improvements other than buildings</i>	550,989		467,469		83,520
<i>Machinery and equipment</i>	1,223,548		442,123		781,425
<i>Vehicles and motorized equipment</i>	312,969		356,837		(43,868)
Total	\$ 13,977,205	\$	10,503,168	\$	3,474,037

Additional information on the County's capital assets can be found in note 2A, pages 31 through 32 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2007, Avery County had total debt outstanding of \$9,522,099. Of this, \$9,339,288 is debt secured by deeds of trust, \$138,456 is capitalized leases, and \$44,355 is a pension obligation.

Additional information regarding Avery County's long-term debt can be found in note 2 beginning on page 36.

Budget Highlights for the Fiscal Year Ending June 30, 2008

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 8.8 percent to \$25,392,188.

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, 2007

	<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	\$ 19,254,229	\$ 96,167
Receivables (net)	1,021,899	106
Due from other governments	1,942,804	-
Prepaid items	11,223	-
Capital assets:		
Land, improvements, and construction in progress	9,081,433	980,171
Other capital assets, net of depreciation	4,895,772	279,919
Total capital assets	<u>13,977,205</u>	<u>1,260,090</u>
Total assets	<u>36,207,360</u>	<u>1,356,363</u>
LIABILITIES		
Accounts payable and accrued expenses	1,286,654	598
Unearned revenue	1,254	-
Accrued interest payable	417,905	-
Long-term liabilities:		
Due within one year	1,458,984	-
Due in more than one year	8,063,116	-
Total liabilities	<u>11,227,913</u>	<u>598</u>
NET ASSETS		
Invested in capital assets, net of related debt	13,838,749	1,260,090
Restricted for:		
Register of Deeds	11,745	-
Unrestricted (deficit)	11,128,953	95,675
Total net assets	<u>\$ 24,979,447</u>	<u>\$ 1,355,765</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, 2007

<i>Functions/Programs</i>	<i>Program Revenues</i>				<i>Net (Expense) Revenue and Changes in Net Assets</i>	
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Government</i>	<i>Component Unit</i>
					<i>Governmental Activities</i>	<i>Avery County Airport</i>
Primary government:						
<i>Governmental Activities:</i>						
<i>General government</i>	\$ 2,660,715	\$ 271,564	\$ -	\$ -	\$ (2,389,151)	
<i>Public safety</i>	6,429,654	829,122	1,223,756	-	(4,376,776)	
<i>Transportation</i>	496,967	-	258,158	442,337	203,528	
<i>Environmental protection</i>	1,476,175	284,868	26,970	102,629	(1,061,708)	
<i>Economic and physical development</i>	870,053	45,081	-	-	(824,972)	
<i>Human services</i>	4,786,337	30	2,180,326	493,859	(2,112,122)	
<i>Cultural and recreation</i>	388,763	22,488	-	76,913	(289,362)	
<i>Education</i>	4,119,367	-	-	-	(4,119,367)	
<i>Interest on long-term debt</i>	343,609	-	-	-	(343,609)	
<i>Total governmental activities</i>	<u>\$ 21,571,640</u>	<u>\$ 1,453,153</u>	<u>\$ 3,689,210</u>	<u>\$ 1,115,738</u>	<u>\$ (15,313,539)</u>	
<i>Component units:</i>	83,051	9,599	45,000	50,000		
<i>Airport</i>	<u>\$ 83,051</u>	<u>\$ 9,599</u>	<u>\$ 45,000</u>	<u>\$ 50,000</u>		21,548
<i>General revenues:</i>						
<i>Taxes:</i>						
<i>Property taxes, levied for general purpose</i>					14,497,315	-
<i>Local option sales tax</i>					5,404,256	-
<i>Other taxes and licenses</i>					839,859	-
<i>Investment earnings, unrestricted</i>					926,052	3,743
<i>Miscellaneous, unrestricted</i>					190,879	-
<i>Total general revenues, special items, and transfers</i>					<u>21,858,361</u>	<u>3,743</u>
<i>Change in net assets</i>					<u>6,544,822</u>	<u>25,291</u>
<i>Net assets-beginning</i>					<u>18,434,625</u>	<u>1,330,474</u>
<i>Net assets-ending</i>					<u>\$ 24,979,447</u>	<u>\$ 1,355,765</u>

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

Avery County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2007

	General	Courthouse Capital Project Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,373,091	\$ 6,746,465	\$ 2,134,673	\$ 19,254,229
Receivables, net	816,923	-	92,268	909,191
Due from other governments	1,804,300	1,661	136,843	1,942,804
Prepaid assets	11,223	-	-	11,223
Total assets	\$ 13,005,537	\$ 6,748,126	\$ 2,363,784	\$ 22,117,447

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 1,114,542	\$ -	\$ 172,112	\$ 1,286,654
Deferred revenue	727,446	-	60,057	787,503
Total liabilities	1,841,988	-	232,169	2,074,157

Fund balances:

Reserved for:

Subsequent years' expenditures	320,050	-	1,971	322,021
State statute	1,895,031	1,661	169,054	2,065,746
Register of Deeds	11,745	-	-	11,745
Capital reserve funds	4,432,587	-	541,835	4,974,422
Unreserved	4,504,136	-	-	4,504,136
<i>Unreserved, reported in nonmajor:</i>				
Special revenue funds	-	-	349,368	349,368
Capital projects funds	-	6,746,465	1,069,387	7,815,852
Total fund balances	11,163,549	6,748,126	2,131,615	20,043,290
Total liabilities and fund balances	\$ 13,005,537	\$ 6,748,126	\$ 2,363,784	

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

Deferred revenue not available for current operations	786,249
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,977,205
Interest receivable is not available to pay for current period expenditures and therefore not reported in the funds	112,708
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	<u>(9,940,005)</u>
Net assets of governmental activities	\$ 24,979,447

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, 2007

	General Fund	Courthouse Capital Project Fund	Other Non- major Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 13,299,065	\$ -	\$ 1,049,175	\$ 14,348,240
Local option sales taxes	5,404,256	-	-	5,404,256
Other taxes and licenses	581,651	-	-	581,651
Unrestricted intergovernmental	117,639	-	-	117,639
Restricted intergovernmental	3,576,982	-	1,073,124	4,650,106
Permits and fees	479,774	-	-	479,774
Sales and services	1,204,478	-	-	1,204,478
Investment earnings	833,701	-	76,906	910,607
Miscellaneous	255,191	-	-	255,191
Total revenues	25,752,737	-	2,199,205	27,951,942
EXPENDITURES				
<i>Current:</i>				
General government	2,446,125	-	31,927	2,478,052
Public safety	4,669,278	14,146	1,537,162	6,220,586
Transportation	450,369	-	-	450,369
Environmental protection	1,426,946	-	-	1,426,946
Economic and physical development	376,194	-	493,859	870,053
Human services	4,680,566	-	74,210	4,754,776
Cultural and recreational	356,729	-	-	356,729
<i>Intergovernmental:</i>				
Education	4,119,050	-	317	4,119,367
Capital outlay	1,228,576	618,476	2,168,021	4,015,073
<i>Debt service:</i>				
Principal	1,309,494	-	-	1,309,494
Interest	421,165	-	-	421,165
Total expenditures	21,484,492	632,622	4,305,496	26,422,610
<i>Excess (deficiency) of revenues over expenditures</i>	4,268,245	(632,622)	(2,106,291)	1,529,332
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	1,036,158	1,036,158
Transfers to other funds	(1,027,521)	(8,637)	-	(1,036,158)
Proceeds from long term financing	-	-	2,000,000	2,000,000
Total other financing sources and uses	(1,027,521)	(8,637)	3,036,158	2,000,000
Net change in fund balance	3,240,724	(641,259)	929,867	3,529,332
Fund balances-beginning	7,922,825	7,389,385	1,201,748	16,513,958
Fund balances-ending	\$ 11,163,549	\$ 6,748,126	\$ 2,131,615	\$ 20,043,290

