

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Of

POLK COUNTY,  
NORTH CAROLINA

Columbus, North Carolina  
For the Fiscal Year Ended June 30, 2018



Prepared by the Finance Department  
Sandra Q. Hughes, Finance Director



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2018**

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## **INTRODUCTORY SECTION**

### **(Unaudited)**

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This section of Polk County's comprehensive annual financial report presents general information on Polk County's structure, and the environment in which it operates. It also contains the *Certificate of Achievement for Excellence in Financial Reporting* for its comprehensive annual financial report for the previous fiscal year.

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D. Marche Pittman  
Interim County Manager

Beth Fehrman  
Clerk to the Board  
Assistant to County Manager



Ted B. Owens  
Chair

Michael V. Gage  
Vice-Chair

Ray D. Gasperson  
Commissioner

Keith Holbert  
Commissioner

Tom E. Pack  
Commissioner

November 30, 2018

To the Board of County Commissioners, and the  
Citizens of Polk County, North Carolina

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Polk County (the "County") for the fiscal year ended June 30, 2018. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. The financial statements and supplemental schedules contained herein have been audited by the independent, Certified Public Accounting firm of Gould Killian CPA Group, P.A., and that firm's unmodified opinion is included in the financial section of this report. The report itself, however, is presented by the County, which is responsible for the accuracy of the data and for the completeness and fairness of its presentation, including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors. The goal of the independent audit was to provide reasonable assurance that the financial statements of Polk County for the fiscal year ended June 30, 2018, are free of material misstatements.



The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unmodified opinion that Polk County's financial statements for the year ended June 30, 2018 are fairly presented in conformity with GAAP.

### **REPORTING ENTITY**

The reporting entity is composed of the primary government (the "County"), component units, and other organizations that are included to insure that the financial statements are not misleading. The County consists of all funds; departments, boards, and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if it appoints a voting majority of the organizations' governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organizations' resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization. The County has no component units.

### **DESCRIPTION OF COUNTY**

The County was established in 1855 and is located in the foothills of the Blue Ridge Mountains of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. The County is a desirable place to live and work. Two-hundred thirty-eight (238) square miles of mountains, rolling hills, streams, and waterfalls, plus gracious small town living, rural atmosphere, and close proximity to larger cities, all contribute to the excellent quality of life. The population of Polk County is approximately 20,000, with the Towns of Columbus, Tryon, and Saluda. The retirement community makes up a large part of the population base. Transportation options include two major highways. Interstate 26 and US 74 give direct routes to main cities, such as Charlotte, North Carolina and Spartanburg, South Carolina.

A five-member Board of County Commissioners governs Polk County. The County has a commissioner/manager form of government. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the county manager. The manager is the chief administrative officer and prepares and recommends the annual budget in addition to being responsible for implementing policies, managing daily operations, and appointing department heads.

The County provides its citizens with a wide range of services that include general government administration, economic and physical development, environmental protection, cultural and recreational activities, and others. However, public safety,

human services, and education represent the vast majority of the annual budget. The county also extends financial support to certain agencies such as Vaya Health for Regional Mental Health and Rutherford-Polk-McDowell District Health Department.

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the County Manager. The Manager uses these requests as the starting point for developing a proposed budget to the Board. The Board is required to hold a public hearing on the proposed budget and then adopt a final budget by no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund and on the department level.

The County's Finance Department prepares the financial statements and is responsible for the accuracy and completeness of the data. The County has established comprehensive internal controls in order to protect the County's assets from loss, theft or misuse and to help insure that information is reliable for the preparation of this report. The County's internal controls have been designed to provide reasonable assurance that the financial statements are free of material misstatements and that the data and presentation are fair and accurate.

### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

**Local economy** – The labor force increased approximately 1.5% from the previous year. The present unemployment rate is 4.1 (up from 4.0% the previous year) and lower than the State unemployment rate of 4.2%. The County had one its' lowest year unemployment rate of 3.3% in 2004 and its' highest of 8.8% in 2009. The County has slowly lost some industries and median age is increasing every year. However, the agriculture and equine industries are continuing to grow. Per capita income is higher than the State average.

**Long-term financial planning** – The County develops and maintains a five-year financial forecast as well as a capital improvement plan (CIP). The CIP includes modernization of County facilities and a school capital building plan that includes school renovations and additions.

**Relevant financial policies** – Cash temporarily idle during the year was invested in investments authorized by North Carolina General Statute 159-30(c). Objectives of the County's investment policy are safety, liquidity, and yield. The County makes the best use of idle cash to ensure funds are available to meet cash flow requirements, yet earn a competitive yield. The County was considerably more conservative due to the instability of market conditions during the year.

Polk 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.

**Major initiatives** - The County has nearly completed construction of a new Law Enforcement Center budgeted at \$13.5M.

The County also spent many hours of planning and preparation to insure the safety of the citizens during the FEI World Equestrian Games that were held in Mill Spring, NC in September at Tryon International Equestrian Center, a privately owned property.

### **AWARDS AND ACKNOWLEDGEMENTS**

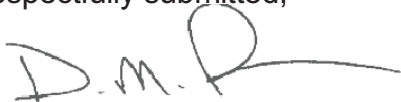
The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2017. This marks the twenty-second consecutive year that Polk County has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to program requirements and we are submitting it to the GFOA once again.

Each County department’s strong commitment to the goals, vision, and mission statements of the County government is reflected in the services provided to the residents of Polk County. We appreciate the cooperation of all the County departments in conducting financial activities, including the preparation of this report. We would also like to thank Gould Killian CPA Group, P.A. for their technical assistance.

We thank the Board of County Commissioners for their leadership in making Polk County a fiscally sound, well-governed community.

Respectfully submitted,



Marche Pittman  
Interim County Manager



Sandra Hughes  
Finance Director

POLK COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2018

**BOARD OF COUNTY COMMISSIONERS**

Jake Johnson, Chairman  
Myron Yoder, Vice Chairman  
Tommy Melton  
Ray Gasperson  
Shane Bradley

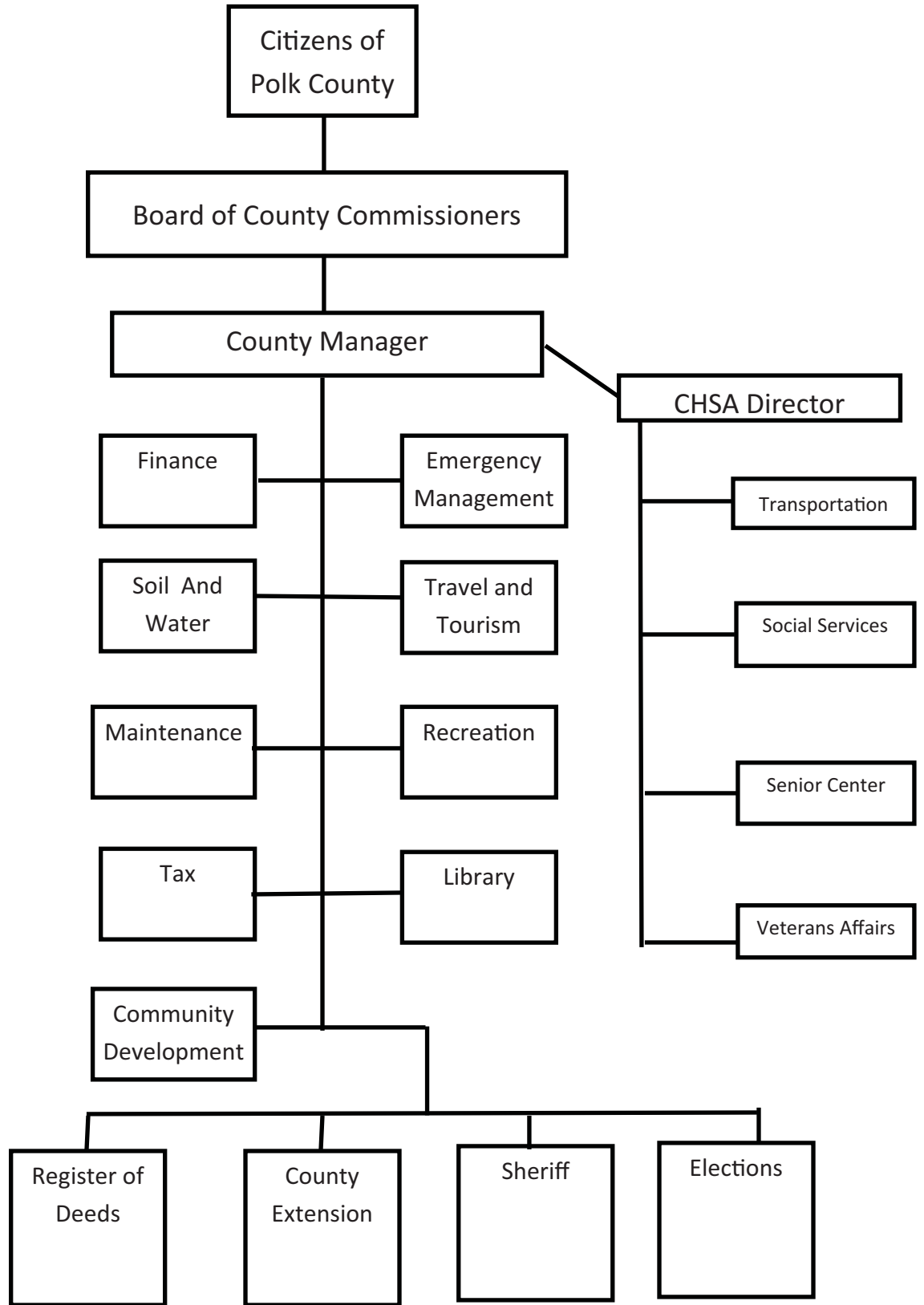
**County Officials**

Marche Pittman	County Manager
Jana Berg	County Attorney
Josh Kennedy	Consolidated Human Services Agency Director
Kim Wilson	Social Services
Sandra Hughes	Finance Director
Sheila Whitmire	Register of Deeds
Donald Hill	Sheriff
Cliff Marr	Director, Election Board
Melissa Bowlin	Tax Collector/Assessor
Jerry Stensland	Director, Parks and Recreation
Pamela Hyder	Clerk of Court
Bruce Yelton	MIS Director
Cathy Ruth	Planning
Scott Wellborn	Cooperative Extension
Brian Rogers	Forest Ranger
Rishara Finsel	County Librarian
Gina Cashion	Veterans Service Officer
Bobby Arledge	Emergency Preparedness/EMS Director
Steve Jones	Building Inspections Director
Josh Kennedy	Transportation
Melinda Young	Director of Tourism
James McGuinn	Communications Director
Mickey Edwards	Ground and Building Maintenance Director

**POLK COUNTY, NORTH CAROLINA**

Organization Chart

June 30, 2018





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Polk County  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

## **FINANCIAL SECTION**

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This section of Polk County's comprehensive annual report presents the basic financial statements and Required Supplementary Information (including Management's Discussion and Analysis), as well as the independent auditors' report. In addition, the financial section contains combining statements for non-major fund types, individual fund schedules and other supplemental information.

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**GOULD KILLIAN  
CPA GROUP, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## *Independent Auditors' Report*

Board of Commissioners  
Polk County, North Carolina  
Columbus, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 54, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County's Contributions on pages 55-56, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County's Contributions on pages 57-58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Polk County, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, and statistical section as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Polk County's internal control over financial reporting and compliance.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 30, 2018

## POLK COUNTY, NORTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Polk County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Polk County for the fiscal year ended June 30, 2018. 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*

##### Government-wide level:

- As of the end of the current fiscal year, the County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$43,860,349 (net position).
- The County's net position increased \$3,021,665 this year. This is primarily driven by continued operating efficiencies; revenues came in higher than budgeted while expenditures came in less than budgeted.
- Capital assets of the County increased overall by \$6,770,456 after depreciation. This net increase was mostly due to construction incurred on the new detention facility.
- The County's total debt decreased by \$2,148,336 due to scheduled debt repayment and no new debt issued.

##### Fund level:

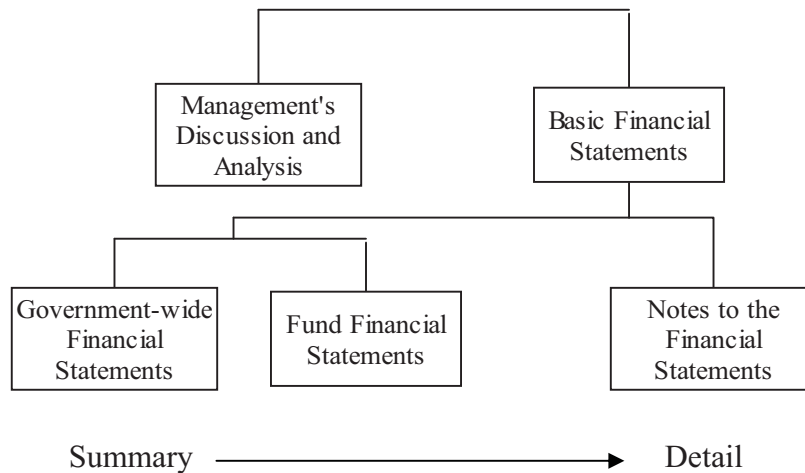
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$14,777,853, a decrease of \$6,042,766. Approximately 38 percent, or \$5,607,740 is restricted or nonspendable.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$7,626,440, or 32 percent of total General Fund expenditures (and transfers out) for the fiscal year.

#### *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to Polk 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 Polk County.

## 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 9) 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 four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) 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. Following the notes is the required supplemental information, which contains information about the County's participation in pension plans. After the required supplemental information, supplemental information is provided to show details about the County's nonmajor governmental funds and internal service fund, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

### *Government-Wide Financial Statements*

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. 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 business-type activities are those that the County charges customers to provide.

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. Polk 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 Polk County can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Polk 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.

**Proprietary Funds** - Polk County only has two different kinds of proprietary funds:

- *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Polk County uses enterprise funds to account for its solid waste transfer station operations and its water operations. These funds are the same as the separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.
- *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of Polk County. The County uses an internal service fund to account for one activity--its self-insurance activities. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Polk County has four fiduciary funds, all of which 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 start on page 24 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Polk County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 54 of this report.

**Government-Wide Financial Analysis**

The following is a summary of the government-wide Statements of Net Position:

**Polk County’s Net Position**  
Figure 2

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 17,316,568	\$ 23,353,850	\$ 1,665,566	\$ 1,476,139	\$ 18,982,134	\$ 24,829,989
Capital assets	31,890,648	25,058,852	13,491,929	13,553,269	45,382,577	38,612,121
Total assets	49,207,216	48,412,702	15,157,495	15,029,408	64,364,711	63,442,110
Deferred outflows of resources	1,503,878	1,889,171	-	-	1,503,878	1,889,171
<b>Liabilities:</b>						
Long-term liabilities outstanding	19,967,986	22,261,330	169,979	161,904	20,137,965	22,423,234
Other liabilities	-	1,617,646	-	214,762	-	1,832,408
Total liabilities	19,967,986	23,878,976	169,979	376,666	20,137,965	24,255,642
Deferred inflows of resources	344,644	236,955	-	-	344,644	236,955
<b>Net position:</b>						
Net investment in capital assets	19,705,853	19,222,539	13,335,905	13,391,365	33,041,758	32,613,904
Restricted	4,183,324	3,314,024	-	-	4,183,324	3,314,024
Unrestricted	5,251,178	3,649,379	1,384,089	1,261,377	6,635,267	4,910,756
Total net position	<u>\$ 29,140,355</u>	<u>\$ 26,185,942</u>	<u>\$ 14,719,994</u>	<u>\$ 14,652,742</u>	<u>\$ 43,860,349</u>	<u>\$ 40,838,684</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of Polk County exceeded liabilities and deferred inflows of resources by \$43,860,349 as of June 30, 2018. The County’s net position increased by \$3,021,665 for the fiscal year ended June 30, 2018, which represents an increase of \$2,954,413 for governmental activities and an increase of \$67,252 for business-type activities.

The following is a summary of the government-wide statement of activities:

**Polk County Changes in Net Position**

Figure 3

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,824,915	\$ 1,810,849	\$ 1,642,656	\$ 1,480,321	\$ 3,467,571	\$ 3,291,170
Operating grants and contributions	3,428,648	3,713,449	-	-	3,428,648	3,713,449
Capital grants and contributions	145,705	244,527	-	-	145,705	244,527
General revenues:						
Property taxes	16,840,050	16,772,188	-	-	16,840,050	16,772,188
Other taxes	4,577,695	4,291,770	51,437	52,108	4,629,132	4,343,878
Other	321,775	324,252	-	-	321,775	324,252
Total revenues	<u>27,138,788</u>	<u>27,157,035</u>	<u>1,694,093</u>	<u>1,532,429</u>	<u>28,832,881</u>	<u>28,689,464</u>
Expenses:						
General government	3,127,258	4,402,630	-	-	3,127,258	4,402,630
Public safety	7,952,358	6,297,154	-	-	7,952,358	6,297,154
Economic and physical development	851,477	647,755	-	-	851,477	647,755
Human services	4,282,258	4,927,167	-	-	4,282,258	4,927,167
Cultural and recreation	1,780,219	1,758,546	-	-	1,780,219	1,758,546
Education	5,685,884	5,765,217	-	-	5,685,884	5,765,217
Interest on long-term debt	409,921	323,545	-	-	409,921	323,545
Solid waste	-	-	1,447,256	1,273,902	1,447,256	1,273,902
Water	-	-	274,585	227,571	274,585	227,571
Total expenses	<u>24,089,375</u>	<u>24,122,014</u>	<u>1,721,841</u>	<u>1,501,473</u>	<u>25,811,216</u>	<u>25,623,487</u>
Change in net position before transfers	3,049,413	3,035,021	(27,748)	30,956	3,021,665	3,065,977
Transfers	(95,000)	(76,190)	95,000	76,190	-	-
Change in net position	<u>2,954,413</u>	<u>2,958,831</u>	<u>67,252</u>	<u>107,146</u>	<u>3,021,665</u>	<u>3,065,977</u>
Net position, July 1	<u>26,185,942</u>	<u>23,227,111</u>	<u>14,652,742</u>	<u>14,545,596</u>	<u>40,838,684</u>	<u>37,772,707</u>
Net position, June 30	<u>\$ 29,140,355</u>	<u>\$ 26,185,942</u>	<u>\$ 14,719,994</u>	<u>\$ 14,652,742</u>	<u>\$ 43,860,349</u>	<u>\$ 40,838,684</u>

**Governmental Activities** - Property tax revenue is the County's largest source of revenue, accounting for 62 percent of total revenue. Current year property tax base was approximately \$2.9 billion at a rate of .5294 per \$100. The slight increase in tax revenue is due to a slight increase in the collection rate. The County adopted a revenue neutral tax rate that did not include a growth factor, therefore a nearly flat revenue. The revenues in the governmental activities have decreased less than 1 percent from the prior year. Other taxes, which include sales taxes, are up 6.6 percent. Expenses slightly decreased from the prior year.