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, 2007

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

Net changes in fund balances - total governmental funds	\$ 3,529,332
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.	3,474,037
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	164,520
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.	(690,506)
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.	<u>67,439</u>
Total changes in net assets of governmental activities	<u><u>\$ 6,544,822</u></u>

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

Avery County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<i>Revenues:</i>				
<i>Ad valorem taxes</i>	\$ 12,911,960	\$ 12,911,960	\$ 13,299,065	\$ 387,105
<i>Local option sales tax</i>	4,340,000	4,340,000	5,404,256	1,064,256
<i>Other taxes and licenses</i>	420,000	470,000	581,651	111,651
<i>Unrestricted intergovernmental</i>	86,500	86,500	117,639	31,139
<i>Restricted intergovernmental</i>	3,842,522	6,324,498	3,576,982	(2,747,516)
<i>Permits and fees</i>	364,500	365,000	479,774	114,774
<i>Sales and services</i>	1,072,600	1,081,818	1,204,478	122,660
<i>Investment earnings</i>	215,000	215,000	833,701	618,701
<i>Miscellaneous</i>	2,219,178	33,692	255,191	221,499
<i>Total revenues</i>	<u>25,472,260</u>	<u>25,828,468</u>	<u>25,752,737</u>	<u>(75,731)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government</i>	2,666,176	2,891,217	2,668,449	222,768
<i>Public safety</i>	4,414,388	8,231,368	4,846,997	3,384,371
<i>Transportation</i>	1,470,324	1,480,306	1,139,059	341,247
<i>Environmental protection</i>	2,080,014	1,545,280	1,484,446	60,834
<i>Economic and physical development</i>	3,301,361	438,151	376,194	61,957
<i>Human services</i>	4,957,213	5,034,361	4,680,566	353,795
<i>Cultural and recreational</i>	400,172	418,322	394,072	24,250
<i>Intergovernmental:</i>				
<i>Education</i>	4,243,800	4,244,825	4,119,050	125,775
<i>Debt service:</i>				
<i>Principal retirement</i>	1,358,740	1,309,494	1,309,494	-
<i>Interest and other charges</i>	500,000	534,586	421,165	113,421
<i>Total expenditures</i>	<u>25,392,188</u>	<u>26,127,910</u>	<u>21,439,492</u>	<u>4,688,418</u>
<i>Revenues over (under) expenditures</i>	<u>80,072</u>	<u>(299,442)</u>	<u>4,313,245</u>	<u>(4,612,687)</u>
<i>Other financing sources (uses):</i>				
<i>Transfers (to) from other funds</i>	(531,000)	(1,081,495)	(1,027,521)	(53,974)
<i>Transfers to component unit</i>	(45,000)	(45,000)	(45,000)	-
<i>Fund balance appropriated</i>	495,928	1,425,937	-	1,425,937
<i>Total other financing sources (uses)</i>	<u>(80,072)</u>	<u>299,442</u>	<u>(1,072,521)</u>	<u>1,371,963</u>
<i>Revenues and other financing sources over expenditures and other financing uses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>3,240,724</u>	<u>\$ (3,240,724)</u>
<i>Fund balances:</i>				
<i>Beginning of year, July 1</i>			<u>7,922,825</u>	
<i>End of year, June 30</i>			<u>\$ 11,163,549</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, 2007
(With Comparative Totals for June 30, 2006)

	<i>Agency Funds</i>	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assets		
<i>Current assets:</i>		
<i>Cash and cash equivalents</i>	\$ 45,950	\$ 50,448
<i>Taxes receivable - net</i>	2,703	3,351
<i>Total assets</i>	<u>\$ 48,653</u>	<u>\$ 53,799</u>
Liabilities and Net Assets		
<i>Liabilities:</i>		
<i>Miscellaneous liabilities</i>	\$ 45,288	\$ 50,448
<i>Intergovernmental payable - Town Motor Vehicle Tax</i>	2,703	2,924
<i>Intergovernmental payable - State of North Carolina</i>	662	427
<i>Total liabilities</i>	<u>48,653</u>	<u>53,799</u>
<i>Net assets</i>	<u>-</u>	<u>-</u>
<i>Total liabilities and net assets</i>	<u>\$ 48,653</u>	<u>\$ 53,799</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, 2007

(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 unit, a legally separate entity 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 legally separate 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 the component unit may be obtained at the administrative offices of the entity:

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

(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 unit. 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.

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 unit. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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 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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. 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 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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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

(E) Assets, Liabilities and Fund Equity

Deposits and Investments

All deposits of the County and the Avery County Airport Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and Avery County Airport Authority 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 and the Airport Authority'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, 2006.

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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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."

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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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 2007-2008 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 does not vest and is lost unless taken by the end of the fiscal year. Since the County has no obligation for accumulated vacation leave if not taken, no accrual for vacation leave has been made.

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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

(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 \$4,936,158 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
<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)</i>	\$ 19,873,108
<i>Less Accumulated Depreciation</i>	<u>(5,895,903)</u>
<i>Net capital assets</i>	13,977,205
<i>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.</i>	112,708
<i>Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide</i>	786,249
<i>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:</i>	
<i>Pension benefit obligation</i>	(44,355)
<i>Bonds, leases, and installment financing</i>	(9,477,744)
<i>Accrued interest payable</i>	<u>(417,905)</u>
<i>Total adjustment</i>	<u>\$ 4,936,158</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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 \$ 3,015,490 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>	\$ 4,015,073
<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>	(541,036)
<i>Cost of capital assets disposed of during the year affect only the statement of activities since they were expensed previously in the fund statements</i>	
<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>	(2,000,000)
<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>	1,309,494
<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>	(10,117)
<i>Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)</i>	77,556
<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>	(637,174)
<i>Recording of tax receipts deferred in the fund statements as of 6/30/07</i>	786,249
<i>Increase in accrued interest on taxes receivable for year ended 6/30/07</i>	15,445
<i>Total adjustment</i>	<u>\$ 3,015,490</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Noncompliance with North Carolina General Statutes

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2007, 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 and the Airport Authority'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 and the Airport Authority'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 and the Airport Authority, 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 and the Airport Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County and the Airport Authority 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 Airport Authority 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, 2007, the County's deposits had a carrying value of \$2,047,693 and a bank balance of \$2,183,166. Of the bank balance, \$300,000 was covered by federal depository insurance and \$1,883,166 was covered by collateral held under the Pooling Method. The County maintains a petty cash fund of \$500.

At June 30, 2007, the carrying amount of deposits for the Avery County Airport Authority was \$96,167 and the bank balance was \$96,167. All of the bank balance was covered by federal depository insurance.

Investments

At June 30, 2007, the County's investments consisted of \$17,206,036 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, 2007

Receivable – Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2007, 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	\$ 90,731	\$ 1,020,988	\$ 1,804,300	\$ 2,916,019
Other Governmental	32,211	74,541	138,504	245,256
Total receivables	<u>122,942</u>	<u>1,095,529</u>	<u>1,942,804</u>	<u>3,161,275</u>
Allowance for doubtful accounts	-	(196,572)	-	(196,572)
Total-governmental activities	<u>\$ 122,942</u>	<u>\$ 898,957</u>	<u>\$ 1,942,804</u>	<u>\$ 2,964,703</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, 2007</u>
General Fund:	
Property taxes	\$ 182,088
Special Revenue Fund:	14,484
Total	<u>\$ 196,572</u>

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

Local option sales tax	\$ 1,366,160
NC DHHS operating funds	168,447
Transportation facility grant	159,551
E-911 operating	158,608
Other miscellaneous	16,408
Sales tax refunds	<u>73,630</u>
Total	<u>\$ 1,942,804</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

Capital Assets

Capital asset activity for the year ended June 30, 2007, 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	\$ -	\$ -	\$ 1,721,381
Construction in progress	4,722,052	3,162,489	(524,489)	7,360,052
Total capital assets not being depreciated	<u>6,443,433</u>	<u>3,162,489</u>	<u>(524,489)</u>	<u>9,081,433</u>
<i>Capital assets being depreciated:</i>				
Buildings	4,869,744	171,913	-	5,041,657
Other improvements	1,248,135	126,656	168,198	1,542,989
Equipment	1,719,317	402,516	356,291	2,478,124
Vehicles and motor equipment	1,577,405	151,499	-	1,728,904
Total capital assets being depreciated	<u>9,414,601</u>	<u>852,584</u>	<u>524,489</u>	<u>10,791,674</u>
<i>Less accumulated depreciation for:</i>				
Buildings	2,076,438	156,953	-	2,233,391
Other improvements	948,865	43,136	-	992,001
Equipment	1,108,995	145,581	-	1,254,576
Vehicles and motor equipment	1,220,568	195,366	-	1,415,934
Total accumulated depreciation	<u>5,354,866</u>	<u>541,036</u>	<u>-</u>	<u>5,895,902</u>
Total capital assets being depreciated, net	<u>4,059,735</u>			<u>4,895,772</u>
Governmental activity capital assets, net	<u>\$ 10,503,168</u>			<u>\$ 13,977,205</u>
General government	\$ 172,546			
Public safety	209,068			
Environmental Protection	49,229			
Human services	31,561			
Transportation	46,598			
Cultural and recreational	32,034			
Total depreciation expense	<u>\$ 541,036</u>			

Construction commitments

The government has active construction projects as of June 30, 2007. The projects include the courthouse project, a health department and a school construction project. At June 30, 2007, the government's commitments with contractors are as follows:

<i>Project</i>	<i>Spent To Date</i>	<i>Remaining Commitmen</i>
Health Department Facility	\$1,482,227	\$75,605
High School Renovation	\$2,283,009	\$287,323
Transportation Facility	\$649,928	\$180,942
Courthouse Annex	\$569,036	\$79,367

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

Discretely presented component units

Activity for the Avery County Airport for the year ended June 30, 2007, 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	\$930,171	50,000		\$980,171
Total capital assets not being depreciated	930,171	50,000	-	980,171
<i>Capital assets being depreciated:</i>				
Equipment	11,978	-	-	11,978
Building improvements	5,310	-	-	5,310
Leasehold improvements	353,651	-	-	353,651
Fuel storage facility	66,604	-	-	66,604
Total capital assets being depreciated	437,543	-	-	437,543
<i>Less accumulated depreciation for:</i>				
Equipment	11,978	-	-	11,978
Building improvements	1,364	221	-	1,585
Leasehold improvements	65,841	29,097	-	94,938
Fuel storage facility	42,463	6,660	-	49,123
Total accumulated depreciation	121,646	35,978	-	157,624
Total capital assets being depreciated, net	315,897			279,919
Avery County Airport capital assets, net	<u>\$1,246,068</u>			<u>\$1,260,090</u>

Payables

Payables at the government-wide level at June 30, 2007, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
<i>Governmental Activities:</i>				
General	\$ 676,550	\$ 439,246	\$ 417,905	\$ 1,533,701
Other Governmental	172,112	-	-	172,112
Total-governmental activities	<u>\$ 848,662</u>	<u>\$ 439,246</u>	<u>\$ 417,905</u>	<u>\$ 1,705,813</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, 2007

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, 2007, 2006, and 2005 was \$231,695, \$212,057 and \$237,061, 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, 2006 the Separation Allowance membership consisted of:

<i>Retirees receiving benefits</i>	<i>0</i>
<i>Terminated plan members entitled to but not Yet receiving benefits</i>	<i>0</i>
<i>Active plan members</i>	<i>25</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, 2006 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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Annual required contribution	\$ 9,684
Annual pension cost	10,117
Contributions made	0
Increase (decrease) in net pension obligation	<u>10,117</u>
Net pension obligation beginning of year	34,238
Net pension obligation end of year	<u>\$ 44,355</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, 2007 were \$33,732 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 four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven-percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2007, the County contributed \$34,577 to the fund, representing 100% of its required contribution.*

f. Other Post 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, 2007

within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. 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, 2007, 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
Prepaid taxes, not yet earned	\$ 1,254	\$ -
Taxes receivable (net)	726,192	60,057
	<u>\$ 727,446</u>	<u>\$ 60,057</u>

Unearned revenue as listed on the government-wide statements represents prepaid taxes for motor vehicles in the amount of \$1,254.

(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

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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, 2007, 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, 2007 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.

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

At June 30, 2007, the County leased equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 244,248	\$ 77,368	\$ 166,880

For Avery County, the future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2007 are as follows:

Year Ending June 30	General Long-Term Debt
2008	\$ 62,190
2009	62,872
2010	20,617
Total minimum lease payments:	\$ 145,679
Less: amount representing interest and taxes	<u>7,223</u>
Present value minimum lease payments	<u>\$ 138,456</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, 2007 including interest of \$1,029,139, are:

Year Ending June 30	General Long-Term Debt
2008	\$ 1,832,533
2009	1,798,320
2010	1,335,752
2011	970,271
2012	935,575
2013-2018	3,083,883
2019-2023	<u>550,550</u>
Total	<u>\$ 10,506,884</u>

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

At June 30, 2007, the County had a legal debt margin of \$ 363,174,244.

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, 2007.

Governmental activities:	<i>Balance</i> <i>July 1, 2006</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <i>June 30, 2007</i>	<i>Current</i> <i>Portion of</i> <i>Balance</i>
Capitalized leases	\$ 194,049	\$ -	\$ 55,592	\$ 138,457	\$ 57,596
Installment purchase	8,593,190	2,000,000	1,253,902	9,339,288	1,357,033
Pension plan obligation	34,238	10,117	-	44,355	44,355
<i>Total governmental activities</i>	<i>\$ 8,821,477</i>	<i>\$ 2,010,117</i>	<i>\$ 1,309,494</i>	<i>\$ 9,522,100</i>	<i>\$ 1,458,984</i>

d. Interfund Balances and Activity

Transfers to/from other fund

Transfers to/from other funds at June 30, 2007, consist of the following:

From the General fund to the Capital Reserve fund to accumulate resources	\$541,835
From the General fund to the Fire Tax fund for operating costs	341,000
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 for debt service payments	(8,667)
From the General fund to the E-911 fund to for operating costs	118,323
Total	\$1,036,158

(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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$66,000 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 \$219,800 to the College for operating purposes and \$30,000 for capital outlay during the fiscal year ended June 30, 2007. The participating governments do not have

Avery County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007

an equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2007. 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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$232,178 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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$80,000 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, 2007.

(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, 2007, 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, 2007

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, 2007, the balance of the County's ADM allocation account was \$ 552,772. 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, 2007, 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, 2007

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, 2007.

(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	\$ 11,253,417	5,710,004
Temporary Assistance for Needy Families	92,503	-
Food Stamp Program	1,060,281	-
Title IV-E Foster Care Assistance	38,449	2,834
Title IV-E Adoption Assistance	25,126	6,982
State Foster Care Benefits Program	-	8,070
State Special Assistance for Adults	-	109,785
Low Income Energy Assistance	82,595	-
CWS Adoption Subsidy	60,290	17,867
Foster Care At Risk Maximization	-	4,281

(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.