**Business-type Activities** - Net position increased very slightly, and is basically unchanged.

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

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

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

As of the close of the current fiscal year, Polk County's governmental funds reported a combined ending fund balances of \$14,777,853, a decrease of \$6,042,766 in comparison with the prior year. The decrease in total fund balance is due primarily to the spending of loan proceeds for the construction of a new detention facility.

The general fund is the chief operating fund of Polk County. At the end of the current fiscal year, the County's fund balance available in the General Fund was \$7,626,440 while total fund balance reached \$9,814,272. The County currently has an available fund balance of 32 percent of general fund expenditures (and transfers out), while total fund balance represents 42 percent of that same amount.

**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 decreased revenues by \$433,522, or 2 percent of the original budget. The decrease in the final budgeted revenues is primarily due to a reduction of child care revenues that no longer pass through the County.

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

**Capital Assets** - Polk County's capital assets for its governmental type activities as of June 30, 2018, totals \$31,890,648 (net of accumulated depreciation), an increase of \$6,831,796 as compared to the previous year. The majority of the increase is related to the ongoing construction of the new Law Enforcement Center.

Polk County's capital assets for its business-type activities as of June 30, 2018, totals \$13,491,929 (net of accumulated depreciation), a decrease of \$61,340 compared to the previous year, primarily due to depreciation exceeding the construction of new waterlines.



**Polk County's Capital Assets**

Figure 4

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017
Land and easements	\$ 7,022,766	\$ 7,022,766	\$ 2,708,350	\$ 2,574,867	\$ 9,731,116	\$ 9,597,633
Construction in progress	11,207,267	3,847,730	2,152,002	2,048,561	13,359,269	5,896,291
Buildings and improvements	11,290,489	11,773,137	1,017,108	1,051,176	12,307,597	12,824,313
Waterlines and related assets	-	-	7,456,428	7,686,013	7,456,428	7,686,013
Equipment	836,949	1,018,844	158,041	191,784	994,990	1,210,628
Vehicles and motor equipment	1,533,177	1,396,375	-	868	1,533,177	1,397,243
	<u>\$ 31,890,648</u>	<u>\$ 25,058,852</u>	<u>\$ 13,491,929</u>	<u>\$ 13,553,269</u>	<u>\$ 45,382,577</u>	<u>\$ 38,612,121</u>

Additional information regarding Polk County's capital assets can be found in Note 2(E) to the financial statements.

- **Long-Term Debt** - As of June 30, 2018, Polk County's outstanding balance on installment purchase contracts and capital leases was \$17,401,724. The County's total debt decreased \$2,148,336 due the County making regular principal payments throughout the year.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017
Installment purchase contracts	\$ 17,245,700	\$ 19,340,591	\$ 156,024	\$ 161,903	\$ 17,401,724	\$ 19,502,494
Capital leases	-	47,566	-	-	-	47,566
	<u>\$ 17,245,700</u>	<u>\$ 19,388,157</u>	<u>\$ 156,024</u>	<u>\$ 161,903</u>	<u>\$ 17,401,724</u>	<u>\$ 19,550,060</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Polk County is \$213,000,000.

Additional information regarding Polk County's long-term debt can be found in Note 3(E) to the financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the County.

- The County has a lower unemployment rate of 4.1 percent than the state average of 4.2 percent;
- Overall revenues and expenditures are up less than 1%;
- The property revenue was consistent with the prior year due to a revenue neutral tax rate decrease of around 1.5%;
- The County has nearly completed construction of a new Law Enforcement Center budgeted at \$13,500,000;
- The FEI World Equestrian Games were held in Tryon from September 11-23, 2018. This is one of the largest events in the global sporting calendar and brought hundreds of thousands of spectators to the County during the nearly two week period.
- Tryon International Equestrian Center (TIEC) located in Mill Spring has significantly changed the landscape of Polk County. It has and will continue to increase occupancy, sales and property taxes. The arena seats 6,000 and is 3 stories high with attendance ranging from 6,000-10,000 on weekends during the season. Four new restaurants have been added, as well as several rental cabins. A resort is expected to be constructed in the near future.

## **Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Funds** - Property taxes are budgeted to remain the same for fiscal year ending June 30, 2019 since there was no tax increase. Revenues from permits and fees are expected to increase slightly based on economic projections and the construction of commercial property at the TIEC as they are continuing to grow. Sales tax revenues are budgeted to increase over the prior year budget by 12 percent while sales and services increase by 3 percent. A decrease in intergovernmental revenues is anticipated due to a reduction in program funding. Overall, total budgeted revenue is expected to increase nearly 3 percent. Fund balance was used to balance the General Fund for the fiscal year 2019 budget in the amount of \$408,240 for one-time capital purchases.

The County's largest expenditures are for salaries which are budgeted with a 5 percent salary increase to begin in January 2019. Public safety increased nearly 9 percent. The County has budgeted a full year of more than double the staff size in the Jail to staff the new facility that opened in July, 2018. Education increased nearly 5 percent. General government and human services remained approximately unchanged while there was a reduction in debt service and culture/recreation. Overall, budgeted expenditures in the General Fund are expected to increase approximately 3 percent.

## **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, Polk County, P.O. Box 308, Columbus, NC 28722.

## POLK COUNTY, NORTH CAROLINA

## Statement of Net Position

June 30, 2018

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 10,524,030	\$ 1,352,793	\$ 11,876,823
Restricted cash	3,626,652	-	3,626,652
Receivables (net)	2,942,689	310,012	3,252,701
Prepays	183,262	2,761	186,023
Total current assets	<u>17,276,633</u>	<u>1,665,566</u>	<u>18,942,199</u>
Noncurrent assets:			
Net pension asset - ROD	39,935	-	39,935
Capital assets:			
Land and construction in progress	18,230,033	4,860,352	23,090,385
Other capital assets, net of depreciation	13,660,615	8,631,577	22,292,192
Capital assets, net	<u>31,890,648</u>	<u>13,491,929</u>	<u>45,382,577</u>
Total noncurrent assets	<u>31,930,583</u>	<u>13,491,929</u>	<u>45,422,512</u>
Total assets	<u>49,207,216</u>	<u>15,157,495</u>	<u>64,364,711</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,503,878</u>	<u>-</u>	<u>1,503,878</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	793,866	267,522	1,061,388
Payable from restricted assets	347,311	-	347,311
Accrued interest payable	114,534	-	114,534
Unearned revenue	2,398	-	2,398
Total current liabilities	<u>1,258,109</u>	<u>267,522</u>	<u>1,525,631</u>
Noncurrent liabilities:			
Net pension liability - LGERS	1,680,648	-	1,680,648
Total pension liability - LEOSSA	437,922	-	437,922
Due within one year	2,386,551	12,241	2,398,792
Due in more than one year	15,462,865	157,738	15,620,603
Total noncurrent liabilities	<u>19,967,986</u>	<u>169,979</u>	<u>20,137,965</u>
Total liabilities	<u>21,226,095</u>	<u>437,501</u>	<u>21,663,596</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>344,644</u>	<u>-</u>	<u>344,644</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,705,853	13,335,905	33,041,758
Restricted for:			
Stabilization by State Statute	2,107,708	-	2,107,708
Public safety	384,634	-	384,634
Tourism	160,079	-	160,079
Register of Deeds' pension plan	52,884	-	52,884
School debt service	1,478,019	-	1,478,019
Unrestricted	5,251,178	1,384,089	6,635,267
Total net position	<u>\$ 29,140,355</u>	<u>\$ 14,719,994</u>	<u>\$ 43,860,349</u>

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

POLK COUNTY, NORTH CAROLINA

Exhibit 2

Statement of Activities  
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 3,127,258	\$ 359,290	\$ 8,883	\$ -	\$ (2,759,085)	\$ -	\$ (2,759,085)
Public safety	7,952,358	1,184,666	525,059	-	(6,242,633)	-	(6,242,633)
Economic and physical development	851,477	-	174,419	-	(677,058)	-	(677,058)
Human services	4,282,258	145,281	2,561,582	-	(1,575,395)	-	(1,575,395)
Cultural and recreational	1,780,219	135,678	158,705	-	(1,485,836)	-	(1,485,836)
Education	5,685,884	-	-	145,705	(5,540,179)	-	(5,540,179)
Interest on long-term debt	409,921	-	-	-	(409,921)	-	(409,921)
Total governmental activities	<u>24,089,375</u>	<u>1,824,915</u>	<u>3,428,648</u>	<u>145,705</u>	<u>(18,690,107)</u>	<u>-</u>	<u>(18,690,107)</u>
<b>Business-type activities:</b>							
Solid waste	1,447,256	1,557,156	-	-	-	109,900	109,900
Water	274,585	85,500	-	-	-	(189,085)	(189,085)
Total business-type activities	<u>1,721,841</u>	<u>1,642,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,185)</u>	<u>(79,185)</u>
Total government-wide	<u>\$ 25,811,216</u>	<u>\$ 3,467,571</u>	<u>\$ 3,428,648</u>	<u>\$ 145,705</u>	<u>(18,690,107)</u>	<u>(79,185)</u>	<u>(18,769,292)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purpose					16,840,050	-	16,840,050
Local option sales tax					4,332,174	-	4,332,174
Other taxes					245,521	51,437	296,958
Investment earnings, unrestricted					246,235	-	246,235
Miscellaneous, unrestricted					75,540	-	75,540
Total general revenues					<u>21,739,520</u>	<u>51,437</u>	<u>21,790,957</u>
Transfers					<u>(95,000)</u>	<u>95,000</u>	<u>-</u>
Total general revenues and transfers					<u>21,644,520</u>	<u>146,437</u>	<u>21,790,957</u>
Changes in net position					2,954,413	67,252	3,021,665
Net position, beginning of year					<u>26,185,942</u>	<u>14,652,742</u>	<u>40,838,684</u>
Net position, end of year					<u>\$ 29,140,355</u>	<u>\$ 14,719,994</u>	<u>\$ 43,860,349</u>

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

POLK COUNTY, NORTH CAROLINA

Balance Sheet  
Governmental Funds  
June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and investments	\$ 8,186,076	\$ 1,568,815	\$ 653,639	\$ 10,408,530
Restricted cash and investments	507,295	1,641,349	1,478,008	3,626,652
Receivables, net	2,547,642	-	304,575	2,852,217
Due from other funds	91,287	-	-	91,287
Prepays	182,215	-	1,047	183,262
Total assets	<u>\$ 11,514,515</u>	<u>\$ 3,210,164</u>	<u>\$ 2,437,269</u>	<u>\$ 17,161,948</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 648,752	\$ -	\$ 145,114	\$ 793,866
Due to other funds	-	-	91,287	91,287
Payable from restricted assets	-	347,311	-	347,311
Unearned revenue	-	-	2,398	2,398
Total liabilities	<u>648,752</u>	<u>347,311</u>	<u>238,799</u>	<u>1,234,862</u>
<b>Deferred inflows of resources</b>	<u>1,051,491</u>	<u>-</u>	<u>97,742</u>	<u>1,149,233</u>
<b>Fund balances</b>				
Nonspendable:				
Prepays	182,215	-	1,047	183,262
Restricted:				
Stabilization by State statute	2,005,617	-	102,091	2,107,708
Public safety	16,657	1,294,038	367,977	1,678,672
Tourism	-	-	160,079	160,079
School debt service	-	-	1,478,019	1,478,019
Committed:				
Tax revaluation	490,638	-	-	490,638
Assigned:				
Subsequent year's expenditures	408,240	-	-	408,240
Capital projects	-	1,568,815	-	1,568,815
Unassigned	6,710,905	-	(8,485)	6,702,420
Total fund balances	<u>9,814,272</u>	<u>2,862,853</u>	<u>2,100,728</u>	<u>14,777,853</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,514,515</u>	<u>\$ 3,210,164</u>	<u>\$ 2,437,269</u>	<u>\$ 17,161,948</u>

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

**POLK COUNTY, NORTH CAROLINA**

*Balance Sheet*  
*Governmental Funds*  
 June 30, 2018

Total fund balances for governmental funds	\$ 14,777,853
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Original cost and/or donated value	45,208,138
Less accumulated depreciation	(13,317,490)
Net pension asset restricted for Register of Deed's pension is not a financial resource and is therefore not reported in the governmental funds	39,935
Deferred outflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered a consumption of net position that applies to a future period and are included in the statement of net position:	
Contributions to pension plans in the current fiscal year (LGERS, ROD)	553,666
Administrative costs for LEOSSA	630
Other pension deferrals	949,582
Accrued interest receivable is not available to pay current-period expenditures and therefore not recognized as revenue in the fund statements.	90,472
Deferred inflows of resources for taxes are not available to satisfy current obligations in the fund statements; however, they are considered economic resources and recognized as revenue in the government-wide statements.	860,328
Deferred inflows of resources related to pensions are not reported in the funds	(55,739)
The internal service fund is used by management to allocate self-insurance costs to individual funds and departments. The assets and liabilities are included in governmental activities in the statement of net position.	115,500
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Installment purchase contracts	(17,245,700)
Compensated absences	(603,716)
Net pension liability - LGERS	(1,680,648)
Total pension liability - LEOSSA	(437,922)
Accrued interest payable	(114,534)
Net position of governmental activities	<u>\$ 29,140,355</u>

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

POLK COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2018

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Ad valorem taxes	\$ 15,014,754	\$ -	\$ 1,599,990	\$ 16,614,744
Local option sales taxes	4,332,174	-	-	4,332,174
Other taxes	-	-	245,521	245,521
Restricted intergovernmental	3,047,869	-	503,664	3,551,533
Restricted contributions	-	-	22,800	22,800
Permits and fees	603,219	-	-	603,219
Sales and services	1,221,716	-	-	1,221,716
Investment earnings	154,113	59,833	32,289	246,235
Miscellaneous	75,540	-	-	75,540
Total revenues	<u>24,449,385</u>	<u>59,833</u>	<u>2,404,264</u>	<u>26,913,482</u>
<b>Expenditures</b>				
Current:				
General government	2,847,240	-	-	2,847,240
Public safety	6,066,212	7,359,537	1,803,219	15,228,968
Economic and physical development	581,020	-	363,591	944,611
Human services	4,057,297	-	-	4,057,297
Cultural and recreational	1,546,050	-	-	1,546,050
Intergovernmental:				
Education	5,685,884	-	-	5,685,884
Debt service:				
Principal	2,094,891	-	47,566	2,142,457
Interest and fees	420,726	-	814	421,540
Total expenditures	<u>23,299,320</u>	<u>7,359,537</u>	<u>2,215,190</u>	<u>32,874,047</u>
Revenues over (under) expenditures	<u>1,150,065</u>	<u>(7,299,704)</u>	<u>189,074</u>	<u>(5,960,565)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	4,036	5,137	-	9,173
Transfers from (to) other funds	(364,530)	134,734	138,422	(91,374)
Total other financing sources (uses)	<u>(360,494)</u>	<u>139,871</u>	<u>138,422</u>	<u>(82,201)</u>
Net changes in fund balances	789,571	(7,159,833)	327,496	(6,042,766)
Fund balance, beginning of year	<u>9,024,701</u>	<u>10,022,686</u>	<u>1,773,232</u>	<u>20,820,619</u>
Fund balance, end of year	<u>\$ 9,814,272</u>	<u>\$ 2,862,853</u>	<u>\$ 2,100,728</u>	<u>\$ 14,777,853</u>

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

**POLK COUNTY, NORTH CAROLINA**

*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
For the year ended June 30, 2018

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

Net change in fund balances--total governmental funds	\$ (6,042,766)
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 as depreciation expense with any residual book value expensed if the asset is disposed:	
Capital outlay expenditures capitalized during the year;	8,029,631
Depreciation expense recorded during the current year; and	(1,197,835)
The issuance of long-term debt provides current financial resources, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net position.	
Principal payments	2,142,457
Contributions to pension plans in the current fiscal year are not included on the Statement of Activities	553,666
Plan administrative expenses for the LEOSSA are not included in the Statement of Activities	630
Adjustment of the internal service fund's net expenses to the governmental activities in the Statement of Net Position.	(3,626)
Some expenses reported in the Statement of Activities that do not require current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	11,619
Compensated absences	(97,492)
Pension expense	(667,178)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements:	
Net change in accrued interest receivable on property taxes; and	61,919
Net change in taxes receivable	<u>163,388</u>
Change in net position, governmental activities	<u>\$ 2,954,413</u>

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



## POLK COUNTY, NORTH CAROLINA

*Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*  
 For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 15,279,662	\$ 15,279,662	\$ 15,014,754	\$ (264,908)
Local option sales taxes	3,977,930	3,977,930	4,332,174	354,244
Restricted intergovernmental	3,395,860	2,979,539	3,047,869	68,330
Permits and fees	484,250	484,250	603,219	118,969
Sales and services	1,181,448	1,164,247	1,221,716	57,469
Investment earnings	48,200	48,200	152,278	104,078
Miscellaneous	92,166	92,166	75,540	(16,626)
Total revenues	24,459,516	24,025,994	24,447,550	421,556
<b>Expenditures</b>				
Current:				
General government	3,166,449	3,055,856	2,820,819	235,037
Public safety	6,189,895	6,332,335	6,066,212	266,123
Economic and physical development	666,275	668,950	581,020	87,930
Human services	4,847,174	4,278,758	4,057,297	221,461
Cultural and recreational	1,646,385	1,677,898	1,546,050	131,848
Intergovernmental:				
Education	5,648,982	5,698,982	5,685,884	13,098
Debt service:				
Principal retirement	2,094,891	2,094,891	2,094,891	-
Interest and other charges	420,730	420,730	420,726	4
Total expenditures	24,680,781	24,228,400	23,272,899	955,501
Revenues over (under) expenditures	(221,265)	(202,406)	1,174,651	1,377,057
<b>Other Financing Sources (Uses)</b>				
Appropriated fund balance	546,676	546,676	-	(546,676)
Proceeds from sale of assets	-	-	4,036	4,036
Transfers from other funds	23,886	23,886	3,626	(20,260)
Transfers to other funds	(349,297)	(368,156)	(368,156)	-
Total other financing sources (uses)	221,265	202,406	(360,494)	(562,900)
Net change in fund balance	\$ -	\$ -	814,157	\$ 814,157
Fund balance, beginning of year			8,509,477	
Fund balance, end of year - General Fund			9,323,634	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Revenue			1,835	
Expenditures			(26,421)	
Fund balance, beginning of year - Revaluation Fund			515,224	
Fund balance, end of year - Combined General Fund			\$ 9,814,272	