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%

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%

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	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Revenues:				
<i>Ad valorem taxes:</i>				
Taxes	\$	\$ 13,258,997	\$	\$ 12,443,679
Penalties and interest		97,296		95,761
Refunds and releases		(57,228)		(36,629)
Total		<u>12,911,960</u>		<u>12,502,811</u>
<i>Local option sales taxes:</i>				
Article 39 one percent		2,231,749		888,790
Article 40 one-half of one percent		1,099,605		2,005,300
Article 42 one-half of one percent		1,088,281		999,009
Article 44 one-half of one percent		973,650		
Video programming distribution		10,971		990,211
Total		<u>4,340,000</u>		<u>4,883,310</u>
<i>Other taxes and licenses:</i>				
Real estate transfer tax		554,681		666,437
White goods disposal tax		7,574		8,659
Scrap tire disposal tax		19,396		22,871
Total		<u>470,000</u>		<u>697,967</u>
<i>Unrestricted intergovernmental:</i>				
Payments in lieu of taxes		97,278		92,141
Food stamp tax reimbursement		2,418		609
Sales tax refunds		17,943		-
Total		<u>86,500</u>		<u>92,750</u>
<i>Restricted intergovernmental:</i>				
State and federal grants		3,542,186		6,830,766
Court facilities fees		27,058		26,861
ABC bottle tax		7,738		8,356
Total		<u>6,324,498</u>		<u>6,865,983</u>
<i>Licenses and permits:</i>				
Inspection fees and building permits		247,663		251,804
Register of deeds		206,325		204,945
Marriage licenses		7,350		6,000
Officer fees		8,653		8,716
Gun permits		855		620
IPM dues		1,175		2,175
Fingerprint fees		1,570		1,550
Adoption fees		30		700
Concealed weapons fees		6,153		4,795
Total		<u>365,000</u>		<u>481,305</u>
<i>Sales and services:</i>				
Election department		-		10,928
Transportation fees		258,158		230,083
Rents, concessions and fees		13,537		22,134
Recreation fees		22,488		17,093

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Jail fees		15,209		14,640
Tax assessor fees		3,041		3,085
Emergency medical service		549,019		889,540
Solid waste fees		328,774		242,614
Civil process fees		11,482		9,892
Civil license revocations		2,770		2,476
Total	1,081,818	1,204,478	122,660	1,442,485
Investment earnings	215,000	833,701	618,701	604,591
Miscellaneous:				
Sales of fixed assets		158,623		28,329
Sloop Hospital reimbursement		-		6,027
Donations		76,913		-
Restitution fees		1,004		-
Drug fund		5,344		2,497
Other		13,307		10,494
Total	33,692	255,191	221,499	47,347
Total revenues	25,828,468	25,752,737	(75,731)	27,618,549
Expenditures:				
General government -				
Governing body:				
Salaries and employee benefits		108,934		106,692
Other operating expenditures		33,054		23,057
Capital outlay		-		2,484
Total	184,943	141,988	42,955	132,233
Administration:				
Salaries and employee benefits		114,704		107,975
Other operating expenditures		21,334		21,515
Total	145,700	136,038	9,662	129,490
Elections:				
Salaries and employee benefits		91,421		85,376
Other operating expenditures		40,810		62,822
Capital outlay		15,990		1,075
Total	190,907	148,221	42,686	149,273

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<i>Finance:</i>				
Salaries and employee benefits		207,998		171,787
Other operating expenditures		44,140		42,499
Capital outlay		7,231		5,014
Total	300,260	259,369	40,891	219,300
<i>Tax listing and supervisor:</i>				
Salaries and employee benefits		241,595		227,018
Other operating expenditures		103,701		70,686
Capital outlay		-		2,413
Total	401,017	345,296	55,721	300,117
<i>Tax collections:</i>				
Salaries and employee benefits		142,610		129,827
Other operating expenditures		25,522		32,899
Capital outlay		4,961		-
Total	227,415	173,093	54,322	162,726
<i>Tax mapping:</i>				
Operating expenditures		13,651		11,775
Capital outlay		1,649		-
Total	21,645	15,300	6,345	11,775
<i>Register of Deeds:</i>				
Salaries and employee benefits		194,417		197,513
Other operating expenditures		325,449		409,175
Capital outlay		10,652		-
Total	589,405	530,518	58,887	606,688
<i>Public Buildings:</i>				
Salaries and employee benefits		167,161		157,825
Other operating expenditures		387,909		329,290
Capital outlay		285,611		57,947
Total	744,725	840,681	(95,956)	545,062
<i>Legal and auditing:</i>				
Contracted services	76,000	69,746	6,254	98,328
<i>Facilities fees:</i>				
Operating expenditures		7,634		7,779
Capital outlay		565		-
Total	9,200	8,199	1,001	7,779
Total general government	2,891,217	2,668,449	222,768	2,362,771

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Public safety -				
Sheriff's Department:				
Salaries and employee benefits		881,296		775,243
Other operating expenditures		200,145		178,100
Capital outlay		123,786		85,994
Total	1,211,228	1,205,227	6,001	1,039,337
Jail:				
Salaries and employee benefits		330,283		304,273
Other operating expenditures		181,404		169,813
Capital outlay		2,312		3,177
Total	536,034	513,999	22,035	477,263
Building inspection:				
Salaries and employee benefits		237,448		218,857
Other operating expenditures		59,022		101,282
Capital outlay		10,500		9,654
Total	365,267	306,970	58,297	329,793
Emergency management:				
Salaries and employee benefits		85,678		78,242
Other operating expenditures		16,284		19,151
Hazard mitigation and hurricane relief		764,165		4,531,469
Capital outlay		38,515		46,523
Total	3,896,587	904,642	2,991,945	4,675,385
Emergency medical services:				
Salaries and employee benefits		967,258		923,203
Other operating expenditures		203,275		228,948
Capital outlay		40,988		123,080
Total	1,474,428	1,211,521	262,907	1,275,231
Central dispatch:				
Salaries and employee benefits		436,250		402,718
Other operating expenditures		49,786		52,471
Capital outlay		510		-
Total	529,749	486,546	43,203	455,189
OSHA instruction:				
Other operating expenditures		342		-
Total	325	342	(17)	-

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Medical examiner:				
Professional services	20,300	20,300	0	13,725
Community agency contributions:				
Avery Search & Rescue		143,000		130,000
Humane Society		54,450		49,500
Total	197,450	197,450	-	179,500
Total public safety	8,231,368	4,846,997	3,384,371	8,445,423
Public transportation:				
Streets and highways:				
Salaries and employee benefits		339,151		340,104
Other operating expenditures		107,541		100,687
Capital outlay		692,367		36,895
Total public transportation	1,480,306	1,139,059	341,247	477,686
Environmental protection -				
Sanitation:				
Salaries and employee benefits		564,114		551,607
Other operating expenditures		707,791		694,876
Capital outlay		65,000		600
Total	1,398,416	1,336,905	61,511	1,247,083
Soil conservation service:				
Contracted services	146,864	147,541	(677)	129,380
Total environmental protection	1,545,280	1,484,446	60,834	1,376,463
Economic and physical development -				
Agricultural extension agent:				
Salaries and employee benefits		153,466		135,412
Other operating expenditures		198,474		171,170
Capital outlay		5,370		11,217
Total	405,900	357,310	48,590	317,799
Physical development:				
Operating expenditures				7,349
Total	22,572	10,205	12,367	7,349
Regional economic development:				
Region D Development Council		8,679		8,864
W.N.C. Development Association		-		1,000
	9,679	8,679	1,000	9,864