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

## POLK COUNTY, NORTH CAROLINA

## Statement of Net Position

## Proprietary Funds

June 30, 2018

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,157,365	\$ 195,428	\$ 1,352,793	\$ 115,500
Receivables (net)	150,646	159,366	310,012	-
Prepays	2,761	-	2,761	-
Total current assets	<u>1,310,772</u>	<u>354,794</u>	<u>1,665,566</u>	<u>115,500</u>
Capital assets:				
Land and construction in progress	790,805	4,069,547	4,860,352	-
Other capital assets, net of depreciation	1,175,149	7,456,428	8,631,577	-
Total capital assets	<u>1,965,954</u>	<u>11,525,975</u>	<u>13,491,929</u>	<u>-</u>
Total assets	<u>3,276,726</u>	<u>11,880,769</u>	<u>15,157,495</u>	<u>115,500</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	105,148	162,374	267,522	-
Compensated absences	6,000	-	6,000	-
Long term debt, current portion	6,241	-	6,241	-
Total current liabilities	<u>117,389</u>	<u>162,374</u>	<u>279,763</u>	<u>-</u>
Noncurrent liabilities:				
Compensated absences	7,955	-	7,955	-
Long-term debt, net of current portion	149,783	-	149,783	-
Total noncurrent liabilities	<u>157,738</u>	<u>-</u>	<u>157,738</u>	<u>-</u>
Total liabilities	<u>275,127</u>	<u>162,374</u>	<u>437,501</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	1,809,930	11,525,975	13,335,905	-
Unrestricted	1,191,669	192,420	1,384,089	115,500
Total net position	<u>\$ 3,001,599</u>	<u>\$ 11,718,395</u>	<u>\$ 14,719,994</u>	<u>\$ 115,500</u>

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

## POLK COUNTY, NORTH CAROLINA

## Statement of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

For the year ended June 30, 2018

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
<b>Operating Revenues</b>				
Charges for services	\$ 1,557,156	\$ 4,500	\$ 1,561,656	\$ -
Miscellaneous	-	81,000	81,000	-
Total operating revenues	<u>1,557,156</u>	<u>85,500</u>	<u>1,642,656</u>	<u>-</u>
<b>Operating Expenses</b>				
Operations	1,300,358	45,000	1,345,358	-
Closure and postclosure care	50,518	-	50,518	-
Depreciation	86,829	229,585	316,414	-
Total operating expenses	<u>1,437,705</u>	<u>274,585</u>	<u>1,712,290</u>	<u>-</u>
Operating income (loss)	<u>119,451</u>	<u>(189,085)</u>	<u>(69,634)</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses)</b>				
Solid waste taxes	51,437	-	51,437	-
Interest expense	(9,551)	-	(9,551)	-
Total non-operating revenues (expenses)	<u>41,886</u>	<u>-</u>	<u>41,886</u>	<u>-</u>
Income (loss) before transfers	161,337	(189,085)	(27,748)	-
Transfers from other funds	<u>-</u>	<u>95,000</u>	<u>95,000</u>	<u>(3,626)</u>
Change in net position	161,337	(94,085)	67,252	(3,626)
Net position, beginning of year	<u>2,840,262</u>	<u>11,812,480</u>	<u>14,652,742</u>	<u>119,126</u>
Net position, end of year	<u>\$ 3,001,599</u>	<u>\$ 11,718,395</u>	<u>\$ 14,719,994</u>	<u>\$ 115,500</u>

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

POLK COUNTY, NORTH CAROLINA

Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2018

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,544,899	\$ 85,500	\$ 1,630,399	\$ -
Cash paid for goods and services	(1,062,232)	(48,525)	(1,110,757)	-
Cash paid to employees for services	(231,612)	-	(231,612)	-
Net cash provided by operating activities	<u>251,055</u>	<u>36,975</u>	<u>288,030</u>	<u>-</u>
<b>Cash flows from noncapital and related financing activities:</b>				
Solid waste taxes	51,437	-	51,437	-
Transfers from (to) other funds	-	95,000	95,000	(3,626)
Net cash provided (used) by noncapital and related financing activities	<u>51,437</u>	<u>95,000</u>	<u>146,437</u>	<u>(3,626)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(151,633)	(103,441)	(255,074)	-
Principal paid on debt	(5,879)	-	(5,879)	-
Interest paid on debt	(9,551)	-	(9,551)	-
Net cash used by capital and related financing activities	<u>(167,063)</u>	<u>(103,441)</u>	<u>(270,504)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	135,429	28,534	163,963	(3,626)
<b>Cash and cash equivalents:</b>				
Beginning of year	<u>1,021,936</u>	<u>166,894</u>	<u>1,188,830</u>	<u>119,126</u>
End of year	<u>\$ 1,157,365</u>	<u>\$ 195,428</u>	<u>\$ 1,352,793</u>	<u>\$ 115,500</u>

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

POLK COUNTY, NORTH CAROLINA

Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2018

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 119,451	\$ (189,085)	\$ (69,634)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	86,829	229,585	316,414	-
Changes in assets and liabilities:				
Decrease (increase) in receivables	(12,257)	(13,050)	(25,307)	-
Decrease (increase) in prepaids	(158)	-	(158)	-
Increase (decrease) in accounts payable and accrued expenses	43,235	9,525	52,760	-
Increase (decrease) in compensated absences	13,955	-	13,955	-
Net cash provided (used) by operating activities	<u>\$ 251,055</u>	<u>\$ 36,975</u>	<u>\$ 288,030</u>	<u>\$ -</u>

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

## POLK COUNTY, NORTH CAROLINA

*Statement of Fiduciary Net Position*

June 30, 2018

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 240,195
<b>Liabilities</b>	
Due to others	214,007
Due to other governments	24,991
Due to State of North Carolina	1,197
	<u>\$ 240,195</u>

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

# POLK COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

### Note 1 – Summary of Significant Accounting Policies

The accounting policies of Polk County (the “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 accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. The County had no component units as of June 30, 2018.

#### (B) Basis of Presentation – Basis of Accounting

##### **Basis of Presentation, Measurement Focus - Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the County’s net position. 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. Interfund services provided and used are not eliminated. 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. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and 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. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

*General Fund.* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

*Capital Projects Fund.* This fund is used to account for the construction of the new jail, and other capital asset construction and acquisition projects.

The County reports the following major enterprise funds:

*Solid Waste Fund.* This fund accounts for the solid waste collection and disposal operations and is financed with user fees.

*Water Fund.* This fund accounts for waterlines and related assets, as well as user fees and expenses associated with County water service.

The County also reports the following fund types:

*Internal Service Fund.* The self-insurance fund has been used to account for the accumulation and allocation of costs associated with employees' health care. The County was self-insured until June 30, 2014. During the fiscal year ended June 30, 2016, the County joined the State Health Plan.

*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 the Polk County Board of Education; the Property Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; and another fund for various individual and private organizations.

*Nonmajor Funds.* The County maintains five legally budgeted nonmajor funds. The Fire District Fund, the Tourism Development Fund, the Emergency Telephone System Fund, and the Grant Projects Fund are reported as nonmajor special revenue funds. The Debt Service Fund is reported as a debt service fund. The Capital Reserve Fund is consolidated in the Capital Projects Fund in accordance with GASB Statement No. 54.

### **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, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide and proprietary 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*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 90 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 September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Polk County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed during the period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net 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.

**(C) Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Solid Waste Fund, and the Water Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund, the Grants Project Fund and the Water Capital Projects Fund, which is consolidated with the Water Fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department and/or grouped function level for all annually budgeted funds and at the project level for multi-year budgets. Board approval is required for all amendments exceeding \$7,500 within any department and \$7,500 between departments. During the year, several amendments to the original budget were necessary to adjust for federal and State grants received. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**(1) Deposits and Investments**

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings 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's investments in commercial paper are carried at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

**(2) Cash and Cash Equivalents**

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

**(3) Restricted Assets**

Cash paid into an escrow account yearly for the Qualified Zone Academy Bonds ("QZAB"), non-interest bearing installment financing agreement is restricted for the balloon payment due in June 2020. Unspent loan proceeds are restricted to the purpose of the debt issuance in the Capital Projects Fund. Money in the Tax Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

QZAB escrow account	\$ 1,478,008
Unspent loan proceeds	1,641,349
Tax revaluation fund	490,638
Drug fund	<u>16,657</u>
Total restricted cash	<u>\$ 3,626,652</u>

**(4) Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**(5) Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**(6) Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**(7) Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. Minimum capitalization cost is \$500. 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 Polk County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Polk 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	20
Furniture and equipment	5-10
Vehicles	8

**(8) Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The County has several items that meet this criterion: contributions made to pension plans in the current fiscal year, benefit payments and administrative costs in the current fiscal year, and other pension-related deferrals.

In addition to liabilities, the Statement of Net Position and Balance Sheet can also report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet this criterion: prepaid taxes, ad valorem taxes receivable, and pension related deferrals.

(9) **Long-Term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type 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.

(10) **Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. This policy is maintained for all departments except for EMS which is allowed to accumulate up to forty-five days. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide and proprietary fund statements.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

(11) **Net Position**

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through State statute.

(12) **Fund Balances**

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Prepays - portion of fund balance that is not an available resource because it represents the year-end portion of prepaid items, which are not spendable resources.

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

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This amount represents additions to fund balance that have not been converted to cash and the amounts cannot be appropriated or expended by the County until the amounts have been converted to cash.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures, and portion of fund balance representing net loan proceeds restricted for construction of the new jail.

Restricted for Tourism - portion of fund balance that is restricted by revenue source for tourism expenditures.

Restricted for School Debt Service - portion of fund balance that is restricted by revenue source for school debt service.

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of net unspent debt proceeds of \$1,294,038 and restricted for Register of Deeds pension plan asset and related deferrals of \$52,884, for a net difference of \$1,241,154 as of June 30, 2018.

*Committed Fund Balance* - Portion of fund balance that can only be used for specific purpose imposed by majority vote of Polk County's highest level of decision-making authority. The governing body is the highest level of decision-making authority for Polk County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Only the highest level action that constitutes the most binding constraint can be considered a commitment for fund balance classification purposes. Any changes or removal of specific purposes requires majority action by the governing body. The Board has committed fund balance for tax revaluation.

*Assigned Fund Balance* - This classification represents the portions of fund balance that Polk County intends to use for specific purposes but do not meet the criteria to be classified as committed. Assignments of fund balance are generally created by action of the County's governing body, such as the adoption of an annual budget or project ordinance. However, an additional board action is not required for the removal of an assignment.

Assigned for subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$7,500.

Assigned for capital projects - portion of fund balance that has been appropriated by the governing body for construction projects.

*Unassigned Fund Balance* - Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned for specific purposes within the General Fund. Only the General Fund can report positive unassigned fund balance. However, other governmental funds may report negative unassigned fund balance if expenditures exceed amounts that are restricted, committed or assigned for those purposes.

At times, the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider

restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(13) **Defined Benefit Pension Plans**

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

**Note 2 – Assets**

**(A) Deposits**

All of the County'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 agents in the unit's 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, these deposits are considered to be held by their agents in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization; 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. 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. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2018, the County's deposits had a carrying amount of \$2,198,409 and a bank balance of \$2,520,684. Of the bank balance, \$1,091,137 was covered by federal depository insurance, and the remaining balance was covered by collateral held under the Pooling Method. The County also had petty cash on hand at June 30, 2018 of \$1,950.

**Reconciliation of cash and cash equivalents**

The components of cash and cash equivalents:		Reported in the financial statements as:	
Deposits in banks	\$ 2,198,409	Cash and cash equivalents	\$ 11,876,823
Petty cash on hand	1,950	Restricted cash	3,626,652
Investments	<u>13,543,311</u>	Cash in agency funds	<u>240,195</u>
	<u>\$ 15,743,670</u>		<u>\$ 15,743,670</u>

**(B) Investments**

At June 30, 2018, the County had the following investments and maturities:

<u>Investment type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than Six Months</u>
NC Capital Management Trust - Government Portfolio	Amortized cost	\$ 10,004,065	N/A
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	2,061,238	2,061,238
Commercial paper	Fair Value - Level 2	<u>1,478,008</u>	<u>1,478,008</u>
Total		<u>\$ 13,543,311</u>	<u>\$ 3,539,246</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the County is required to build an investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby reducing the need to sell securities on the open market prior to maturity. The investment policy also limits the County to investing funds primarily in shorter-term securities.

*Credit Risk.* The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSRO"). In order to mitigate against credit risk, the County's investment policy states that investments are limited to the safest type of securities, the portfolio should be diversified in order to minimize losses on individual securities, and business is done only with a few selected financial institutions. As of June 30, 2018, the County's investments in commercial paper were rated A-1 by Standard & Poor's, F1 by Fitch Ratings and P-1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust's Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

*Concentration of Credit Risk.* The County places no limit on the amount that the County may invest in any one issuer.

**(C) Receivables**

Receivables at the fund and government-wide level at June 30, 2018 were as follows:

	<u>Governmental Funds</u>		Accrual Adjustment	Governmental Activities	Business- Type Activities
	<u>General</u>	<u>Other</u>			
Receivables:					
Accounts	\$ 657,923	\$ 45,389	\$ -	\$ 703,312	\$ 153,410
Taxes	897,588	107,752	-	1,005,340	-
Due from other governments	1,560,360	151,434	-	1,711,794	159,366
Interest on taxes	-	-	90,472	90,472	-
Less: allowance	<u>(568,229)</u>	<u>-</u>	<u>-</u>	<u>(568,229)</u>	<u>(2,764)</u>
Total receivables (net)	<u>\$ 2,547,642</u>	<u>\$ 304,575</u>	<u>\$ 90,472</u>	<u>\$ 2,942,689</u>	<u>\$ 310,012</u>

**(D) Property Tax – Use-Value Assessment on Certain Lands**

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year	Tax	Interest	Total
<u>Levied</u>			
2015	\$ 995,328	\$ 325,971	\$ 1,321,299
2016	999,698	237,435	1,237,133
2017	1,060,285	156,399	1,216,684
2018	<u>1,595,530</u>	<u>91,744</u>	<u>1,687,274</u>
	<u>\$ 4,650,841</u>	<u>\$ 811,549</u>	<u>\$ 5,462,390</u>



**(E) Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,022,766	\$ -	\$ -	\$ 7,022,766
Construction in progress	<u>3,847,730</u>	<u>7,359,537</u>	<u>-</u>	<u>11,207,267</u>
Total capital assets not being depreciated	<u>10,870,496</u>	<u>7,359,537</u>	<u>-</u>	<u>18,230,033</u>
Capital assets being depreciated:				
Buildings and improvements	18,883,599	-	-	18,883,599
Equipment	4,444,107	206,782	-	4,650,889
Vehicles and motor equipment	<u>3,127,284</u>	<u>463,312</u>	<u>(146,979)</u>	<u>3,443,617</u>
Total capital assets being depreciated	<u>26,454,990</u>	<u>670,094</u>	<u>(146,979)</u>	<u>26,978,105</u>
Less accumulated depreciation for:				
Buildings and improvements	7,110,462	482,648	-	7,593,110
Equipment	3,425,263	388,677	-	3,813,940
Vehicles and motor equipment	<u>1,730,909</u>	<u>326,510</u>	<u>(146,979)</u>	<u>1,910,440</u>
Total accumulated depreciation	<u>12,266,634</u>	<u>1,197,835</u>	<u>(146,979)</u>	<u>13,317,490</u>
Capital assets being depreciated, net	<u>14,188,356</u>			<u>13,660,615</u>
Governmental activities capital assets, net	<u>\$ 25,058,852</u>			<u>\$ 31,890,648</u>

Depreciation was charged to expense as follows:

General government	\$ 285,440
Public safety	458,722
Economic and physical development	6,272
Human services	194,233
Cultural and recreational	<u>253,168</u>
Total depreciation expenses	<u>\$ 1,197,835</u>

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities:				
Solid Waste				
Capital assets not being depreciated:				
Land	\$ 657,322	\$ 133,483	\$ -	\$ 790,805
Capital assets being depreciated:				
Buildings and improvements	1,423,863	-	-	1,423,863
Equipment	665,592	18,150	-	683,742
Vehicles and motor equipment	36,462	-	-	36,462
Total capital assets being depreciated	<u>2,125,917</u>	<u>18,150</u>	<u>-</u>	<u>2,144,067</u>
Less accumulated depreciation for:				
Buildings and improvements	372,687	34,068	-	406,755
Equipment	473,808	51,893	-	525,701
Vehicles and motor equipment	35,594	868	-	36,462
Total accumulated depreciation	<u>882,089</u>	<u>86,829</u>	<u>-</u>	<u>968,918</u>
Capital assets being depreciated, net	<u>1,243,828</u>			<u>1,175,149</u>
Solid waste capital assets, net	<u>1,901,150</u>			<u>1,965,954</u>
Water				
Capital assets not being depreciated:				
Land and easements	1,917,545	-	-	1,917,545
Construction in progress	2,048,561	103,441	-	2,152,002
	<u>3,966,106</u>	<u>103,441</u>	<u>-</u>	<u>4,069,547</u>
Capital assets being depreciated:				
Water lines and related assets	9,183,540	-	-	9,183,540
Less accumulated depreciation for:				
Water lines and related assets	1,497,527	229,585	-	1,727,112
Capital assets being depreciated, net	<u>7,686,013</u>			<u>7,456,428</u>
Water capital assets, net	<u>11,652,119</u>			<u>11,525,975</u>
Business-type capital assets, net	<u>\$ 13,553,269</u>			<u>\$ 13,491,929</u>

The County has an active construction project as of June 30, 2018. At year-end, the County's commitments with contractors and architects are approximately \$283,325 for the new law enforcement facility project.

**Note 3 – Liabilities****(A) Payables**

Payables at the fund and government-wide level at June 30, 2018, were as follows:

	Governmental Funds			Governmental Activities	Business- Type Activities
	General	Capital			
		Projects	Other		
Accounts payable	\$ 343,198	\$ 347,311	\$ 143,027	\$ 833,536	\$ 263,906
Accrued wages	186,487	-	2,087	188,574	3,616
Due to other governments	119,067	-	-	119,067	-
Total accounts payable and accrued expenses	<u>\$ 648,752</u>	<u>\$ 347,311</u>	<u>\$ 145,114</u>	<u>\$ 1,141,177</u>	<u>\$ 267,522</u>

**(B) Pension Plan Obligations**Local Governmental Employees' Retirement System

*Plan Description.* The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.60% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$551,335 for the year ended June 30, 2018.

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

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

At June 30, 2018, the County reported a liability of \$1,680,648 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was 0.11001%, which was an increase of 0.01328% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$606,151. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,821	\$ 47,574
Changes of assumptions	240,020	-
Net difference between projected and actual earnings on pension plan investments	408,064	-
Changes in proportion and difference between County contributions and proportionate share of contributions	125,050	-
County contributions subsequent to measurement date	551,335	-
	<u>\$ 1,421,290</u>	<u>\$ 47,574</u>

\$551,335 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 133,892
2020	516,879
2021	272,099
2022	(100,489)
2023	-
Thereafter	-
	<u>\$ 822,381</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current

yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 5,045,344	\$ 1,680,648	\$ (1,127,810)

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

Law Enforcement Officers Special Separation Allowance

*Plan Description:* Polk 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2016 (valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>37</u>
Total	<u><u>37</u></u>

*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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statement 73.

*Actuarial Assumptions:* The entry age normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2016.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population: the RP-2014 mortality tables base rates projected forward generationally from 2015 using MP-2015. The mortality tables vary by age, and health status (i.e. disabled and healthy).

*Contributions:* The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a

pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The County made no benefit payments for the reporting period.

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

At June 30, 2018, the County reported a total pension liability of \$437,922. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$55,824.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,379	\$ -
Changes of assumptions and other inputs	27,060	6,596
County plan administrative expenditures subsequent to the measurement date	630	-
	<u>\$ 68,069</u>	<u>\$ 6,596</u>

The County paid \$0 in benefit payments and \$630 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 10,807
2020	10,807
2021	10,807
2022	10,807
2023	10,807
Thereafter	6,808
	<u>\$ 60,843</u>

*Sensitivity of the County’s total pension liability to changes in the discount rate.* The following presents the County’s total pension liability calculated using the discount rate of 3.16 percent, as well as what the County’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 483,699	\$ 437,922	\$ 396,353



**Schedule of Changes in Total Pension Liability**

Total pension liability as of December 31, 2016	\$ 314,014
Changes for the year:	
Service cost at end of year	32,284
Interest	12,121
Change in benefit terms	-
Difference between expected and actual experience	47,602
Changes of assumptions and other inputs	31,901
Benefit payments	-
Other	-
Net changes	<u>123,908</u>
Total pension liability as of December 31, 2017	<u>\$ 437,922</u>

**Changes of assumptions.** Since the prior measurement date, the discount rate changed from 3.86% to 3.16% due to a change in the municipal bond rate. The assumed inflation rate was reduced from 3.00% to 2.50% and assumed wage inflation increased from 0.5% to 1.0%.

Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description:* The County contributes to the Supplemental Retirement Income Plan (the 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The County contributed \$72,277 for the reporting year. No amounts were forfeited.

Registers of Deeds' Supplemental Pension Fund

*Plan Description.* The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,331 for the year ended June 30, 2018.

#### **Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the County reported an asset of \$39,935 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension asset was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was 0.23396%, which was an increase of .00742% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$5,203. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 686	\$ 129
Change of assumptions	6,738	-
Net difference between projected and actual earnings on pension plan investments	3,395	-
Changes in proportion and difference between County contributions and proportionate share of contributions	1,369	1,440
County contributions subsequent to measurement date	2,331	-
	<u>\$ 14,519</u>	<u>\$ 1,569</u>

\$2,331 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 6,326
2020	3,039
2021	388
2022	866
2023	-
Thereafter	-
	<u>\$ 10,619</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (31,388)	\$ (39,935)	\$ (47,122)

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

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

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	ROD	LEOSSA	Total
Proportion of the net pension liability (asset) \$	\$ 1,680,648	\$ (39,935)	N/A	\$ 1,640,713
Proportion of the net pension liability (asset) %	0.11001%	0.23396%	N/A	
Total pension liability			\$ 437,922	437,922
Pension expense	606,151	5,203	55,824	667,178
<u>Deferred outflows of resources</u>				
Differences between expected and actual experience	\$ 96,821	\$ 686	\$ 40,379	\$ 137,886
Changes of assumptions	240,020	6,738	27,060	273,818
Net difference between projected and actual earnings on pension plan investments	408,064	3,395	-	411,459
Changes in proportion and differences between County contributions and proportionate share of contributions	125,050	1,369	-	126,419
County contributions (LGERS, ROD)/ admin costs (LEOSSA) subsequent to measurement date	<u>551,335</u>	<u>2,331</u>	<u>630</u>	<u>554,296</u>
	<u>\$ 1,421,290</u>	<u>\$ 14,519</u>	<u>\$ 68,069</u>	<u>\$ 1,503,878</u>
<u>Deferred inflows of resources</u>				
Differences between expected and actual experience	\$ 47,574	\$ 129	\$ -	\$ 47,703
Changes of assumptions	-	-	6,596	6,596
Changes in proportion and differences between County contributions and proportionate share of contributions	-	1,440	-	1,440
	<u>\$ 47,574</u>	<u>\$ 1,569</u>	<u>\$ 6,596</u>	<u>\$ 55,739</u>

**(C) Deferred Outflows and Inflows of Resources**

The balances in deferred outflows of resources and deferred inflows of resources on the fund statements and on the government-wide statements at year-end is composed of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension deferrals (LGERS)	\$ 1,421,290	\$ 47,574
Pension deferrals (ROD)	14,519	1,569
Pension deferrals (LEOSSA)	68,069	6,596
Prepaid taxes not yet earned (General Fund)	-	288,905
Ad valorem taxes receivable, net (General Fund)	-	762,586
Taxes receivable, net (Special Revenue)	-	97,742
Total	<u>\$ 1,503,878</u>	<u>\$ 1,204,972</u>

**(D) 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 two 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 of \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and worker's compensation coverage up to statutory limits. The pools are audited annually by certified public accountants and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to \$2 million limit for liability coverage, \$1,750,000 of each loss in excess of \$250,000 per occurrence for property and auto physical damage. For workers compensation, there is a per occurrence retention of \$750,000.

The County provides health insurance to its employees through the North Carolina State Health Plan.

The County's properties are not located in the 100-year Flood Zone as designated by the Federal Emergency Management Agency. Coverage is maintained for flood and earthquake up to \$25,000 per occurrence.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Sheriff is bonded for \$50,000, the Register of Deeds for \$50,000, and the Tax Collector and Director of Finance for \$50,000. The Director of Soil and Water, department employees, and Directors are bonded under a blanket bond for \$40,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

**(E) Long-Term Obligations***Installment Purchases*

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County financed various property acquisitions, construction and improvements for use by Polk County, Polk County Board of Education, and Isothermal Community College during the fiscal year ended June 30, 2018 by installment purchase.

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
2004 \$7.40 million installment purchase contract for county building projects, 30 semi-annual payments ranging from \$340,050 to \$534,833, including interest at 4.41% through November 2019.	\$ 1,233,335	\$ -	\$ 493,335	\$ 740,000
2004 \$10 million installment purchase contract for middle school construction, 30 semi-annual payments ranging from \$251,736 to \$402,480, including interest at 4.03% through March 2019.	1,333,332	-	666,666	666,666
2005 \$1.84 million QZAB, non-interest bearing installment financing agreement for school renovations, 15 annual payments of \$95,706 into escrow with a balloon payment in June 2020.	1,844,000	-	-	1,844,000
2010 \$1.85 million installment purchase contract for the construction of a DSS building, 15 annual payments ranging from \$189,193 to \$127,724, including interest at 3.56% through December 2025.	1,110,002	-	123,334	986,668
2015 \$800,000 installment purchase contract for the construction improvements to the Polk County Early College, 15 annual payments ranging from \$40,278 to \$74,691, including interest at 2.79% through July 2029.	691,310	-	54,345	636,965

	Beginning Balance	Additions	Retirements	Ending Balance
2016 \$13,500,000 installment purchase contract for the construction of a new jail facility, initial payment of \$502,968 and 29 semi-annual payments of \$545,538, including interest at 2.58% through October 2031.	13,128,612	-	757,211	12,371,401
Total governmental activities	<u>\$ 19,340,591</u>	<u>\$ -</u>	<u>\$ 2,094,891</u>	<u>\$ 17,245,700</u>
Business-type activities:				
Installment purchase contract, 360 monthly payments of \$1,286, including interest at 6% through January 2034	<u>\$ 161,903</u>	<u>\$ -</u>	<u>\$ 5,879</u>	<u>\$ 156,024</u>

For Polk County, the future minimum payments as of June 30, 2018, including interest are:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2019	\$ 2,114,551	\$ 376,583	\$ 6,241	\$ 9,189
2020	3,065,390	334,660	6,627	8,804
2021	995,420	307,074	7,035	8,395
2022	1,016,654	281,170	7,469	7,961
2023	1,038,439	254,715	7,930	7,500
2024 - 2028	5,292,627	859,560	47,618	29,533
2029 - 2033	3,722,619	193,415	64,230	12,921
2034 - 2035	-	-	8,874	177
	<u>\$ 17,245,700</u>	<u>\$ 2,607,177</u>	<u>\$ 156,024</u>	<u>\$ 84,480</u>

Debt Related to Capital Activities

Of the total governmental activities debt listed only \$13,956,143 relates to assets the County holds title. Unspent restricted loan proceeds related to this debt amounts to \$1,641,349.



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, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Installment purchase contracts	\$ 19,340,591	\$ -	\$ 2,094,891	\$ 17,245,700	\$ 2,114,551
Capital leases	47,566	-	47,566	-	-
Compensated absences	506,224	304,830	207,338	603,716	272,000
Net pension liability (LGERS)	2,052,935	-	372,287	1,680,648	-
Net pension obligation (LEO)	<u>314,014</u>	<u>123,908</u>	<u>-</u>	<u>437,922</u>	<u>-</u>
Total governmental activities	<u>\$ 22,261,330</u>	<u>\$ 428,738</u>	<u>\$ 2,722,082</u>	<u>\$ 19,967,986</u>	<u>\$ 2,386,551</u>
Business-type activities:					
Installment purchase contracts	\$ 161,903	\$ -	\$ 5,879	\$ 156,024	\$ 6,241
Compensated absences	<u>-</u>	<u>22,594</u>	<u>8,639</u>	<u>13,955</u>	<u>6,000</u>
	<u>\$ 161,903</u>	<u>\$ 22,594</u>	<u>\$ 14,518</u>	<u>\$ 169,979</u>	<u>\$ 12,241</u>

Compensated absences are for governmental activities and typically have been liquidated in the general fund and are accounted for on a FIFO basis, assuming that employees are taking leave time as it is earned.

The pension benefit obligations have historically been liquidated from the General Fund.

At June 30, 2018, Polk County had a legal debt margin of approximately \$213,000,000.

**Note 4 – Net Investment in Capital Assets**

The net investment in capital assets at June 30, 2018, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$ 31,890,648	\$ 13,491,929
Less:		
Installment purchase contracts	(17,245,700)	(156,024)
Add:		
Unspent debt proceeds	1,641,349	-
School related debt	3,289,556	-
Solid waste debt	<u>130,000</u>	<u>-</u>
	<u>\$ 19,705,853</u>	<u>\$ 13,335,905</u>

**Note 5 – Interfund Activities**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer from General Fund to:		
Debt Service Fund	For QZAB sinking fund payment	\$ 95,706
Tourism Development Fund	To promote tourism	8,591
Capital Reserve Fund	To fund future capital projects	168,859
Water Capital Projects Fund	To fund capital projects	95,000
		<u>\$ 368,156</u>
Transfer from Capital Reserve Fund to:		
Grant Projects Fund	To match grant funds	\$ 34,125
		<u>34,125</u>
Transfer from Self Insurance Fund to:		
General Fund	For insurances costs	\$ 3,626
		<u>3,626</u>

Transfers are used to (1) move revenues from the fund that budget requires to collect them to them to the fund that budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 6 – Fund Balance**

Polk County does not have a formal revenue spending policy. However, it is the County's practice to use resources in the following hierarchy: installment loan proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 9,814,272
Less:	
Prepays	182,215
Stabilization by State statute	2,005,617
Restricted for public safety	16,657
Committed for tax revaluation	490,638
Assigned - subsequent year's expenditures	408,240
Remaining fund balance	<u>\$ 6,710,905</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The general fund had encumbrances of \$129,274 at June 30, 2018.

**Note 7 – Related Organization**

The County's governing board is responsible for appointing two members to the board of the Harmon Field Commission, a local recreation facility. The Town of Tryon also is responsible for appointing two additional members, and one additional appointee is alternated between the County and the Town each

year. Currently, the County has three appointees to the Harmon Field board. The County collects taxes on behalf of this organization, but does not have the authority to set the tax rates. The County's accountability for this organization does not extend beyond making the annual board appointments. The Harmon Field Commission is reported as a component unit of the Town.

## **Note 8 – Joint Ventures**

### **(A) Mental Health**

The County, in conjunction with 22 other county governments, participates in a joint venture to operate the Vaya Health Local Management Entity (LME), which provides mental health, development disability, and substance abuse services to residents of the 23 county area. Each of the 23 participants appoints members to the governing body. The County has an ongoing financial responsibility for the joint venture because the LME's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the LME, so no equity interest has been reflected in the financial statements at June 30, 2018. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$74,991 to the center to supplement its activities. Complete financial statements for Vaya Health may be obtained from their offices at 200 Ridgefield Court, Suite 206, Asheville, NC 28806.

### **(B) Public Health**

The County, in conjunction with Rutherford and McDowell Counties, established the Public Health District (District). The District was established to allocate the cost and coordinate the public health services between the counties. Each County appoints one member to the District Governing board. These commissioner-members then appoint the other fifteen members jointly with six of these members being from Rutherford County, five being from McDowell County and four being from Polk County. All commissioner-members must agree on the appointments for the appointments to occur. None of the participating counties have any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2018. The County paid operating appropriations of \$196,284 to the District during fiscal year June 30, 2018. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

### **(C) Community College**

The County, in conjunction with the State of North Carolina, the Polk County Board of Education, the Rutherford County Board of Education and Rutherford County, participates in a joint venture to operate the Isothermal Community College (Community College). The County appoints two members of the thirteen-member board of trustees of the Community College. The President of the Community College's student government serves as an ex officio non-voting member of the Community College's board of trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$156,515 to the Community College for operating purposes during the fiscal year ended June 30, 2018. The County has no obligation that would create a financial burden, nor is it entitled to a future financial benefit from the Community College. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2018. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 286 ICC Loop Road, Spindale, North Carolina, 28160.

**Note 9 – Jointly Governed Organizations**

The County, in conjunction with four other counties and twenty-two municipalities, established the Isothermal Planning and Development Commission (Commission). The participating governments established the Commission to coordinated various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid membership fees of \$8,021 to the Commission during the fiscal year ended June 30, 2018.

**Note 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.

**Note 11 – Benefit Payments Issued by the State**

Certain program benefits are paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. The additional aid to County recipients does not appear in the basic financial statements because they are not revenues and expenditures of the County.

**Note 12 – Contingent Liabilities**

The County is presently a defendant in a personal injury claim that occurred at the County landfill and transfer station. The plaintiff fell in a public area of the transfer station while in the process of unloading his garbage. Legal counsel has stated that it presently is not possible to determine the outcome of the above matter. Accordingly, the County has not made a provision for continent liabilities related to this matter.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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- Law Enforcement Officers' Special Separation Allowance – Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll
  - Local Government Employees' Retirement System – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
  - Local Government Employees' Retirement System – Schedule of County's Contributions
  - Registers of Deeds' Supplemental Pension Fund – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
  - Registers of Deeds' Supplemental Pension Fund – Schedule of County's Contributions
-

## POLK COUNTY, NORTH CAROLINA

*Law Enforcement Officers' Special Separation Allowance*  
*Required Supplementary Information*  
 Last Two Fiscal Years\*

Schedule of Changes in Total Pension Liability

	2018	2017
Beginning balance	\$ 314,014	\$ 284,430
Changes for the year:		
Service cost at end of year	32,284	28,540
Interest	12,121	10,154
Change in benefit terms	-	-
Difference between expected and actual experience	47,602	-
Changes of assumptions and other inputs	31,901	(9,110)
Benefit payments	-	-
Other	-	-
Net changes	<u>123,908</u>	<u>29,584</u>
Ending balance of the total pension liability	<u>\$ 437,922</u>	<u>\$ 314,014</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total Pension Liability	\$ 437,922	\$ 314,014
Covered Payroll	1,510,245	1,255,857
Total pension liability as a percentage of covered payroll	29.00%	25.00%

Notes to the schedule:

Polk County has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

\* The amounts presented for each fiscal year were determined as of the prior calendar year ending December 31.

## POLK COUNTY, NORTH CAROLINA

*County's Proportionate Share of the Net Pension Liability (Asset)*  
*Required Supplementary Information*  
 Last Five Fiscal Years\*

**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.11001%	0.09673%	0.09766%	0.09752%	0.09240%
County's proportion of the net pension liability (asset) (\$)	\$ 1,680,648	\$ 2,052,935	\$ 438,292	\$ (575,120)	\$ 1,113,775
County's covered payroll	6,823,860	5,951,154	5,709,585	5,577,537	5,452,559
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.63%	34.50%	7.68%	( 10.31%)	20.43%
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.18%	91.47%	98.09%	102.64%	94.35%

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

## POLK COUNTY, NORTH CAROLINA

*Schedule of County's Contributions  
Required Supplementary Information  
Last Five Fiscal Years*

**Local Government Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 551,335	\$ 512,665	\$ 409,164	\$ 407,190	\$ 396,750
Contributions in relation to the contractually required contribution	<u>551,335</u>	<u>512,665</u>	<u>409,164</u>	<u>407,190</u>	<u>396,750</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	7,125,615	6,823,860	5,951,154	5,709,585	5,577,537
Contributions as a percentage of covered payroll	7.74%	7.51%	6.88%	7.13%	7.11%



## POLK COUNTY, NORTH CAROLINA

*County's Proportionate Share of the Net Pension Liability (Asset)*  
*Required Supplementary Information*  
 Last Five Fiscal Years\*

## Registers of Deeds' Supplemental Pension Fund

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.23396%	0.22654%	0.24054%	0.22095%	0.20720%
County's proportion of the net pension liability (asset) (\$)	\$ (39,935)	\$ (42,354)	\$ (55,743)	\$ (50,087)	\$ (44,258)
County's covered payroll	57,670	53,522	52,380	51,861	49,381
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	( 69.25%)	( 79.13%)	(104.15%)	( 96.58%)	( 89.63%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	153.77%	160.17%	197.29%	193.88%	190.50%

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

## POLK COUNTY, NORTH CAROLINA

*Schedule of County's Contributions  
Required Supplementary Information  
Last Five Fiscal Years*

**Registers of Deeds' Supplemental Pension Fund**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,331	\$ 2,033	\$ 1,851	\$ 1,925	\$ 1,804
Contributions in relation to the contractually required contribution	<u>2,331</u>	<u>2,033</u>	<u>1,851</u>	<u>1,925</u>	<u>1,804</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	55,553	57,670	53,522	52,380	51,861
Contributions as a percentage of covered payroll	4.20%	3.53%	3.46%	3.68%	3.48%

## MAJOR FUNDS

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### *Governmental Fund-Type:*

- The General Fund is the main operating fund of the County. It accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
- Tax Revaluation Fund – This fund is established to set aside funding to finance the county-wide real property revaluation. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.
- Capital Projects Fund – This fund is used to account for the acquisition or construction of major capital facilities of the County.