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Total economic and physical development	438,151	376,194	61,957	335,012
Human services -				
Public Health:				
Toe River Health District		232,178		265,739
New River Mental Health		80,000		75,000
Alcoholic rehabilitation		7,738		9,373
Total	319,678	319,916	(238)	350,112
Veteran's Service Officer -				
Salaries and employee benefits		13,605		18,920
Other operating expenditures		1,894		3,046
Capital outlay		-		947
Total	32,075	15,499	16,576	22,913
Social Services:				
Salaries and employee benefits		1,190,674		1,109,845
Other operating expenditures		159,229		169,398
Capital outlay		15,091		999
Total	1,522,127	1,364,994	157,133	1,280,242
County participation:				
Medicaid		1,041,359		1,092,821
Special assistance		182,786		168,668
Foster care		148,694		110,504
Crisis intervention		25,260		18,198
Family Support Act		95,485		110,596
Aid for children		23,947		18,968
Independent living		2,260		4,496
JOBS program		56,472		44,470
Total	1,672,794	1,576,263	96,531	1,568,721
Senior Citizens:				
Salaries and employee benefits		432,679		407,171
Other operating expenditures		200,727		197,712
Capital outlay		6,936		11,309
Total	707,608	640,342	67,266	616,192
Day Care and Child Development:				
Contracted services				481,238
	546,065	541,799	4,266	481,238
Community Based Alternatives				
Operating expenditures	119,515	106,986	12,529	106,096

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
CJPP Program	52,585	51,636	949	51,329
Aid to the Blind	1,414	1,631	(217)	1,454
Community agency contributions:				
Hospice		17,500		17,500
ADAP - Yellow Mountain		22,000		20,000
Avery Alzheimer's Support		1,000		1,000
WNC Development		1,000		-
ACADA		20,000		10,000
Total	60,500	61,500	(1,000)	48,500
Total human services	5,034,361	4,680,566	353,795	4,526,797
Cultural and recreational -				
Parks & recreation:				
Salaries and employee benefits		168,309		124,494
Other operating expenditures		88,277		88,658
Capital outlay		24,886		12,153
Total	305,722	281,472	24,250	225,305
Community agency contributions:				
Shrine Club		1,000		1,000
Arts Council		3,000		2,500
Blue Ridge Resource		17,100		17,100
Avery Little League		2,000		2,000
WAMY		5,500		4,200
Tag Office		10,000		10,000
Municipality Donation		5,000		-
Avery Museum		3,000		3,000
Total	46,600	46,600	-	39,800
Library:				
Contracted services	66,000	66,000	-	61,306
Total cultural and recreational	418,322	394,072	24,250	326,411
Education -				
Public schools - current expense		3,564,500		3,336,000
Public schools - capital outlay		304,750		264,000
Community College - current expense		219,800		199,800
Community College - capital outlay		30,000		30,000
Total education	4,244,825	4,119,050	125,775	3,829,800

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Debt service -				
Principal retirement		1,309,494		1,492,089
Interest and fees		421,165		495,461
Total debt service	1,844,080	1,730,659	113,421	1,987,550
Total expenditures	26,127,910	21,439,492	4,688,418	23,667,913
Revenue over (under) expenditures	(299,442)	4,313,245	4,612,687	3,950,636
Other financing sources (uses):				
Operating transfers in (out):				
To Revaluation Fund	(35,000)	(35,000)	-	(35,000)
To/From E-911 Fund	(155,000)	(118,323)	36,677	(155,000)
To/From Capital Projects Fund (Courthouse)	(8,660)	8,637	17,297	(3,011,078)
To/From Capital Reserve Fund	(541,835)	(541,835)	-	-
To/From Capital Projects Fund (High School Renovatio	-	-	-	(1,500,000)
To Fire Tax Fund	(341,000)	(341,000)	-	-
To component unit - Airport	(45,000)	(45,000)	-	(58,595)
Total operating transfers	(1,126,495)	(1,072,521)	53,974	(4,759,673)
Total other financing sources (uses)	(1,126,495)	(1,072,521)	53,974	(4,759,673)
Excess of revenues and other sources over (under) expenditures and other uses	(1,425,937)	3,240,724	4,666,661	(809,037)
Appropriated fund balance	1,425,937	-	(1,425,937)	-
Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	3,240,724	\$ 3,240,724	(809,037)
Fund balances - beginning of year		7,922,825		8,731,862
Fund balances - end of year		\$ 11,163,549		\$ 7,922,825

See the accompanying Independent Auditor's Report.

Avery County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2007

	<i>Capital Reserve Fund</i>	<i>E-911 Fund</i>	<i>Fire District Fund</i>	<i>Revaluation Fund</i>	<i>Total Non-major Special Revenue Funds</i>	<i>Health Department Capital Project Fund</i>	<i>School Renovation Capital Project Funds</i>	<i>Total Non-major Governmental Funds</i>
ASSETS								
<i>Cash and cash equivalents</i>	\$ 541,835	\$ 387,747	\$ 33,175	\$ 44,344	\$ 1,007,101	\$ 28,700	\$ 1,098,872	\$ 2,134,673
<i>Accounts receivable, net</i>	-	32,211	-	-	32,211	-	-	32,211
<i>Taxes receivable, net</i>	-	-	60,057	-	60,057	-	-	60,057
<i>Due from other governments</i>	-	135,330	-	3	135,333	1,510	-	136,843
Total assets	\$ 541,835	\$ 555,288	\$ 93,232	\$ 44,347	\$ 1,234,702	\$ 30,210	\$ 1,098,872	\$ 2,363,784
LIABILITIES AND FUND BALANCES								
<i>Liabilities:</i>								
<i>Accounts payable and accrued liabilities</i>	\$ -	\$ 79,242	\$ 33,175	\$ -	\$ 112,417	\$ -	\$ 59,695	\$ 172,112
<i>Deferred revenue</i>	-	-	60,057	-	60,057	-	-	60,057
Total liabilities	-	79,242	93,232	-	172,474	-	59,695	232,169
<i>Fund balances:</i>								
<i>Reserved by state statute</i>	-	167,541	-	3	167,544	1,510	-	169,054
<i>Designated for subsequent years' expenditures</i>	-	-	-	1,971	1,971	-	-	1,971
<i>Unreserved</i>	541,835	308,505	-	42,373	892,713	28,700	1,039,177	1,960,590
Total fund balances	541,835	476,046	-	44,347	1,062,228	30,210	1,039,177	2,131,615
Total liabilities and fund balances	\$ 541,835	\$ 555,288	\$ 93,232	\$ 44,347	\$ 1,234,702	\$ 30,210	\$ 1,098,872	\$ 2,363,784

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, 2007

							Non-major Capital Projects Fund		Non-major Capital Projects Fund			
	Capital Reserve 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	\$ -	\$ -	\$ 1,049,175	\$ -	\$ -	\$ 1,049,175	\$ -	\$ -	\$ 1,049,175			
Restricted intergovernmental	-	300,586	-	-	493,859	794,445	-	278,679	1,073,124			
Investment earnings	-	14,427	-	-	-	14,427	62,479	-	76,906			
Total revenues	-	315,013	1,049,175	-	493,859	1,858,047	62,479	278,679	2,199,205			
EXPENDITURES												
Current:												
General government	-	-	-	31,927	-	31,927	-	-	31,927			
Economic and physical development	-	-	-	-	493,859	493,859	-	-	493,859			
Human services	-	-	-	-	-	-	-	74,210	74,210			
Public safety	-	146,987	1,390,175	-	-	1,537,162	-	-	1,537,162			
Education	-	-	-	-	-	-	317	-	317			
Capital outlay	-	260,236	-	-	-	260,236	1,536,313	371,472	2,168,021			
Total expenditures	-	407,223	1,390,175	31,927	493,859	2,323,184	1,536,630	445,682	4,305,496			
Excess (deficiency) of revenues over expenditures	-	(92,210)	(341,000)	(31,927)	-	(465,137)	(1,474,151)	(167,003)	(2,106,291)			
OTHER FINANCING SOURCES (USES)												
Transfers (to) from other funds	541,835	118,323	341,000	35,000	-	1,036,158	-	-	1,036,158			
Proceeds from qualified zone academy bonds	-	-	-	-	-	-	2,000,000	-	2,000,000			
Total other financing sources and uses	541,835	118,323	341,000	35,000	-	1,036,158	2,000,000	-	3,036,158			
Net change in fund balances	541,835	26,113	-	3,073	-	571,021	525,849	(167,003)	929,867			
Fund balances - beginning	-	449,933	-	41,274	-	491,207	513,328	197,213	1,201,748			
Fund balances - ending	\$ 541,835	\$ 476,046	\$ -	\$ 44,347	\$ -	\$ 1,062,228	\$ 1,039,177	\$ 30,210	\$ 2,131,615			