### *Proprietary Fund-Type:*

Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services. The County maintains the following major enterprise funds:

- Solid Waste Fund – This fund accounts for the revenues and expenses associated with operating the county's solid waste transfer station.
  - Water Fund – This fund accounts for waterlines and related assets, as well as user fees and expenses associated with County water service.
-

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad Valorem Taxes:			
Taxes	\$ 15,149,838	\$ 14,940,620	\$ (209,218)
Penalties and interest	129,824	74,134	(55,690)
Total	<u>15,279,662</u>	<u>15,014,754</u>	<u>(264,908)</u>
Other Taxes:			
Local option sales taxes	3,500,473	3,951,981	451,508
Article 44 sales tax (hold harmless)	477,457	380,193	(97,264)
Total	<u>3,977,930</u>	<u>4,332,174</u>	<u>354,244</u>
Restricted Intergovernmental:			
Lottery revenue	145,705	145,705	-
Federal grants	2,390,166	2,464,668	74,502
State grants	366,935	361,245	(5,690)
Local grants	76,733	76,251	(482)
Total	<u>2,979,539</u>	<u>3,047,869</u>	<u>68,330</u>
Licenses and Permits:			
Register of Deeds fees	246,000	255,735	9,735
Building, other permit, inspection fees	238,250	347,484	109,234
Total	<u>484,250</u>	<u>603,219</u>	<u>118,969</u>
Sales and Services:			
Rents, concessions, and fees	89,326	103,514	14,188
EMS fees	743,921	738,791	(5,130)
Transportation fees	105,525	145,281	39,756
Recreation department	142,572	126,525	(16,047)
Court costs, fees, and charges	58,015	76,661	18,646
Other charges for services	24,888	30,944	6,056
Total	<u>1,164,247</u>	<u>1,221,716</u>	<u>57,469</u>
Investment Earnings	48,200	152,278	104,078
Miscellaneous	92,166	75,540	(16,626)
Total revenues	<u>24,025,994</u>	<u>24,447,550</u>	<u>421,556</u>

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>			
General Government:			
Governing body	188,891	182,257	6,634
Manager	286,424	276,593	9,831
Board of elections	194,709	179,641	15,068
Personnel	186,925	144,794	42,131
Finance	284,938	278,939	5,999
Tax collections	593,136	554,429	38,707
Legal	57,775	53,644	4,131
Register of Deeds	212,302	178,058	34,244
Public buildings	579,702	561,294	18,408
Court facilities	6,700	2,640	4,060
Non-departmental	464,354	408,530	55,824
Total general government	<u>3,055,856</u>	<u>2,820,819</u>	<u>235,037</u>
Public Safety:			
Sheriff's department	2,368,560	2,325,439	43,121
Jail	1,240,803	1,131,361	109,442
Emergency medical services	1,510,119	1,487,837	22,282
Emergency management	94,687	92,772	1,915
Communications	471,881	459,704	12,177
Building inspections	398,421	362,106	36,315
Animal control	247,864	206,993	40,871
Total public safety	<u>6,332,335</u>	<u>6,066,212</u>	<u>266,123</u>
Economic and physical development:			
Cooperative extension	164,683	157,680	7,003
Planning and zoning	134,821	120,876	13,945
Soil and water conservation	130,229	125,837	4,392
Agriculture	102,003	86,712	15,291
Forestry	75,620	47,028	28,592
Economic development	61,594	42,887	18,707
Total economic and physical development	<u>668,950</u>	<u>581,020</u>	<u>87,930</u>

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*General Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>			
Human Services:			
Health	201,569	196,284	5,285
Mental health	78,506	78,663	(157)
Veteran's administration	57,061	52,916	4,145
Social services administration	1,748,062	1,671,360	76,702
Social services programs	1,294,303	1,216,302	78,001
Public transportation	819,925	763,558	56,367
Community based alternatives	79,332	78,214	1,118
Total human services	<u>4,278,758</u>	<u>4,057,297</u>	<u>221,461</u>
Cultural and recreational:			
Recreation	652,927	533,409	119,518
Library	618,284	615,046	3,238
Senior centers	406,687	397,595	9,092
Total cultural and recreational	<u>1,677,898</u>	<u>1,546,050</u>	<u>131,848</u>
Education:			
Public schools-current	5,129,788	5,129,788	-
Public schools-capital outlay	312,267	312,000	267
Public schools-local supplement	100,000	87,581	12,419
Community colleges-current	156,927	156,515	412
Total education	<u>5,698,982</u>	<u>5,685,884</u>	<u>13,098</u>
Debt Service:			
Principal retirement	2,094,891	2,094,891	-
Interest and fees	420,730	420,726	4
Total debt service	<u>2,515,621</u>	<u>2,515,617</u>	<u>4</u>
Total expenditures	<u>24,228,400</u>	<u>23,272,899</u>	<u>955,501</u>
Revenues over (under) expenditures	<u>(202,406)</u>	<u>1,174,651</u>	<u>1,377,057</u>

POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated fund balance	546,676	-	(546,676)
Proceeds from sale of assets	-	4,036	4,036
Transfers from other funds	23,886	3,626	(20,260)
Transfers to other funds	(368,156)	(368,156)	-
Total other financing sources (uses)	<u>202,406</u>	<u>(360,494)</u>	<u>(562,900)</u>
 Net change in fund balance	 <u>\$ -</u>	 814,157	 <u>\$ 814,157</u>
 Fund balance, beginning of year		 <u>8,509,477</u>	
 Fund balance, end of year		 <u>\$ 9,323,634</u>	

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**Revaluation Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 1,835	\$ 1,835
<b>Expenditures</b>			
General Government:			
Revaluation	<u>128,800</u>	<u>26,421</u>	<u>102,379</u>
Revenues under expenditures	<u>(128,800)</u>	<u>(24,586)</u>	<u>104,214</u>
<b>Other Financing Sources</b>			
Appropriated fund balance	<u>128,800</u>	<u>-</u>	<u>(128,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>(24,586)</u>	<u>\$ (24,586)</u>
Fund balance, beginning of year		<u>515,224</u>	
Fund balance, end of year		<u>\$ 490,638</u>	



## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Capital Projects Fund*

From inception and for the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Investment earnings	\$ -	\$ 35,203	\$ 59,729	\$ 94,932	\$ 94,932
Miscellaneous	-	176,632	-	176,632	176,632
Total revenues	<u>-</u>	<u>211,835</u>	<u>59,729</u>	<u>271,564</u>	<u>271,564</u>
<b>Expenditures</b>					
Public safety:					
Detention facility	<u>13,500,000</u>	<u>4,968,117</u>	<u>7,359,537</u>	<u>12,327,654</u>	<u>1,172,346</u>
Total expenditures	<u>13,500,000</u>	<u>4,968,117</u>	<u>7,359,537</u>	<u>12,327,654</u>	<u>1,172,346</u>
Revenues under expenditures	<u>(13,500,000)</u>	<u>(4,756,282)</u>	<u>(7,299,808)</u>	<u>(12,056,090)</u>	<u>1,443,910</u>
<b>Other Financing Sources</b>					
Installment purchase obligations issued	13,500,000	13,500,000	-	13,500,000	-
Closed projects	<u>-</u>	<u>373,436</u>	<u>-</u>	<u>373,436</u>	<u>373,436</u>
Total other financing sources	<u>13,500,000</u>	<u>13,873,436</u>	<u>-</u>	<u>13,873,436</u>	<u>373,436</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,117,154</u>	(7,299,808)	<u>\$ 1,817,346</u>	<u>\$ 1,817,346</u>
Fund balance, beginning of year			<u>9,117,154</u>		
Fund balance, end of year - Capital Projects Fund			1,817,346		
Amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 4) are difference from the Budget/Actual Schedule due to consolidation of the Capital Reserve Fund (Schedule C-7):					
Investment earnings			104		
Proceeds from sale of assets			5,137		
Transfers from other funds			168,859		
Transfers to other funds			(34,125)		
Fund balance, beginning - Capital Reserve Fund			<u>905,532</u>		
Fund balance, ending - Combined Capital Projects Fund			<u>\$ 2,862,853</u>		

## POLK COUNTY, NORTH CAROLINA

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

## Solid Waste Fund

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Charges for services	\$ 1,459,300	\$ 1,557,156	\$ 97,856
Solid waste taxes	<u>20,000</u>	<u>51,437</u>	<u>31,437</u>
Total revenues	<u>1,479,300</u>	<u>1,608,593</u>	<u>129,293</u>
<b>Expenditures</b>			
Current:			
Operating	1,339,168	1,286,403	52,765
Closure and postclosure care	69,500	50,518	18,982
Capital outlay	188,500	151,633	36,867
Debt service:			
Principal retirement	5,880	5,879	1
Interest and fees	<u>9,552</u>	<u>9,551</u>	<u>1</u>
Total expenditures	<u>1,612,600</u>	<u>1,503,984</u>	<u>108,616</u>
Revenues over expenditures	<u>(133,300)</u>	<u>104,609</u>	<u>237,909</u>
<b>Other Financing Sources</b>			
Appropriated fund balance	<u>133,300</u>	<u>-</u>	<u>(133,300)</u>
Total other financing sources	<u>133,300</u>	<u>-</u>	<u>(133,300)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>104,609</u>	<u>\$ 104,609</u>
Reconciliation from modified accrual to full accrual basis:			
Capital outlay		151,633	
Depreciation		(86,829)	
Increase in compensated absences		(13,955)	
Principal retirement		<u>5,879</u>	
Change in net position		<u>\$ 161,337</u>	

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**Water Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Charges for services	\$ -	\$ 4,500	\$ 4,500
Total revenues	<u>-</u>	<u>4,500</u>	<u>4,500</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated fund balance	15,000	-	(15,000)
Transfers to other funds	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Revenues and other financing sources under other uses	<u>\$ -</u>	<u>(10,500)</u>	<u>\$ (10,500)</u>
Reconciliation from modified accrual to full accrual basis:			
Depreciation		(229,585)	
<u>From Water Capital Projects Fund:</u>			
Water participation fees		81,000	
Non-capital expenditures		(45,000)	
Transfers from other funds		<u>110,000</u>	
Change in net position		<u>\$ (94,085)</u>	

## POLK COUNTY, NORTH CAROLINA

## Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

## Water Capital Projects Fund

From inception and for the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental revenue:					
Dept of Commerce grant	\$ 170,625	\$ -	\$ -	\$ -	\$ (170,625)
Water participation fees	81,000	-	81,000	81,000	-
Total revenues	<u>251,625</u>	<u>-</u>	<u>81,000</u>	<u>81,000</u>	<u>(170,625)</u>
<b>Expenditures</b>					
Capital:					
Sunny View	2,000,815	1,988,879	20,450	2,009,329	(8,514)
Hwy 9/Ken Miller Rd/Silver Creek Rd	81,000	-	74,760	74,760	6,240
General	147,608	-	53,231	53,231	94,377
Total expenditures	<u>2,229,423</u>	<u>1,988,879</u>	<u>148,441</u>	<u>2,137,320</u>	<u>92,103</u>
Revenues under expenditures	<u>(1,977,798)</u>	<u>(1,988,879)</u>	<u>(67,441)</u>	<u>(2,056,320)</u>	<u>(78,522)</u>
<b>Other Financing Sources</b>					
Transfers from other funds	<u>1,977,798</u>	<u>2,095,592</u>	<u>110,000</u>	<u>2,205,592</u>	<u>227,794</u>
Total other financing sources	<u>1,977,798</u>	<u>2,095,592</u>	<u>110,000</u>	<u>2,205,592</u>	<u>227,794</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 106,713</u>	<u>\$ 42,559</u>	<u>\$ 149,272</u>	<u>\$ 149,272</u>

## NONMAJOR GOVERNMENTAL FUNDS

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### *Special Revenue Funds*

- Fire District Fund – This fund is established to account for the ad valorem tax levies of the six fire districts in Polk County.
- Tourism Development Fund – This fund is established to account for the occupancy taxes collected from hotels in the County.
- Emergency Telephone System Fund – This fund is established to account for the accumulation of funds used to operate the 911 Emergency Service operations.
- Grant Projects Fund – This fund is established to account for the expenditure of grant funds related to community projects.

### *Debt Service Fund*

- Debt Service Fund – This fund is established to set aside resources to pay principal on the “Qualified Zone Academy Bond” (QZAB) agreement.

### *Capital Projects Fund*

- Capital Reserve Fund – This fund was established to account for revenues set aside to finance County-wide building improvements. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for financial statement presentation in accordance with GASB Statement No. 54, it is consolidated into the Capital Projects Fund.
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## POLK COUNTY, NORTH CAROLINA

Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2018

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Grant Projects Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 10,203	\$ 184,321	\$ 459,104	\$ -	\$ 653,628	\$ 11	\$ 653,639
Restricted cash	-	-	-	-	-	1,478,008	1,478,008
Receivables, net	107,752	45,389	16,376	135,058	304,575	-	304,575
Prepays	-	1,047	-	-	1,047	-	1,047
Total assets	<u>\$ 117,955</u>	<u>\$ 230,757</u>	<u>\$ 475,480</u>	<u>\$ 135,058</u>	<u>\$ 959,250</u>	<u>\$ 1,478,019</u>	<u>\$ 2,437,269</u>
<b>LIABILITIES</b>							
Accounts payable and other current liabilities	\$ 20,213	\$ 25,289	\$ 99,612	\$ -	\$ 145,114	\$ -	\$ 145,114
Due to other funds	-	-	-	91,287	91,287	-	91,287
Unearned revenues	-	-	-	2,398	2,398	-	2,398
Total liabilities	<u>20,213</u>	<u>25,289</u>	<u>99,612</u>	<u>93,685</u>	<u>238,799</u>	<u>-</u>	<u>238,799</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>97,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,742</u>	<u>-</u>	<u>97,742</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Prepays	-	1,047	-	-	1,047	-	1,047
Restricted:							
Stabilization by State statute	-	44,342	16,376	41,373	102,091	-	102,091
Public safety	-	-	367,977	-	367,977	-	367,977
Tourism	-	160,079	-	-	160,079	-	160,079
Economic and physical development	-	-	-	-	-	-	-
School debt service	-	-	-	-	-	1,478,019	1,478,019
Unassigned (deficit)	-	-	(8,485)	-	(8,485)	-	(8,485)
Total fund balances	<u>-</u>	<u>205,468</u>	<u>375,868</u>	<u>41,373</u>	<u>622,709</u>	<u>1,478,019</u>	<u>2,100,728</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 117,955</u>	<u>\$ 230,757</u>	<u>\$ 475,480</u>	<u>\$ 135,058</u>	<u>\$ 959,250</u>	<u>\$ 1,478,019</u>	<u>\$ 2,437,269</u>

## POLK COUNTY, NORTH CAROLINA

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
 For the year ended June 30, 2018

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Grant Projects Fund	<b>Total Special Revenue Funds</b>	Debt Service Fund	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>							
Ad valorem taxes	\$ 1,599,990	\$ -	\$ -	\$ -	\$ 1,599,990	\$ -	\$ 1,599,990
Other taxes	-	245,521	-	-	245,521	-	245,521
Restricted intergovernmental	-	-	368,606	135,058	503,664	-	503,664
Restricted contributions	-	-	-	22,800	22,800	-	22,800
Investment earnings	-	-	43	-	43	32,246	32,289
Total revenues	<u>1,599,990</u>	<u>245,521</u>	<u>368,649</u>	<u>157,858</u>	<u>2,372,018</u>	<u>32,246</u>	<u>2,404,264</u>
<b>Expenditures</b>							
Current:							
Public safety	1,599,990	-	203,229	-	1,803,219	-	1,803,219
Economic and physical development	-	185,495	-	178,096	363,591	-	363,591
Debt service:							
Principal retirement	-	-	47,566	-	47,566	-	47,566
Interest and fees	-	-	814	-	814	-	814
Total expenditures	<u>1,599,990</u>	<u>185,495</u>	<u>251,609</u>	<u>178,096</u>	<u>2,215,190</u>	<u>-</u>	<u>2,215,190</u>
Revenues over (under) expenditures	<u>-</u>	<u>60,026</u>	<u>117,040</u>	<u>(20,238)</u>	<u>156,828</u>	<u>32,246</u>	<u>189,074</u>
<b>Other Financing Sources</b>							
Transfers from other funds	<u>-</u>	<u>8,591</u>	<u>-</u>	<u>34,125</u>	<u>42,716</u>	<u>95,706</u>	<u>138,422</u>
Total other financing sources	<u>-</u>	<u>8,591</u>	<u>-</u>	<u>34,125</u>	<u>42,716</u>	<u>95,706</u>	<u>138,422</u>
Net change in fund balances	-	68,617	117,040	13,887	199,544	127,952	327,496
Fund balances, beginning of year	<u>-</u>	<u>136,851</u>	<u>258,828</u>	<u>27,486</u>	<u>423,165</u>	<u>1,350,067</u>	<u>1,773,232</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 205,468</u>	<u>\$ 375,868</u>	<u>\$ 41,373</u>	<u>\$ 622,709</u>	<u>\$ 1,478,019</u>	<u>\$ 2,100,728</u>

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*Fire District Fund*  
 For the year ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Ad Valorem Taxes:			
Taxes	\$ 1,623,100	\$ 1,593,753	\$ (29,347)
Penalties and interest	-	6,237	6,237
Total revenues	1,623,100	1,599,990	(23,110)
<b>Expenditures</b>			
Public safety:			
Sunny View Fire Department	242,350	240,987	1,363
Green Creek Fire Department	295,000	277,980	17,020
Tryon Fire Department	203,500	201,330	2,170
Saluda Fire Department	167,250	166,027	1,223
Mill Springs Fire Department	240,000	229,864	10,136
Columbus Fire Department	475,000	470,998	4,002
Edneyville Fire Department	-	3,568	(3,568)
Blue Ridge Fire Department	-	4,489	(4,489)
Dana Fire Department	-	4,747	(4,747)
Total expenditures	1,623,100	1,599,990	23,110
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	



## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*Tourism Development Fund*  
 For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Occupancy tax	\$ 199,316	\$ 245,521	\$ 46,205
<b>Expenditures</b>			
Economic and physical development:			
Tourism	<u>207,907</u>	<u>185,495</u>	<u>22,412</u>
Revenues over (under) expenditures	<u>(8,591)</u>	<u>60,026</u>	<u>68,617</u>
<b>Other Financing Sources</b>			
Transfers from other funds	<u>8,591</u>	<u>8,591</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	68,617	<u>\$ 68,617</u>
Fund balance, beginning of year		<u>136,851</u>	
Fund balance, end of year		<u>\$ 205,468</u>	

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*Emergency Telephone System Fund*  
 For the year ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Restricted intergovernmental	\$ 196,512	\$ 368,606	\$ 172,094
Interest earned	-	43	43
Total revenues	196,512	368,649	172,137
<b>Expenditures</b>			
Public safety:			
Telephone and furniture		123,867	
Software		20,314	
Hardware		34,380	
Functions		47,698	
Other		25,350	
Total expenditures	395,574	251,609	143,965
Revenues over (under) expenditures	(199,062)	117,040	316,102
<b>Other Financing Sources</b>			
Appropriated fund balance	199,062	-	(199,062)
Net change in fund balance	\$ -	117,040	\$ 117,040
Fund balance, beginning of year		258,828	
Fund balance, end of year		\$ 375,868	

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Grant Projects Fund*

From inception and for the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental revenue:					
Community development block grant:					
Looking Glass Creamery water project	\$ 170,625	\$ -	\$ 135,058	\$ 135,058	\$ (35,567)
Restricted contributions:					
Harmon's Dairy water participation fee	<u>22,750</u>	<u>-</u>	<u>22,800</u>	<u>22,800</u>	<u>50</u>
	<u>193,375</u>	<u>-</u>	<u>157,858</u>	<u>157,858</u>	<u>(35,517)</u>
<b>Expenditures</b>					
Economic and physical development:					
Looking Glass Creamery water project	<u>227,500</u>	<u>-</u>	<u>178,096</u>	<u>178,096</u>	<u>49,404</u>
Total expenditures	<u>227,500</u>	<u>-</u>	<u>178,096</u>	<u>178,096</u>	<u>49,404</u>
Revenues under expenditures	<u>(34,125)</u>	<u>-</u>	<u>(20,238)</u>	<u>(20,238)</u>	<u>13,887</u>
<b>Other Financing Sources</b>					
Transfer from other funds (local match):					
Looking Glass Creamery water project	34,125	-	34,125	34,125	-
Prior year transfers	-	27,486	-	27,486	27,486
Total other financing sources	<u>34,125</u>	<u>27,486</u>	<u>34,125</u>	<u>61,611</u>	<u>27,486</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 27,486</u>	13,887	<u>\$ 41,373</u>	<u>\$ 41,373</u>
Fund balance, beginning of year			<u>27,486</u>		
Fund balance, end of year			<u>\$ 41,373</u>		

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*Capital Reserve Fund*  
 For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 104	\$ 104
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of assets	-	5,137	5,137
Transfers from other funds	152,984	168,859	15,875
Transfers to other funds	<u>(152,984)</u>	<u>(34,125)</u>	<u>118,859</u>
Total other financing sources (uses)	<u>-</u>	<u>139,871</u>	<u>139,871</u>
Net change in fund balance	<u>\$ -</u>	139,975	<u>\$ 139,975</u>
Fund balance, beginning of year		<u>905,532</u>	
Fund balance, end of year		<u>\$ 1,045,507</u>	

## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual*  
*Debt Service Fund*  
 For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 32,246	\$ 32,246
<b>Expenditures</b>			
Debt service:			
Principal retirement *	<u>95,706</u>	<u>-</u>	<u>95,706</u>
Revenues over (under) expenditures	<u>(95,706)</u>	<u>32,246</u>	<u>127,952</u>
<b>Other Financing Sources</b>			
Transfers from other funds	<u>95,706</u>	<u>95,706</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	127,952	<u>\$ 127,952</u>
Fund balance, beginning of year		<u>1,350,067</u>	
Fund balance, end of year		<u>\$ 1,478,019</u>	

\* Funds are moved and held in escrow by the County for the 2005 \$1.84 million QZAB installment agreement

## **AGENCY FUNDS**

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Agency Funds are used to account for the assets held by the County as an agent for individuals, private organizations, and/or other governmental entities.

- The County's Agency Funds are used to account for funds deposited with the Social Services Fund, the Property Tax Fund, the Fines and Forfeitures Fund, and Other Agency Fund.
-

## POLK COUNTY, NORTH CAROLINA

*Combining Statement of Changes in Fiduciary Assets and Liabilities*  
*Agency Funds*  
 For the year ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Social Services Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 63,787	\$ 124,567	\$ 94,880	\$ 93,474
Liabilities:				
Due to others	\$ 63,787	\$ 124,567	\$ 94,880	\$ 93,474
<b>Property Tax Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 19,308	\$ 1,747,175	\$ 1,741,492	\$ 24,991
Liabilities:				
Due to other governments	\$ 19,308	\$ 1,747,175	\$ 1,741,492	\$ 24,991
<b>Fines and Forfeitures Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 74	\$ 260,001	\$ 258,878	\$ 1,197
Liabilities:				
Due to Polk County Schools	\$ -	\$ 244,336	\$ 244,336	\$ -
Due to the State of North Carolina	74	15,665	14,542	1,197
	<u>\$ 74</u>	<u>\$ 260,001</u>	<u>\$ 258,878</u>	<u>\$ 1,197</u>
<b>Other Agency Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 119,328	\$ 182,495	\$ 181,290	\$ 120,533
Liabilities:				
Due to others	\$ 119,328	\$ 182,495	\$ 181,290	\$ 120,533
<b>Total:</b>				
Assets:				
Cash and cash equivalents	\$ 202,497	\$ 2,314,238	\$ 2,276,540	\$ 240,195
Liabilities:				
Due to others	\$ 183,115	\$ 307,062	\$ 276,170	\$ 214,007
Due to other governments	19,308	1,747,175	1,741,492	24,991
Due to Polk County Schools	-	244,336	244,336	-
Due to the State of North Carolina	74	15,665	14,542	1,197
	<u>\$ 202,497</u>	<u>\$ 2,314,238</u>	<u>\$ 2,276,540</u>	<u>\$ 240,195</u>

## **INTERNAL SERVICE FUND**

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- The Self Insurance Fund accounts for the financing of health insurance coverage for all County employees.
-



## POLK COUNTY, NORTH CAROLINA

*Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**Self-Insurance Fund*

For the year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	\$ (23,886)	\$ (3,626)	\$ 20,260
Appropriated fund balance	<u>23,886</u>	<u>-</u>	<u>(23,886)</u>
Total other financing sources (uses)	<u>-</u>	<u>(3,626)</u>	<u>(3,626)</u>
Other financing sources under expenditures and other uses	<u>\$ -</u>	<u>\$ (3,626)</u>	<u>\$ (3,626)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

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- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current Tax Levy
-

## POLK COUNTY, NORTH CAROLINA

*Schedule of Ad Valorem Taxes Receivable*  
*General Fund*  
 June 30, 2018

Fiscal Year	Uncollected Balance July 1, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 15,282,898	\$ 14,906,920	\$ 375,978
2016-2017	386,131	-	138,858	247,273
2015-2016	211,508	-	19,715	191,793
2014-2015	16,570	-	6,137	10,433
2013-2014	12,977	-	3,462	9,515
2012-2013	13,504	-	1,230	12,274
2011-2012	18,938	-	1,403	17,535
2010-2011	13,518	-	918	12,600
2009-2010	14,367	-	1,151	13,216
2008-2009	9,008	-	2,037	6,971
2007-2008	8,118	-	8,118	-
	<u>\$ 704,639</u>	<u>\$ 15,282,898</u>	<u>\$ 15,089,949</u>	897,588
				Less allowance for uncollectible ad valorem taxes receivable <u>(135,000)</u>
				Ad valorem taxes receivable, net <u>\$ 762,588</u>
Reconciliation with Revenues:				
				\$ <u>15,014,754</u>
				Taxes - Ad valorem - General Fund
				Reconciling items:
				Discounts allowed (165,850)
				Garnishment fees 9,719
				Foreclosure fees 756
				Taxes written off 8,118
				Penalties and interest 74,134
				Other adjustments <u>148,319</u>
				Total reconciling items <u>75,195</u>
				Total collections and credits <u>\$ 15,089,949</u>

## POLK COUNTY, NORTH CAROLINA

*Analysis of Current Year County-Wide Tax Levy  
June 30, 2018*

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$2,899,955,421	0.5294	\$ 15,352,364	\$ 14,253,959	\$ 1,098,405
Penalties	-		7,801	7,801	-
Total	2,899,955,421		15,360,165	14,261,760	1,098,405
Discoveries:					
Current year taxes	867,832	0.5294	4,594	4,594	-
Prior year taxes	-		9,212	9,212	-
Abatements:					
Current year taxes	(16,346,794)	0.5294	(86,844)	(86,844)	-
Prior year taxes	-	0.5175	(4,229)	(4,229)	-
Total property valuation	\$2,884,476,459				
Net levy			15,282,898	14,184,493	1,098,405
Current Year's Taxes Uncollected at 6/30/18			375,978	375,978	-
Current Year's Taxes Collected			\$ 14,906,920	\$ 13,808,515	\$ 1,098,405
Current Levy Collection %			97.54%	97.35%	100.00%
Secondary Market Disclosures:					
Assessed Valuation					
Assessment Ratio <sup>(1)</sup>				100.00%	
Real Property				\$ 2,522,686,132	
Personal Property				68,838,098	
Public Service Companies <sup>(2)</sup>				86,418,488	
Registered Motor Vehicles				206,533,741	
Total Assessed Valuation				2,884,476,459	
Tax Rate per \$100				0.5294	
Levy (includes discoveries, releases and abatements) <sup>(3)</sup>				\$ 15,282,898	
In addition to the County-wide rate, the following table lists the levies by the County on behalf of Harmon Field, school districts, towns, and fire protection districts for the fiscal year ended June 30:					
Harmon Field				\$ 143,659	
School Districts				81,009	
Towns				1,108,085	
Fire Protection Districts				1,465,294	
Total				\$ 2,798,047	

<sup>(1)</sup> Percentage of appraised value has been established by statute.

<sup>(2)</sup> Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.

<sup>(3)</sup> The levy includes interest and penalties.

## STATISTICAL SECTION

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This part of Polk County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the County's overall financial health.

- Financial Trends – These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.
  - Revenue Capacity – These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.
  - Debt Capacity – These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the government's ability to issue additional debt in the future.
  - Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.
  - Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.
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**POLK COUNTY, NORTH CAROLINA**

*Net Position by Category*  
Last Ten Fiscal Years

	<b>2009 <sup>(1)</sup></b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 12,807,648	\$ 19,242,095	\$ 16,076,619	\$ 17,491,725
Restricted	897,428	514,929	3,359,835	2,343,502
Unrestricted	(3,471,180)	(5,965,030)	(1,239,021)	445,749
Total governmental activities net position	<u>\$ 10,233,896</u>	<u>\$ 13,791,994</u>	<u>\$ 18,197,433</u>	<u>\$ 20,280,976</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 7,035,005	\$ 8,945,463	\$ 9,027,773	\$ 9,283,387
Unrestricted	1,421,280	172,796	673,949	842,565
Total business-type activities net position	<u>\$ 8,456,285</u>	<u>\$ 9,118,259</u>	<u>\$ 9,701,722</u>	<u>\$ 10,125,952</u>
<b>Primary government:</b>				
Net investment in capital assets	\$ 19,842,653	\$ 28,187,558	\$ 25,104,392	\$ 26,775,112
Restricted	897,428	514,929	3,359,835	2,343,502
Unrestricted	(2,049,900)	(5,792,234)	(565,072)	1,288,314
Total primary government net position	<u>\$ 18,690,181</u>	<u>\$ 22,910,253</u>	<u>\$ 27,899,155</u>	<u>\$ 30,406,928</u>

NOTES:

- (1) 2009 was the first year for water activities.
- (2) 2015 was the first year of implementation for GASB Statement No. 68 and 2014 was retroactively restated as a result of implementation. 2008 - 2013 were not restated.

Source: Polk County Financial Statements

	<b>2013</b>	<b>2014</b> <sup>(2)</sup>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$	16,924,056	\$ 16,823,252	\$ 16,778,656	\$ 17,116,720	\$ 19,222,539	\$ 19,705,853
	2,357,260	2,513,727	3,408,680	3,418,452	3,320,069	4,183,324
	1,488,679	2,508,175	2,189,288	2,718,297	3,643,334	5,251,178
\$	<u>20,769,995</u>	<u>\$ 21,845,154</u>	<u>\$ 22,376,624</u>	<u>\$ 23,253,469</u>	<u>\$ 26,185,942</u>	<u>\$ 29,140,355</u>
\$	9,708,668	\$ 10,958,504	\$ 12,699,586	\$ 13,477,068	\$ 13,391,365	\$ 13,335,905
	2,043,592	649,402	784,618	1,068,528	1,261,377	1,384,089
\$	<u>11,752,260</u>	<u>\$ 11,607,906</u>	<u>\$ 13,484,204</u>	<u>\$ 14,545,596</u>	<u>\$ 14,652,742</u>	<u>\$ 14,719,994</u>
\$	26,632,724	\$ 27,781,756	\$ 29,478,242	\$ 30,593,788	\$ 32,613,904	\$ 33,041,758
	2,357,260	2,513,727	3,408,680	3,418,452	3,320,069	4,183,324
	3,532,271	3,157,577	2,973,906	3,786,825	4,904,711	6,635,267
\$	<u>32,522,255</u>	<u>\$ 33,453,060</u>	<u>\$ 35,860,828</u>	<u>\$ 37,799,065</u>	<u>\$ 40,838,684</u>	<u>\$ 43,860,349</u>



**POLK COUNTY, NORTH CAROLINA**

*Revenues, Expenses, and Changes in Net Position*  
Last Ten Fiscal Years

	2009 <sup>(1)</sup>	2010	2011	2012
<b>Governmental activities</b>				
Program revenues:				
Charges for services:				
General government	\$ 864,488	\$ 832,957	\$ 1,180,459	\$ 369,453
Public safety	763,734	746,571	655,485	688,868
Economic and physical development	9,194	-	-	-
Human services	255,638	250,656	230,731	272,605
Cultural and recreational	92,667	131,766	104,203	118,711
Operating grants and contributions	3,029,342	3,250,918	3,210,156	3,003,690
Capital grants and contributions	956,449	25,000	1,395,348	232,219
Total program revenues	<u>5,971,512</u>	<u>5,237,868</u>	<u>6,776,382</u>	<u>4,685,546</u>
Expenses:				
General government	2,897,048	2,597,039	2,564,394	2,758,095
Public safety	5,000,699	5,130,053	5,400,531	5,899,783
Economic and physical development	733,884	1,016,720	919,265	760,672
Human services	4,687,695	4,259,428	4,366,981	4,604,527
Cultural and recreational	1,712,737	922,727	1,414,145	1,814,164
Education	7,957,032	4,663,770	4,759,096	5,079,611
Interest on long-term debt	754,146	663,762	526,997	540,693
Total program expenses	<u>23,743,241</u>	<u>19,253,499</u>	<u>19,951,409</u>	<u>21,457,545</u>
Net expenses	<u>(17,771,729)</u>	<u>(14,015,631)</u>	<u>(13,175,027)</u>	<u>(16,771,999)</u>
General revenues and transfers:				
Taxes:				
Property taxes	14,799,647	15,371,932	15,293,427	15,698,882
Local option sales tax	3,064,046	2,207,319	2,050,123	3,220,416
Other taxes	306,828	298,009	294,499	270,301
Investment earnings, unrestricted	287,194	56,921	42,466	36,751
Miscellaneous, unrestricted	434,348	263,917	152,021	343,726
Transfers	(2,645,903)	(624,369)	(252,070)	(714,534)
Total general revenues and transfers	<u>16,246,160</u>	<u>17,573,729</u>	<u>17,580,466</u>	<u>18,855,542</u>
Change in net position	<u>(1,525,569)</u>	<u>3,558,098</u>	<u>4,405,439</u>	<u>2,083,543</u>

	2013	2014 <sup>(2)</sup>	2015	2016	2017	2018
\$	370,476	\$ 418,126	\$ 489,951	\$ 295,730	\$ 352,739	\$ 359,290
	429,208	709,506	767,946	1,017,988	1,092,754	1,184,666
	-	-	-	-	-	-
	265,407	245,308	246,271	144,715	165,618	145,281
	114,765	118,479	136,669	201,323	199,738	135,678
	2,952,339	3,377,349	3,354,029	3,550,592	3,713,449	3,428,648
	181,457	531,932	632,886	95,705	244,527	145,705
	4,313,652	5,400,700	5,627,752	5,306,053	5,768,825	5,399,268
	2,773,817	2,944,270	2,742,665	3,108,920	4,402,630	3,127,258
	5,704,927	6,233,081	6,696,025	7,200,671	6,297,154	7,952,358
	811,129	1,577,119	1,092,014	762,832	647,755	851,477
	4,873,307	4,445,455	4,539,628	4,406,543	4,927,167	4,282,258
	1,524,910	1,559,705	1,573,950	1,773,442	1,758,546	1,780,219
	5,238,727	5,937,254	5,786,491	5,539,826	5,765,217	5,685,884
	381,823	337,287	305,706	122,188	323,545	409,921
	21,308,640	23,034,171	22,736,479	22,914,422	24,122,014	24,089,375
	(16,994,988)	(17,633,471)	(17,108,727)	(17,608,369)	(18,353,189)	(18,690,107)
	15,603,425	15,888,653	15,806,434	15,949,683	16,772,188	16,840,050
	3,247,594	3,232,234	3,344,092	3,211,303	4,090,672	4,332,174
	287,912	280,937	317,665	149,841	201,098	245,521
	39,917	34,432	36,268	62,988	125,981	246,235
	125,016	124,889	127,758	140,720	198,271	75,540
	(1,819,857)	(135,490)	(1,992,020)	(1,083,315)	(76,190)	(95,000)
	17,484,007	19,425,655	17,640,197	18,431,220	21,312,020	21,644,520
	489,019	1,792,184	531,470	822,851	2,958,831	2,954,413

*continued on next page*

**POLK COUNTY, NORTH CAROLINA**

*Revenues, Expenses, and Changes in Net Position*  
Last Ten Fiscal Years

	2009 <sup>(1)</sup>	2010	2011	2012
<b>Business-type activities</b>				
Program revenues:				
Charges for services:				
Solid waste	\$ 1,185,218	\$ 1,166,548	\$ 1,185,595	\$ 1,252,841
Water	19,200	255,825	59,545	30,521
Water capital projects	-	-	135,753	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	4,030,000	21,667	267,995	-
Total program revenues	<u>5,234,418</u>	<u>1,444,040</u>	<u>1,648,888</u>	<u>1,283,362</u>
Expenses:				
Solid waste	1,367,129	1,194,725	1,172,556	1,253,339
Water	104,146	211,710	144,939	320,327
Total program expenses	<u>1,471,275</u>	<u>1,406,435</u>	<u>1,317,495</u>	<u>1,573,666</u>
Net revenues (expenses)	<u>3,763,143</u>	<u>37,605</u>	<u>331,393</u>	<u>(290,304)</u>
General revenues and transfers:				
Other taxes	-	-	-	-
Miscellaneous, unrestricted	-	-	-	-
Transfers	2,645,903	624,369	252,070	714,534
	<u>2,645,903</u>	<u>624,369</u>	<u>252,070</u>	<u>714,534</u>
Change in net position	<u>6,409,046</u>	<u>661,974</u>	<u>583,463</u>	<u>424,230</u>
<b>Primary government</b>				
Program revenues	11,205,930	6,681,908	8,425,270	5,968,908
Expenses	25,214,516	20,659,934	21,268,904	23,031,211
Net expenses	<u>(14,008,586)</u>	<u>(13,978,026)</u>	<u>(12,843,634)</u>	<u>(17,062,303)</u>
General revenues and transfers	<u>18,892,063</u>	<u>18,198,098</u>	<u>17,832,536</u>	<u>19,570,076</u>
Change in net position	<u>\$ 4,883,477</u>	<u>\$ 4,220,072</u>	<u>\$ 4,988,902</u>	<u>\$ 2,507,773</u>

NOTES:

- (1) 2009 was the first year for water activities.
- (2) 2015 was the first year of implementation for GASB Statement No. 68 and 2014 was retroactively restated as a result of implementation. 2008 - 2013 were not restated.