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, 2007****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)**

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<i>Revenues:</i>				
<i>Investment earnings</i>	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
<i>Operating transfer in (out):</i>				
<i>From General Fund</i>	-	541,835	(541,835)	-
<i>Total other financing sources (uses)</i>	-	541,835	(541,835)	-
<i>Excess of revenues and other sources over (under) expenditures and other uses</i>	\$ -	541,835	\$ 541,835	-
<i>Fund balances - beginning of year</i>				
<i>Fund balances - end of year</i>		\$ 541,835		\$ -

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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<i>Revenues:</i>				
E-911 surcharges	\$	\$ 185,482	\$	\$ 190,168
E-911 wireless surcharges		115,104		112,470
Investment earnings - surcharges		8,109		714
Investment earnings - wireless charges		6,318		419
Total revenues		<u>351,808</u>		<u>303,771</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
Salaries and fringe benefits		40,286		42,692
Other operating expenditures		106,079		99,425
E-911 addressing expense		622		3,757
Capital outlay		260,236		111,638
Total expenditures		<u>506,808</u>		<u>257,512</u>
Revenues over (under) expenditures		<u>(155,000)</u>		<u>46,259</u>
<i>Other financing sources (uses):</i>				
<i>Operating transfer in (out):</i>				
From General Fund		155,000		155,000
Total other financing sources (uses)		<u>155,000</u>		<u>155,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$	<u>-</u>	\$	<u>201,259</u>
Fund balances - beginning of year		449,933		248,674
Fund balances - end of year	\$	<u>476,046</u>	\$	<u>449,933</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, 2007****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)**

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<i>Revenues:</i>				
Ad valorem taxes	\$ 1,056,000	\$ 1,049,175	\$ (6,825)	\$ 1,010,622
Total revenues	<u>1,056,000</u>	<u>1,049,175</u>	<u>(6,825)</u>	<u>1,010,622</u>
<i>Expenditures:</i>				
<i>Public safety:</i>				
Volunteer fire departments	1,397,000	1,390,175	6,825	1,010,622
Total expenditures	<u>1,397,000</u>	<u>1,390,175</u>	<u>6,825</u>	<u>1,010,622</u>
Revenues over expenditures	<u>(341,000)</u>	<u>(341,000)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in (out)	341,000	341,000	-	-
Total other financing sources (uses)	<u>341,000</u>	<u>341,000</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	\$ -	\$ -	\$ -
Fund balances - beginning of year		-		-
Fund balances - end of year		\$ <u>-</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, 2007

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	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>	37,801	31,927	5,874	50,488
<i>Total expenditures</i>	<u>37,801</u>	<u>31,927</u>	<u>5,874</u>	<u>50,488</u>
<i>Revenues over (under) expenditures</i>	(37,801)	(31,927)	5,874	(50,488)
<i>Other financing sources (uses):</i>				
<i>Fund balance appropriated</i>	2,801	-	2,801	-
<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>37,801</u>	<u>35,000</u>	<u>2,801</u>	<u>35,000</u>
<i>Excess of revenues and other sources over (under) expenditures</i>	\$ <u>-</u>	\$ 3,073	\$ <u>3,073</u>	\$ (15,488)
<i>Fund balances - beginning of year</i>		41,274		56,762
<i>Fund balances - end of year</i>		\$ <u>44,347</u>		\$ <u>41,274</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, 2007

	<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>					
Restricted intergovernmental revenues:	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures - General Government</i>					
General construction	3,913,000	2,392,147	597,984	2,990,131	922,869
Architect/engineering fees	225,000	171,924	-	171,924	53,076
Heating, ventilation, a/c	82,500	6,728	-	6,728	75,772
Plumbing and electric	59,500	10,603	-	10,603	48,897
Site prep	32,500	10,446	-	10,446	22,054
Furniture	125,000	112,244	34,638	146,882	(21,882)
Permits, insurance, and surveys	22,500	4,785	-	4,785	17,715
Total expenditures	<u>4,460,000</u>	<u>2,708,877</u>	<u>632,622</u>	<u>3,341,499</u>	<u>1,118,501</u>
Revenues over (under) expenditures	(4,460,000)	(2,708,877)	(632,622)	(3,341,499)	1,118,501
<i>Other financing sources and uses</i>					
Proceeds from loan	-	230,000	-	230,000	230,000
Transfers in (out) - general fund	4,695,000	10,076,094	-	10,076,094	5,381,094
Transfers out to debt service	(235,000)	(207,832)	(8,638)	(216,470)	18,530
Total other financing sources	<u>4,460,000</u>	<u>10,098,262</u>	<u>(8,638)</u>	<u>10,089,624</u>	<u>5,629,624</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 7,389,385</u>	(641,260)	<u>\$ 6,748,125</u>	<u>\$ 6,748,125</u>
<i>Fund balances:</i>					
Beginning of year, July 1			<u>7,389,385</u>		
End of year, June 30			<u>\$ 6,748,125</u>		

See the accompanying Independent Auditor's Report.

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, 2007

	Project Authorization	Actual		Total To Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<i>Revenues:</i>					
Restricted intergovernmental revenues	\$ -	\$ 1,040,808	\$ 278,679	\$ 1,319,487	\$ 1,319,487
Total	-	1,040,808	278,679	1,319,487	1,319,487
<i>Expenditures - Education</i>					
General construction	\$ 1,390,000	1,083,576	422,897	1,506,473	(116,473)
Architect/engineering fees	80,000	71,675	19,029	90,704	(10,704)
Permits, surveys, insurance	5,000	100	150	250	4,750
Site prep	155,000	5,995	-	5,995	149,005
Furniture	-	-	3,606	3,606	(3,606)
Total expenditures	1,630,000	1,161,346	445,682	1,607,028	22,972
Revenues over (under) expenditures	(1,630,000)	(120,538)	(167,003)	(287,541)	1,342,459
<i>Other financing sources and uses</i>					
Insurance recovery	-	250,251	-	250,251	250,251
Transfers in (out) - general fund	1,630,000	67,500	-	67,500	(1,562,500)
Total other financing sources	1,630,000	317,751	-	317,751	(1,312,249)
Revenues and other sources over (under) expenditures	\$ -	\$ 197,213	(167,003)	\$ 30,210	\$ 30,210
<i>Fund balances:</i>					
Beginning of year, July 1			197,213		
End of year, June 30			\$ 30,210		

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, 2007

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

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, 2007

	Project Authorization	Actual		Total To Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues:					
Investment earnings	\$ -	\$ -	\$ 62,479	\$ 62,479	\$ 62,479
Total	-	-	62,479	62,479	62,479
Expenditures - Education					
General construction	2,821,250	794,110	1,488,898	2,283,008	538,242
Architect/engineering fees	225,000	196,092	33,756	229,848	(4,848)
Contingency	-	-	13,976	13,976	(13,976)
Total expenditures	<u>3,046,250</u>	<u>990,202</u>	<u>1,536,630</u>	<u>2,526,832</u>	<u>519,418</u>
Revenues over (under) expenditures	(3,046,250)	(990,202)	(1,474,151)	(2,464,353)	581,897
Other financing sources and uses					
Proceeds from loan	2,000,000	-	2,000,000	2,000,000	-
Transfers in (out) - general fund	1,046,250	1,500,000	-	1,500,000	453,750
Total other financing sources	<u>3,046,250</u>	<u>1,500,000</u>	<u>2,000,000</u>	<u>3,500,000</u>	<u>453,750</u>
Revenues and other sources over (under) expenditures	\$ -	\$ 509,798	525,849	\$ 1,035,647	\$ 1,035,647
Fund balances:					
Beginning of year, July 1			509,798		
End of year, June 30			<u>\$ 1,035,647</u>		

See the accompanying Independent Auditor's Report.