Source: Polk County Financial Statements

Continued

2013	2014 <sup>(2)</sup>	2015	2016	2017	2018
\$ 1,261,698	\$ 1,323,063	\$ 1,411,327	\$ 1,393,764	\$ 1,471,321	\$ 1,557,156
34,857	17,858	4,500	5,099	9,000	85,500
-	-	-	-	-	-
15,458	-	-	-	-	-
-	-	-	-	-	-
1,312,013	1,340,921	1,415,827	1,398,863	1,480,321	1,642,656
1,359,559	1,416,362	1,370,127	1,220,455	1,273,902	1,447,256
221,170	249,315	207,665	250,737	227,571	274,585
1,580,729	1,665,677	1,577,792	1,471,192	1,501,473	1,721,841
(268,716)	(324,756)	(161,965)	(72,329)	(21,152)	(79,185)
44,138	44,912	46,243	50,406	52,108	51,437
31,029	-	-	-	-	-
1,819,857	135,490	1,992,020	1,083,315	76,190	95,000
1,895,024	180,402	2,038,263	1,133,721	128,298	146,437
1,626,308	(144,354)	1,876,298	1,061,392	107,146	67,252
5,625,665	6,741,621	7,043,579	6,704,916	7,249,146	7,041,924
22,889,369	24,699,848	24,314,271	24,385,614	25,623,487	25,811,216
(17,263,704)	(17,958,227)	(17,270,692)	(17,680,698)	(18,374,341)	(18,769,292)
19,379,031	19,606,057	19,678,460	19,564,941	21,440,318	21,790,957
\$ 2,115,327	\$ 1,647,830	\$ 2,407,768	\$ 1,884,243	\$ 3,065,977	\$ 3,021,665

**POLK COUNTY, NORTH CAROLINA**

*Fund Balances - Governmental Funds*  
Last Ten Fiscal Years

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>General fund:</b>				
Reserved	\$ 947,259	\$ 727,136	N/A	N/A
Unreserved	6,107,233	7,058,899	N/A	N/A
Nonspendable:				
Prepays	N/A	N/A	\$ -	\$ -
Restricted:				
Stabilization by State Statute	N/A	N/A	1,137,887	1,075,768
Public safety	N/A	N/A	-	-
Committed:				
Tax Revaluation	N/A	N/A	682,465	838,533
Assigned:				
Subsequent year's expenditure	N/A	N/A	79,820	-
Unassigned	N/A	N/A	6,044,488	6,011,199
<b>Total General Fund</b>	<b>\$ 7,054,492</b>	<b>\$ 7,786,035</b>	<b>\$ 7,944,660</b>	<b>\$ 7,925,500</b>
<b>Other governmental funds:</b>				
Reserved	\$ 433,505	\$ 548,126	N/A	N/A
Unreserved, reported in:				
Special revenue funds	1,000,878	1,148,062	N/A	N/A
Capital projects fund	914,602	331,799	N/A	N/A
Nonspendable:				
Prepays	N/A	N/A	\$ -	\$ -
Restricted:				
Stabilization by State Statute	N/A	N/A	395,670	25,460
Public safety	N/A	N/A	414,260	376,989
Construction of new buildings	N/A	N/A	775,150	107,665
Tourism	N/A	N/A	10,496	17,926
Economic and physical development	N/A	N/A	-	-
School debt service	N/A	N/A	626,372	739,694
Committed:				
Dam repair	N/A	N/A	210,000	-
Vehicles	N/A	N/A	54,000	-
Communications	N/A	N/A	112,713	-
Waterline extension	N/A	N/A	-	852,206
Assigned:				
Subsequent year's expenditures	N/A	N/A	192,301	-
Capital projects	N/A	N/A	-	-
Unassigned (deficit)	N/A	N/A	(369,488)	-
<b>Total other funds</b>	<b>\$ 2,348,985</b>	<b>\$ 2,027,987</b>	<b>\$ 2,421,474</b>	<b>\$ 2,119,940</b>

Note: GASB Statement No. 54 established new fund balance classifications effective in 2011.

Source: Polk County Financial Statements

2013	2014	2015	2016	2017	2018
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ -	\$ 170,561	\$ 168,196	\$ 182,215
785,210	1,047,125	1,163,570	1,633,744	1,552,457	2,005,617
-	-	-	-	16,461	16,657
973,254	938,082	919,154	708,468	515,224	490,638
445,542	474,719	888,900	-	546,676	408,240
5,738,575	7,047,387	5,906,286	6,534,837	6,225,687	6,710,905
<u>\$ 7,942,581</u>	<u>\$ 9,507,313</u>	<u>\$ 8,877,910</u>	<u>\$ 9,047,610</u>	<u>\$ 9,024,701</u>	<u>\$ 9,814,272</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ -	\$ 3,266	\$ 479	\$ 1,047
-	-	-	44,120	46,260	102,091
437,439	431,493	445,577	400,698	8,787,238	1,662,015
134,921	-	-	-	-	-
24,372	43,373	99,671	88,809	107,185	160,079
118,852	15,227	25,691	27,690	27,486	-
856,466	976,509	1,099,051	1,223,391	1,350,067	1,478,019
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,099,551	634,512	1,251,150	777,107	1,477,203	1,568,815
-	-	-	(8,543)	-	(8,485)
<u>\$ 2,671,601</u>	<u>\$ 2,101,114</u>	<u>\$ 2,921,140</u>	<u>\$ 2,556,538</u>	<u>\$ 11,795,918</u>	<u>\$ 4,963,581</u>

**POLK COUNTY, NORTH CAROLINA**

*Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*  
Last Ten Fiscal Years

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Revenues:</b>				
Property taxes	\$ 14,882,777	\$ 15,124,648	\$ 15,392,862	\$ 15,437,492
Local option sales taxes	3,064,046	2,207,319	2,050,123	3,220,416
Other taxes	306,828	298,009	294,499	67,713
Unrestricted intergovernmental	415,750	458,065	821,630	-
Restricted intergovernmental	3,985,792	3,275,917	4,605,504	3,438,497
Restricted contributions	-	-	-	-
Permits and fees	321,011	275,786	248,561	309,603
Sales and services	1,248,960	1,228,099	1,100,687	1,178,919
Investment earnings	287,194	56,921	42,466	36,751
Miscellaneous	434,348	263,917	152,021	343,726
<b>Total revenues</b>	<b>24,946,706</b>	<b>23,188,681</b>	<b>24,708,353</b>	<b>24,033,117</b>
<b>Expenditures:</b>				
Current:				
General government	2,408,644	2,322,946	2,307,926	2,238,737
Public safety	5,043,502	5,021,443	5,413,393	5,641,523
Economic and physical development	738,915	1,026,375	919,971	748,902
Human services	4,766,281	4,098,286	4,599,715	4,238,766
Cultural and recreational	1,566,221	1,256,085	2,475,080	1,471,813
Intergovernmental:				
Education	6,052,088	4,736,505	4,759,096	5,079,611
Capital outlay	1,687,648	576,650	1,209,750	895,780
Debt service:				
Principal	2,633,357	2,945,425	3,540,000	2,818,743
Interest	756,632	663,610	529,240	515,402
<b>Total expenditures</b>	<b>25,653,288</b>	<b>22,647,325</b>	<b>25,754,171</b>	<b>23,649,277</b>
<b>Other financing sources (uses):</b>				
Proceeds from sales of assets	-	-	-	-
Proceeds from capital lease	-	-	-	-
Proceeds from installment purchase contracts	1,700,000	-	1,850,000	-
Transfers from other funds	729,117	410,261	514,194	339,706
Transfers to other funds	(3,375,020)	(541,074)	(766,264)	(1,054,240)
<b>Total other financing sources (uses):</b>	<b>(945,903)</b>	<b>(130,813)</b>	<b>1,597,930</b>	<b>(714,534)</b>
<b>Net change in fund balances</b>	<b>\$ (1,652,485)</b>	<b>\$ 410,543</b>	<b>\$ 552,112</b>	<b>\$ (330,694)</b>
 Debt service as a percentage of non-capital expenditures	 14.1%	 16.4%	 16.6%	 14.7%

Source: Polk County Financial Statements

	2013	2014	2015	2016	2017	2018
\$	15,530,011	\$ 15,876,129	\$ 15,671,820	\$ 16,150,390	\$ 16,686,794	\$ 16,614,744
	3,247,594	3,232,234	3,344,092	3,513,262	4,090,672	4,332,174
	69,564	76,154	117,868	149,841	201,098	245,521
	-	-	-	-	-	-
	3,353,992	4,020,364	3,399,130	3,646,295	3,957,976	3,551,533
	-	93,725	787,857	-	-	22,800
	297,483	340,563	406,966	365,658	439,525	603,219
	1,165,089	1,158,433	1,301,164	1,294,100	1,371,324	1,221,716
	39,917	34,432	36,268	62,988	125,981	246,235
	125,016	124,889	127,758	140,720	198,271	75,540
	23,828,666	24,956,923	25,192,923	25,323,254	27,071,641	26,913,482
	2,261,154	2,595,845	2,489,437	2,832,665	4,060,235	2,825,501
	5,636,335	5,849,037	6,410,486	6,848,449	5,893,817	7,368,662
	806,231	1,562,525	1,097,371	763,494	644,324	838,107
	4,305,639	4,248,054	4,461,551	4,258,143	4,758,052	4,050,988
	1,190,189	1,293,759	1,301,417	1,487,901	1,501,409	1,511,277
	5,238,727	5,937,254	5,786,491	5,539,826	5,765,217	5,685,884
	589,734	656,314	628,586	1,163,108	6,658,814	8,029,631
	1,345,878	1,336,449	1,338,613	1,395,210	1,768,942	2,142,457
	392,790	348,255	296,328	156,377	246,192	421,540
	21,766,677	23,827,492	23,810,280	24,445,173	31,297,002	32,874,047
	54,579	304	-	6,425	18,022	9,173
	282,031	-	-	-	-	-
	-	-	800,000	-	13,500,000	-
	495,878	233,089	208,281	290,781	366,221	273,156
	(2,315,735)	(368,579)	(2,200,301)	(1,374,096)	(442,411)	(364,530)
	(1,483,247)	(135,186)	(1,192,020)	(1,076,890)	13,441,832	(82,201)
\$	578,742	\$ 994,245	\$ 190,623	\$ (198,809)	\$ 9,216,471	\$ (6,042,766)
	8.2%	7.3%	7.1%	6.7%	8.2%	10.3%



**POLK COUNTY, NORTH CAROLINA**

*Assessed Value and Estimated Actual Value of Taxable Property*  
 Last Ten Fiscal Years  
 (in thousands)

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Real property	\$ 1,931,780	\$ 2,691,983	\$ 2,731,694	\$ 2,732,468
Personal property	180,435	161,911	155,922	172,627
Public service companies	42,825	71,821	64,304	65,814
Less tax exempt property	(150,225)	(189,654)	(216,414)	(215,794)
<b>Total taxable assessed value</b>	<b>\$ 2,004,815</b>	<b>\$ 2,736,061</b>	<b>\$ 2,735,506</b>	<b>\$ 2,755,115</b>
<b>Total direct tax rate</b>	<b>0.6800</b>	<b>0.5200</b>	<b>0.5200</b>	<b>0.5200</b>

NOTE: Assesseed valuations are established by the Board of County Comissioners at 100% of estimated market value. A revaluation of real property is required by the NC General Statutes at least every eight years. Revaluation were completed in 2009 and 2017. Tax rates are per \$100 of assessed value.

Source: Polk County Tax Department

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 2,723,284	\$ 2,582,280	\$ 2,694,037	\$ 2,722,705	\$ 2,778,171	\$ 2,838,747
171,863	363,642	227,145	237,507	265,243	275,372
76,478	82,533	80,835	78,842	72,695	86,418
(220,313)	(223,908)	(228,599)	(230,862)	(233,111)	(316,061)
<b>\$ 2,751,312</b>	<b>\$ 2,804,547</b>	<b>\$ 2,773,418</b>	<b>\$ 2,808,192</b>	<b>\$ 2,882,998</b>	<b>\$ 2,884,476</b>
<b>0.5200</b>	<b>0.5175</b>	<b>0.5175</b>	<b>0.5175</b>	<b>0.5375</b>	<b>0.5294</b>

**POLK COUNTY, NORTH CAROLINA**

*Direct and Overlapping Property Tax Rates*  
 Last Ten Fiscal Years (rate per \$100 of assessed value)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>County direct rate:</b>										
General Fund	0.6800	0.5200	0.5200	0.5200	0.5200	0.5175	0.5175	0.5175	0.5375	0.5294
<b>Harmon Field rate</b>	0.0426	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0334
<b>City/town rates:</b>										
Saluda	0.6200	0.5050	0.5050	0.5050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050
Columbus	0.4500	0.3900	0.3900	0.3900	0.4000	0.4000	0.4000	0.4150	0.4200	0.4246
Tryon	0.6175	0.5258	0.5258	0.5258	0.5258	0.5508	0.5508	0.5708	0.5708	0.5663
<b>Fire district rates:</b>										
Saluda	0.0900	0.0650	0.0650	0.0650	0.0650	0.0750	0.0750	0.0850	0.0950	0.0940
Sunnyview	0.0875	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0759
Mill Spring	0.0700	0.0500	0.0500	0.0500	0.0500	0.0650	0.0650	0.0650	0.0700	0.0663
Green Creek	0.0527	0.0410	0.0410	0.0410	0.0410	0.0410	0.0410	0.0410	0.0560	0.0446
Tryon	0.0575	0.0480	0.0480	0.0480	0.0480	0.0480	0.0480	0.0680	0.0680	0.0635
Columbus	0.0420	0.0400	0.0400	0.0400	0.0500	0.0500	0.0650	0.0650	0.0700	0.0746
Edneyville	-	-	-	-	-	-	-	-	-	0.1050
Blue Ridge	-	-	-	-	-	-	-	-	-	0.1200
Dana	-	-	-	-	-	-	-	-	-	0.1300
<b>School district rate:</b>										
Saluda	<u>0.0300</u>	<u>0.0300</u>	<u>0.0300</u>	<u>0.0300</u>	<u>0.0300</u>	<u>0.0300</u>	<u>0.0300</u>	<u>0.0300</u>	<u>0.0300</u>	<u>0.1300</u>
<b>Total Direct and Overlapping Rates</b>	<u>2.8398</u>	<u>2.3098</u>	<u>2.3098</u>	<u>2.3098</u>	<u>2.4298</u>	<u>2.4773</u>	<u>2.4923</u>	<u>2.5573</u>	<u>2.6173</u>	<u>3.0626</u>

**POLK COUNTY, NORTH CAROLINA**

*Principal Property Taxpayers*  
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2018</u>			<u>2009</u>		
	<u>Taxable assessed value</u>	<u>Rank</u>	<u>Percentage of total county taxable assessed value</u>	<u>Taxable assessed value</u>	<u>Rank</u>	<u>Percentage of total county taxable assessed value</u>
Adult Communities Total						
Services	\$ 48,569,120	1	16.85%	\$ 49,056,958	2	24.47%
Tryon Equestrian Properties <sup>(2)</sup>	35,992,340	2	12.48%	11,637,058	6	5.80%
Tryon Showgrounds	27,940,065	3	9.69%	N/A		
Alianza Trinity <sup>(1)</sup>	19,797,747	5	6.87%	63,539,288	1	31.69%
Tryon Showgrounds	21,653,859	4	7.51%	N/A		
Duke Energy	18,083,934	6	6.27%	27,742,148	3	13.84%
Rutherford Electric Membership Corporation	12,070,400	7	4.19%	14,040,604	4	7.00%
Green River Farm, LLC	10,733,523	8	3.72%	N/A		
Public Service Co. of NC	9,332,351	9	3.24%	9,508,937	8	4.74%
Clary Hood Inc	7,852,311	10	2.80%	N/A		
Tryon Investment Properties	-	-	-	11,111,994	7	5.54%
Chesnut Oak Development	-	-	0.00%	7,459,654	10	3.72%
Windstream NC, Inc.	-	-	-	12,200,637	5	6.09%
Tryon/Columbus Retirement Associates, LLC	-	-	0.00%	7,905,565	9	3.94%
<b>Total</b>	<u>\$ 212,025,650</u>		<u>73.62%</u>	<u>\$ 214,202,843</u>		<u>82.37%</u>

<sup>(1)</sup> Previously Bright's Creek

<sup>(2)</sup> Previously White Oak Development

Source: Polk County Tax Department

**POLK COUNTY, NORTH CAROLINA**

*Property Tax Levies and Collections*

Last Ten Fiscal Years

(In thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Taxes levied for the year	\$ 13,713	\$ 14,225	\$ 14,234	\$ 14,327
Collected within the fiscal year of the levy:				
Amount	\$ 13,284	\$ 13,700	\$ 13,759	\$ 13,849
Percentage	97%	96%	97%	97%
Current uncollected balance	\$ 7	\$ 13	\$ 13	\$ 18
Collection in subsequent years	\$ 422	\$ 512	\$ 462	\$ 460
Total collections to date:				
Amount	\$ 13,706	\$ 14,212	\$ 14,221	\$ 14,309
Percentage	99.95%	99.91%	99.91%	99.87%

Source: Polk County Financial Statements

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 14,307	\$ 14,514	\$ 14,352	\$ 14,538	\$ 15,501	\$ 15,283
\$ 13,875 97%	\$ 14,145 97%	\$ 13,886 97%	\$ 14,149 97%	\$ 15,115 98%	\$ 14,907 98%
\$ 12	\$ 10	\$ 10	\$ 192	\$ 247	\$ 376
\$ 420	\$ 359	\$ 456	\$ 197	\$ 139	\$ -
\$ 14,295 99.92%	\$ 14,504 99.93%	\$ 14,342 99.93%	\$ 14,346 98.68%	\$ 15,254 98.41%	\$ 14,907 97.54%

## POLK COUNTY, NORTH CAROLINA

### *Ratios of Outstanding Debt by Type* Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental activities:</b>				
General obligation bonds	\$ 1,395,000	\$ -	\$ -	\$ -
Installment purchases	17,923,998	16,383,998	14,694,000	11,937,334
Capital leases	232,052	175,310	115,961	53,884
Total governmental activities	<u>19,551,050</u>	<u>16,559,308</u>	<u>14,809,961</u>	<u>11,991,218</u>
<b>Business-type activities:</b>				
Installment purchases	<u>197,920</u>	<u>194,290</u>	<u>190,661</u>	<u>186,556</u>
<b>Total government-wide</b>	<u>\$ 19,748,970</u>	<u>\$ 16,753,598</u>	<u>\$ 15,000,622</u>	<u>\$ 12,177,774</u>
Total debt as a percent of personal income	2.59%	2.33%	2.07%	1.61%
Total debt per capita	\$ 1,038	\$ 866	\$ 729	\$ 596
Percentage of bonded debt to estimated actual property value	0.05%	0.00%	0.00%	0.00%
Bonded debt per capita	\$ 73	\$ -	\$ -	\$ -

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,654,001	9,370,668	8,887,335	7,549,657	19,340,591	17,245,700
273,370	220,254	164,974	107,442	47,566	-
10,927,371	9,590,922	9,052,309	7,657,099	19,388,157	17,245,700
182,197	177,570	172,657	167,441	161,903	156,024
\$ 11,109,568	\$ 9,768,492	\$ 9,224,966	\$ 7,824,540	\$ 19,550,060	\$ 17,401,724
1.45%	1.20%	1.09%	N/A	N/A	N/A
\$ 544	\$ 474	\$ 444	\$ 376	\$ 930	\$ 818
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**POLK COUNTY, NORTH CAROLINA**

*Direct and Overlapping Governmental Activities Debt*  
As of June 30, 2018

<b>Governmental Unit:</b>	<b>Debt Outstanding <sup>(1)</sup></b>	<b>Estimated Percentage Applicable</b>	<b>Applicable to Primary Government</b>
Town of Columbus <sup>(1)</sup>	\$ 243,892	100%	\$ 243,892
Town of Tryon <sup>(1)</sup>	3,115,979	100%	3,115,979
City of Saluda <sup>(1)</sup>	706,629	100%	706,629
			<hr/>
		Subtotal, overlapping debt	4,066,500
		Polk County direct debt	<hr/> 17,245,700
		Total direct and overlapping debt	<hr/> <hr/> \$ 21,312,200

<sup>(1)</sup> Municipalities' information provided by the individual municipalities within Polk County.