AVERY COUNTY, NORTH CAROLINA
Grant Project Fund - Community Development Block Grants
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2007

	<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	\$ 221,493	\$ 276,706	\$ 498,199	\$ (101,801)
Total	<u>600,000</u>	<u>221,493</u>	<u>276,706</u>	<u>498,199</u>	<u>(101,801)</u>
<i>Expenditures - Economic and physical development</i>					
Acquisition	195,000	175,500	112,027	287,527	(92,527)
Relocation assistance	287,000	38,693	156,479	195,172	91,828
Administration	105,000	-	5,500	5,500	99,500
Planning	3,000	-	-	-	3,000
Clearance	10,000	7,300	2,700	10,000	-
Total expenditures	<u>600,000</u>	<u>221,493</u>	<u>276,706</u>	<u>498,199</u>	<u>194,328</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) expen	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
<i>Fund balances:</i>					
Beginning of year, July 1			-		
End of year, June 30			\$ <u>-</u>		

See the accompanying Independent Auditor's Report.

AVERY COUNTY, NORTH CAROLINA
Grant Project Fund - Community Development Block Grants
Statement of Revenue, Expenditures and Changes in Fund Balances--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2007

	<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	\$ 217,153	\$ (182,847)
Total	<u>400,000</u>	<u>-</u>	<u>217,153</u>	<u>217,153</u>	<u>(182,847)</u>
<i>Expenditures - Economic and physical development</i>					
Relocation assistance	261,500	-	196,953	196,953	64,547
Rehabilitation	75,000	-	500	500	74,500
Administration	40,000	-	15,000	15,000	25,000
Planning	3,500	-	3,500	3,500	-
Clearance	20,000	-	1,200	1,200	18,800
Total expenditures	<u>400,000</u>	<u>-</u>	<u>217,153</u>	<u>217,153</u>	<u>182,847</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) expen	\$ <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, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Social Services -				
<i>Assets:</i>				
Cash and investments	\$ 50,448	\$ 143,472	\$ (148,632)	\$ 45,288
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 50,448	\$ 143,472	\$ (148,632)	\$ 45,288
Motor Vehicle Tax -				
<i>Assets:</i>				
Taxes receivable	\$ 2,924	\$ 87,553	\$ (87,774)	\$ 2,703
<i>Liabilities:</i>				
Intergovernmental payables	\$ 2,924	\$ 87,553	\$ (87,774)	\$ 2,703
Fines and Forfeitures -				
<i>Assets:</i>				
Cash and investments	\$ 427	\$ 133,723	\$ (133,061)	\$ 662
<i>Liabilities:</i>				
Intergovernmental payables - Board of Education	\$ -	\$ 125,548	\$ (125,548)	\$ -
Intergovernmental payables - State of North Carolina	427	8,175	(7,513)	662
Total intergovernmental payables	\$ 427	\$ 133,723	\$ (133,061)	\$ 662
Totals - All Agency Funds				
<i>Assets:</i>				
Cash and investments	\$ 50,448	\$ 277,195	\$ (281,693)	\$ 45,950
Taxes receivable	3,351	87,553	(87,774)	2,703
Total assets	\$ 53,799	\$ 364,748	\$ (369,467)	\$ 48,653
<i>Liabilities:</i>				
Miscellaneous liabilities	\$ 50,448	\$ 143,472	\$ (148,632)	\$ 45,288
Intergovernmental payables - Town Motor Vehicles	2,924	87,553	(87,774)	2,703
Intergovernmental payables - Board of Education	-	125,548	(125,548)	-
Intergovernmental payables - State of North Carolina	427	8,175	(7,513)	662
Total liabilities	\$ 53,799	\$ 364,748	\$ (369,467)	\$ 48,653

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

AVERY COUNTY, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2007

	<i>Uncollected Balance June 30, 2006</i>	<i>Additions</i>	<i>Collections and Credits</i>	<i>Uncollected Balance June 30, 2007</i>
2006 - 2007	\$ -	\$ 13,241,926	\$ 12,980,698	\$ 261,228
2005 - 2006	385,156	-	113,183	271,973
2004 - 2005	148,402	-	33,672	114,730
2003 - 2004	114,518	-	18,391	96,127
2002 - 2003	81,908	-	9,252	72,656
2001 - 2002	32,852	-	5,777	27,075
2000 - 2001	24,590	-	3,010	21,580
1999 - 2000	18,845	-	2,194	16,651
1998 - 1999	17,200	-	663	16,537
1997 - 1998	10,223	-	502	9,721
1996 - 1997	7,617	-	7,617	-
	<u>\$ 841,311</u>	<u>\$ 13,241,926</u>	<u>\$ 13,174,959</u>	<u>\$ 908,278</u>
<i>Less: allowance for uncollectible accounts:</i>				
<i>General Fund</i>				<u>(182,088)</u>
<i>Ad valorem taxes receivable - net</i>				
<i>General Fund</i>				<u>\$ 1,090,366</u>
<i>Reconciliation with revenues:</i>				
<i>Ad valorem taxes - General Fund</i>				<u>\$ 13,299,065</u>
<i>Reconciling items:</i>				
<i>Interest collected</i>				(97,296)
<i>Taxes written off</i>				<u>(26,810)</u>
<i>Total reconciling items</i>				<u>(124,106)</u>
<i>Total collections and credits</i>				<u>\$ 13,174,959</u>

AVERY COUNTY, NORTH CAROLINA*Analysis of Current Tax Levy**County-Wide Levy**For the Fiscal Year Ended June 30, 2007*

	<i>County-wide</i>		<i>Total Levy</i>			
			<i>Property</i>	<i>Registered</i>		
	<i>Valuation</i>	<i>Rate</i>	<i>Amount</i>	<i>Motor Vehicles</i>	<i>Motor Vehicles</i>	
<i>Original levy:</i>						
<i>Property taxed at current</i>						
<i>year's rate</i>	\$ 3,720,355,751	0.352	\$ 13,095,652	\$ 12,160,693	\$ 934,959	
<i>Penalties</i>	-		4,609	4,609	-	
<i>Total</i>	<u>3,720,355,751</u>		<u>13,100,261</u>	<u>12,165,302</u>	<u>934,959</u>	
 <i>Discoveries:</i>						
<i>Current year taxes</i>	<u>40,245,833</u>	0.352	<u>141,665</u>	<u>141,665</u>	-	
<i>Total</i>	<u>40,245,833</u>		<u>141,665</u>	<u>141,665</u>	-	
 <i>Total property valuations</i>	<u><u>3,760,601,584</u></u>					
 <i>Net levy</i>			13,241,927	12,306,967	934,959	
 <i>Uncollected taxes at June 30, 2007</i>			<u>261,229</u>	<u>196,996</u>	<u>64,232</u>	
 <i>Current year's taxes collected</i>			\$ <u>12,980,698</u>	\$ <u>12,109,971</u>	\$ <u>870,727</u>	
 <i>Current year's collection percentage</i>			<u>98.03%</u>	<u>98.40%</u>	<u>93.13%</u>	

See the accompanying Independent Auditor's Report.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of Avery County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprises Avery County's basic financial statements, and have issued our report thereon dated October 24, 2007. 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 07-1 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 24, 2007*

**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, 2007. 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, 2007.

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 24, 2007*

**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, 2007. Avery County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Avery County's management. Our responsibility is to express an opinion on Avery County's compliance based on our audit.

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

In our opinion, Avery County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2007.

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 24, 2007*

AVERY COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2007****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, 2007 are:

<u>Program Name</u>	<u>CFDA # s</u>
Food Stamp Program Cluster	10.551, 10.561
Medical Assistance Program	93.778
Community Block Development Grants	14.228

- H. Major State programs for Avery County for the fiscal year ended June 30, 2007 are:
Hurricane Recovery
NCDOT Facility Grant
- I. The threshold for determining Type A programs for Avery County is \$ 455,629.
- 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 07-1***Internal Controls/Segregation of Duties*

<i>Criteria:</i>	<i>Duties should be segregated to provide reasonable assurance that transactions are appropriately handled.</i>
<i>Condition:</i>	<i>There are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among County personnel.</i>
<i>Effect:</i>	<i>Transactions could be mishandled.</i>
<i>Cause:</i>	<i>There are a limited number of personnel for certain functions.</i>
<i>Recommendation:</i>	<i>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.</i>

AVERY COUNTY, NORTH CAROLINA**Schedule of Findings and Questioned Costs, Corrective Action Plan, and Prior Year Audit Findings
For the Year Ended June 30, 2007**

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 reportable condition 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 material weakness as discussed above under item 07-1 in regard to lack of segregation of duties due to small staff size. It is likely that this material reportable condition 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, 2007

<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>U.S. Department of Health & Human Services</u>				
<i>Passed-through Region D Council of Governments:</i>				
<i>Special Programs for the Aging-Title III B</i>				
<i>Grants for Supportive Services and Senior Centers</i>				
	93.044	\$ 56,505	\$ 3,607	\$ -
<i>Special Programs for the Aging-Title III C</i>				
<i>Nutrition Services</i>				
	93.045	41,554	22,857	-
<i>Special Programs for the Aging-Title III F</i>				
<i>Disease Prevention and Health Promotion</i>				
	93.043	1,733	111	-
<i>Family Caregiver Support</i>				
	93.052	3,699	236	-
<i>In Home & Supplemental Support</i>				
	93.667	45,814	1,417	-
 <i>Passed through N.C. Dept. of Health and Human Resources</i>				
<i>Division of Social Services:</i>				
<i>Administration:</i>				
<i>Work First Service</i>				
	93.558	160,188	-	79,620
<i>Work First Administrative</i>				
	93.558	33,160	-	14,065
<i>TANF-Domestic Violence</i>				
	93.558	8,022	-	-
<i>TANF - TEA Foster Care</i>				
	93.558	780	-	-
<i>TANF- TEA-Foster Care Max.</i>				
	93.558	7,870	-	-
 <i>Low-Income Home Energy Assistance</i>				
<i>Block Grant</i>				
	93.568	2,074	-	-
<i>Crisis Intervention Payments</i>				
	93.568	24,414	-	-
<i>Title IV-E Foster Care</i>				
	93.658	121,350	10,396	110,954
<i>Permanency Planning</i>				
	93.645	5,604	1,376	492
<i>Child Support Enforcement</i>				
	93.563	4,045	-	2,084
<i>In-Home Service - SSBG</i>				
	93.667	7,177	-	1,025
<i>Other Services and Training - SSBG</i>				
	93.667	55,804	6,362	20,722
<i>NC Health Choice</i>				
	93.767	30,889	1,110	9,190
<i>Independent Living - LINKS</i>				
	93.674	804	201	-
<i>IV-E Adoption Subsidy</i>				
	93.659	65,022	-	-
 <i>Direct Benefit Payments:</i>				
<i>Temporary Assistance for Needy Families</i>				
	93.558	92,493	(3)	(3)
<i>Energy Assistance Payment</i>				
	93.568	82,595	-	-
<i>Title IV-E Foster Care Assistance</i>				
	93.658	38,449	2,834	19,624
<i>Title IV-E Adoption Assistance</i>				
	93.659	25,126	6,982	6,982
 <i>Division of Medical Assistance:</i>				
<i>Administration:</i>				
<i>Title XIX - Medicaid</i>				
	93.778	260,389	9,311	250,902
 <i>Direct Benefit Payments:</i>				
<i>Title XIX - Medicaid</i>				
	93.778	11,253,417	5,710,004	1,027,813

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2007

<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	59,587	-	-
<i>Division of Child Development:</i>				
Social Services Block Grant	93.667	8,612	-	-
Child Care Development Fund-Discretionary	93.575	71,420	-	-
Temporary Assistance	93.575	118,553	-	-
Child Care Development Fund	93.596	180,317	20,610	-
Temporary Assistance for Needy Families	93.558	74,276	-	-
Smart Start		-	69,227	-
Child Care Development Fund - State Appropriation		-	-	-
Temporary Assistance for Needy Families - MOE		-	54,195	-
State Funding		-	57,634	-
Total Subsidized Child Care Cluster		<u>512,765</u>	<u>201,666</u>	<u>-</u>
Total U.S. Department of Health & Human Resources		<u>12,941,742</u>	<u>5,978,467</u>	<u>1,543,470</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>16,255</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	1,060,281	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	<u>121,044</u>	<u>-</u>	<u>121,043</u>
Total Food Stamp Cluster		<u>1,181,325</u>	<u>-</u>	<u>121,043</u>
Total U.S. Department of Agriculture		<u>1,197,580</u>	<u>-</u>	<u>121,043</u>
<u>U.S. Department of Transportation</u>				
<i>Passed through N.C. Dept. of Transportation</i>				
<i>Public Transportation Programs:</i>				
Section 5311 Admin., Operating, Planning, & Capital	20.509	<u>131,790</u>	<u>9,569</u>	<u>23,378</u>
Total U.S. Department of Transportation		<u>131,790</u>	<u>9,569</u>	<u>23,378</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	217,153	-	-
Scattered Housing Grant	14.228	<u>276,705</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>493,858</u>	<u>-</u>	<u>-</u>

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2007

<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>				
State Homeland Security	97.004	27,515	-	-
Hazard Mitigation	97.039	327,891	-	-
NRCS - Emergency Watershed Protection	N/A	-	98,193	-
Emergency Management Reimbursement	97.042	16,613	-	-
Crisis Housing Assistance Fund		-	196,186	-
Hurricane Recovery		-	373,563	-
FEMA Public Assistance	97.036	50,642	-	-
Total U.S. Department of Homeland Security		<u>422,661</u>	<u>667,942</u>	<u>-</u>
Total federal assistance		<u>15,187,631</u>	<u>6,655,978</u>	<u>1,687,891</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		-	573	-
Senior Center Operations		-	10,319	-
Senior Center General Purchases		-	5,123	-
Fans		-	97	-
<i>Division of Social Services:</i>				
State Aid to Counties		-	10,554	-
Energy Assistance Private Grants		-	792	-
<i>Direct Benefit Payment:</i>				
State Foster Care Benefits Program		-	8,070	8,070
Foster Care at Risk Maximization		-	4,281	2,368
State/County Special Assistance for Adults		-	109,785	109,843
Child Welfare Services - Adoption Subsidy		-	60,290	17,867
TANF Program Integrity		-	1,320	-
<i>Department of Juvenile Justice and Delinquency Prevention:</i>				
Asolescent Substance Abuse		-	14,693	-
PASS		-	26,917	-
Juvenile Service Landship		-	8,109	-
Juvenile Non-Det		-	4,123	-
Project Challenge		-	20,727	-
Total N.C. Department of Health and Human Resources		<u>-</u>	<u>285,813</u>	<u>138,148</u>

AVERY COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2007

<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	-	50,287	-
Work First Program	DOT 16 CL	-	3,006	-
Rural General Public Transportation	DOT 16 CL	-	33,803	-
Facility Grant	DOT 2	-	448,601	49,845
Total N.C. Department of Transportation		-	535,697	49,845
<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		-	51,635	-
<u>N.C. Soil and Water Conservation</u>				
Conservation Grant		-	21,813	-
Total State assistance		-	896,958	187,993
Total assistance		\$ 15,187,631	\$ 7,552,936	\$ 1,875,884

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.