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**POLK COUNTY, NORTH CAROLINA**

*Legal Debt Margin Information*  
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 160,385,230	\$ 218,884,896	\$ 219,751,408	\$ 220,409,169
Total debt applicable to limit	<u>19,551,050</u>	<u>16,559,308</u>	<u>14,809,961</u>	<u>11,991,218</u>
Legal debt margin	<u>\$ 140,834,180</u>	<u>\$ 202,325,588</u>	<u>\$ 204,941,447</u>	<u>\$ 208,417,951</u>
Total debt applicable to the limit as a percentage of debt limit	12.19%	7.57%	6.74%	5.44%

Source: Polk County Financial Statements

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 220,105,015	\$ 224,363,764	\$ 221,873,438	\$ 224,655,361	\$ 230,639,810	\$ 230,758,117
10,927,371	9,590,922	9,052,309	7,824,540	19,550,060	17,401,724
<u>\$ 209,177,644</u>	<u>\$ 214,772,842</u>	<u>\$ 212,821,129</u>	<u>\$ 216,830,821</u>	<u>\$ 211,089,750</u>	<u>\$ 213,356,393</u>
4.96%	4.27%	4.08%	3.48%	8.48%	7.54%

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed value	<u>\$ 2,884,476,459</u>
Debt limit (8% of assessed value)	\$ 230,758,117
Debt applicable to limit:	
Installment purchase contracts	<u>17,401,724</u>
Legal debt margin	<u>\$ 213,356,393</u>

**POLK COUNTY, NORTH CAROLINA**

*Demographic and Economic Statistics*  
Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (000's) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (1)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2009	19,018	\$ 763,637	\$ 39,659	45.22	2,444	8.8%
2010	19,355	719,194	35,174	47.08	2,385	8.1%
2011	20,588	724,077	35,683	47.17	2,355	7.7%
2012	20,433	755,522	37,312	49.58	2,293	8.0%
2013	20,422	764,328	37,485	49.68	2,294	6.9%
2014	20,603	816,016	40,125	50.01	2,246	4.7%
2015	20,755	844,715	41,477	50.36	2,276	5.7%
2016	20,828	866,459	42,611	51.06	2,167	4.9%
2017	21,020	N/A	N/A	51.29	2,147	4.0%
2018	21,275	N/A	N/A	51.80	2,098	4.1%

Source:

- (1) N.C. Office of State Budget Management
- (2) Bureau of Economic Analysis, U. S. Department of Commerce
- (3) N.C. Department of Public Instruction, First Month Average Daily Membership
- (4) Bureau of Labor Statistics
- N/A Information not yet available

**POLK COUNTY, NORTH CAROLINA**

*Principal Employers*  
Current Year and Nine Years Ago

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Polk County Public Schools	250-499	1	2.8% - 5.6%	390	1	3.92%
St. Luke's Hospital, Inc	250-499	2	2.8% - 5.6%	360	2	3.62%
Acts Inc	250-499	3	2.8% - 5.6%	260	3	2.62%
Polk County Government	100-249	4	1.1% - 2.8%	174	4	1.75%
Cooper Riis, Inc	100-249	5	1.1% - 2.8%	N/A	N/A	0.00%
Tryon International Equestrian Ctr	100-249	6	1.1% - 2.8%	N/A	N/A	0.00%
White Oak Management Inc	100-249	7	1.1% - 2.8%	132	5	1.33%
Pavillon International (A Corp)	100-249	8	1.1% - 2.8%	N/A	N/A	0.00%
Polk Vocational Services	50-99	9	.06% - 1%	85	7	0.86%
Pure Country	50-99	10	.06% - 1%	N/A	N/A	0.00%
Community Choices, Inc	50-99	11	.06% - 1%	N/A	N/A	0.00%
Autumn Corporation	50-99	12	.06% - 1%	110	6	1.11%
Milliken & Co, Inc	50-99	13	.06% - 1%	N/A	N/A	0.00%
Food Lion	50-99	14	.06% - 1%	N/A	N/A	0.00%
Carolina Yarn Processors	0-50	15	.06% - 1%	58	9	0.58%
Woodland Mills	N/A		0.00%	80	8	0.80%
Hatch Plant	N/A		0.00%	50	11	0.50%
Laurel Hurst	N/A		0.00%	55	10	0.55%
Total Workforce & % of:	<u>9,061</u>		<u>14.3% - 37.8%</u>	<u>9,941</u>		<u>17.64%</u>

NOTE: Percent range for 2018 & as shown for 2009  
N/A Information not available.

Source: d4ncommerce.com for 2018 & Local Business Survey for 2009

**POLK COUNTY, NORTH CAROLINA**

*Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General government:</b>										
Governing Body	-	-	-	-	-	-	-	1.0	1.0	0.5
Administration - Co Mgr	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.5	3.5
Finance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.5	4.0
Tax - collections	8.0	8.3	7.3	8.0	7.5	8.0	7.0	8.0	8.0	8.0
Tag Office							1.5	1.4	2.4	2.8
Board of elections	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Register of deeds	2.9	2.9	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8
Public buildings	4.7	3.4	3.4	3.0	6.9	6.9	6.9	6.9	6.9	7.0
Management info systems	3.0	3.0	3.0	3.0	2.5	2.8	3.0	2.5	2.5	3.0
<b>Public safety:</b>										
Sheriff's department	24.4	22.5	23.5	27.0	30.0	32.0	33.0	33.0	34.0	34.0
Jail	10.5	10.5	10.0	10.5	10.5	11.0	10.0	11.0	11.0	24.0
Communications	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Emergency management	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Animal control	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community development	4.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	5.0	6.0
Emergency medical services	18.5	18.5	17.0	17.0	18.0	18.0	17.0	18.0	19.0	20.0
<b>Economic and physical development:</b>										
Planning and zoning	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cooperative extension	5.3	5.3	5.5	4.5	5.0	5.0	5.0	5.0	4.0	4.0
Soil and water conservation	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Economic and development	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Human services:</b>										
Public transportation	15.5	15.0	15.0	16.0	17.5	17.5	17.5	17.5	15.0	14.5
Social service administration	31.5	31.5	32.0	30.0	30.0	30.0	31.0	32.0	33.0	33.0
Veteran's administration	0.6	0.6	0.8	0.8	0.8	0.8	0.85	0.9	1.0	1.0
<b>Cultural and recreational:</b>										
Senior Centers	5.7	5.7	5.7	6.3	6.3	6.3	6.9	6.9	6.9	6.9
Library	10.5	10.5	9.5	9.5	9.5	9.5	10.7	10.7	10.7	11.2
Recreation	4.0	4.0	5.0	5.2	5.2	5.2	6.2	6.2	6.2	6.2
<b>Total</b>	<u>174.4</u>	<u>170.0</u>	<u>167.9</u>	<u>171.0</u>	<u>179.9</u>	<u>183.1</u>	<u>189.7</u>	<u>194.1</u>	<u>195.7</u>	<u>210.7</u>

Source: Various County Departments.



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**POLK COUNTY, NORTH CAROLINA**

*Operating Indicators by Function*  
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Government:</b>				
Percentage of registered voters participating in General Election	N/A	53%	N/A	72%
<b>Public Safety:</b>				
Number of inmates processed	761	761	715	757
Number of inmate days	N/A	8,602	7,397	10,581
Number of building permits issued	60	54	34	44
Number of EMS calls dispatched	2,783	2,917	2,639	2,617
<b>Human Services:</b>				
Public transportation total route miles	394,279	403,153	410,156	414,106
Public transportation passengers	52,883	55,061	56,081	57,707
Number of children in Foster Care	31	22	24	20
<b>Economic &amp; Physical Development:</b>				
Number of plats recorded	192	143	157	149
<b>Culture and Recreation - Library:</b>				
Volumes in collection	59,800	60,233	60,509	60,939
Circulation	101,374	101,406	103,761	104,502
<b>Education:</b>				
Current expense per ADM	\$ 1,733	\$ 1,866	\$ 1,862	\$ 2,021
<b>Enterprise Fund- Landfill:</b>				
Tons of waste received	19,473	17,892	17,775	18,808

N/A Information not available

Source: Various County Departments

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
N/A	49%	N/A	68%	N/A	N/A
687	926	1,119	910	992	965
11,392	10,274	10,760	10,409	9,269	8,816
44	59	72	59	85	90
2,790	2,725	3,237	3,190	3,105	3,154
371,596	332,025	356,307	368,690	381,076	389,799
46,059	40,420	39,520	40,597	39,448	39,603
21	17	33	30	51	51
128	169	175	141	194	141
59,450	63,636	57,368	53,191	52,304	53,830
110,834	110,954	143,291	157,858	158,968	149,662
\$ 2,086	\$ 2,130	\$ 2,168	\$ 2,323	\$ 2,389	\$ 2,445
20,894	22,653	21,440	21,009	19,156	23,495

**POLK COUNTY, NORTH CAROLINA**

*Capital Asset Statistics by Function*

Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Public Safety:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	31	31	31	35	38	37	37	43	39	35
<b>Culture and Recreation:</b>										
Libraries	2	2	2	2	2	2	2	2	2	2
Recreation acreage	140	140	140	140	140	140	140	140	140	140
Baseball/softball fields	6	5	5	5	5	5	5	5	5	5
Senior Centers	3	3	3	3	3	3	3	3	3	3
<b>Human Services:</b>										
Transit-Vans	<u>13</u>	<u>11</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>17</u>
	196	193	196	200	203	203	203	209	205	203

Source: Various County Departments

## COMPLIANCE SECTION

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The compliance section contains other reporting required by *Government Auditing Standards*.

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

**Independent Auditors' Report**

To the Board of County Commissioners  
Polk County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina  
November 30, 2018



**Report On Compliance For Each Major Federal Program And  
On Internal Control Over Compliance Required By The Uniform Guidance  
And The State Single Audit Implementation Act**

**Independent Auditors' Report**

To the Board of Commissioners  
Polk County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the County of Polk, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Polk County's major federal programs for the year ended June 30, 2018. Polk County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Polk County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 Polk 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Polk County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

Polk County's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Polk County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Polk County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and question costs as item 2018-002, that we consider to be a material weakness. We also identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and question costs as item 2018-001, that we consider to be a significant deficiency.

Polk County's response to the internal control over compliance findings identified in are audit are identified in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 30, 2018





**Report On Compliance With Requirements Applicable to Each Major State  
Program And On Internal Control Over Compliance In Accordance With OMB  
Uniform Guidance And The State Single Audit Implementation Act**

**Independent Auditors' Report**

Board of County Commissioners  
Polk County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Polk County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* that could have a direct and material effect on each of Polk County, North Carolina's major state programs for the year ended June 30, 2018. Polk County, North Carolina's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Polk County, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*. Those standards, the Uniform Guidance, 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 Polk County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major State Program**

In our opinion, Polk County, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina*, and which are described in the accompanying schedule of findings and

questioned costs as items 2018-001, 2018-002, and 2018-003. Our opinion on each major state program is not modified with respect to these matters.

Polk County, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Polk County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Polk County, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Polk County, North Carolina's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003, that we consider to be material weaknesses. We also identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and question costs as item 2018-001, that we consider to be a significant deficiency.

Polk County, North Carolina's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Polk County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 30, 2018

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2018

**I. Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes      Xno
- Significant deficiency(s) identified that are not considered to be material weakness? \_\_\_yes      Xnone reported

Noncompliance material to financial statements noted \_\_\_yes      Xno

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Xyes      \_\_\_no
- Significant deficiency(s) identified that are not considered to be material weaknesses? Xyes      \_\_\_none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Xyes      \_\_\_no

Identification of major federal programs:

Program Name	CFDA #
Medicaid Cluster	93.778, 93.777, 93.775
DOT Rural Area Program	20.509
Foster Care	93.658

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Polk County qualified as a low-risk auditee? \_\_\_yes      Xno

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2018

State Awards

Internal control over major State programs:

- Material weakness(es) identified? \_X\_ yes      \_\_\_no
  
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_X\_ yes      \_\_\_none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? \_X\_ yes      \_\_\_no

Identification of major State programs:

- Program Name \_\_\_\_\_
- Medicaid Cluster
  - State Foster Care:
    - State Foster Home
    - Foster Care At Risk Max
    - SFHF Maximization
  - Rural Operating Assistance Program (ROAP)

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2018

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

**Finding: 2018-001 Medicaid Eligibility Intake**

SIGNIFICANT DEFICIENCY

NONMATERIAL NONCOMPLIANCE - ELIGIBILITY

Criteria: In accordance with 42 CFR 431.10 and in the State approved plan, the requirement applicable in this case, an applicant is not eligible for assistance unless the applicant's family income falls below the State-provided income standard.

Condition: One recipient's countable income exceeded the applicable income limits for eligibility. In this case, the applicant was screened for eligibility under the Pickle Amendment, which provides for a reduction in the countable income of the recipient. The caseworker incorrectly applied the Pickle Amendment and reduced the applicant's countable income to zero instead of by the amount resulting from the required calculations. When applied correctly, the applicant's income would not have been reduced below the applicable income limits to receive benefits.

Questioned Costs: Likely questioned costs do not exceed \$25,000.

Context: North Carolina paid approximately \$16,800,000 in federal Medicaid benefits and \$9,000,000 in State Medicaid benefits for Polk County recipients during FY18. Polk County is responsible for the eligibility determinations that cause these benefits to be issued by the State. However, these funds are paid directly by the State to providers on behalf of the individual recipients, and are therefore not reported on the County's schedule of expenditures of federal and state awards. We tested a sample of 96 of those payments, which represented \$17,887, of which \$252 was paid for an ineligible recipient in a non-routine case. The sample was statistically valid.

Effect: Due to the County's error in determining eligibility, the State paid benefits for an ineligible individual. The full effects of the error are unknown, but at least \$252 (the amount of the sample item) were paid incorrectly by the State.

Identification of a repeat finding: This is not a repeat finding.

Cause: Several factors contributed to the incorrect eligibility determination in this case: 1) the caseworker was not fully trained on how to determine eligibility under the Pickle Amendment; 2) County procedures did not require a supervisor's involvement, and therefore the caseworker's assumptions and actions relating to an unusual and infrequent case were not reviewed or approved; 3) the NC FAST system flagged the error but did not prevent benefits from being provided or prompt further action from the caseworker or a supervisor before proceeding.

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2018

Recommendation: We have recommended to management that caseworkers need further training on this specific issue. However, since Pickle cases are not common, training alone will not be sufficient. There should be a procedure in place that triggers a supervisor's involvement and ultimate approval on these types of cases.

Views of responsible officials and planned corrective actions: The County agrees with finding and has already taken steps to revise internal procedures to prevent future errors, which includes a program manager's permission on all overrides and OST consultation in the event the manager has additional questions. In addition, we will be requesting NC FAST make adjustments that do not allow an override without digital verification of supervisor approval of an override. Please refer to the County's corrective action plan on page 120.

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)/Crosscutting Requirements

CFDA # 93.778

**Finding: 2018-002 Day Sheet Accountability**

MATERIAL WEAKNESS

NONMATERIAL NONCOMPLIANCE – REPORTING

Criteria: County departments of social services in North Carolina must comply with the NC Social Services Fiscal Control Manual Section III A, which requires County DSS employees who provide direct client services during the month to maintain day sheets in accordance with the Service Information System (SIS) Policy. According to the SIS User's Manual, day sheet entries must be supported by documentation in case record files. For auditing and monitoring purposes, entries made by caseworkers providing direct client services must either include the client information on the time entry, or have another reliable method such as a log, journal, or calendar available so that time entries can be supported by evidence of the work that was performed.

Condition: The County does not have a policy requiring either client identification on the time entry or an alternative record to support the direct client service time reported on the DSS 1571 for administration of the Medicaid program. In addition, the County uses a combination of electronic and paper case records, so not all caseworker time can be accounted for using activity reports generated from NC FAST. Audit procedures applied to 71 time entries of DSS workers revealed 8 instances where support could not be provided as to the specific client, or no activity was found in the client's casefile to support the time records.

Questioned Costs: None; noncompliance relates to reporting and recordkeeping requirements.

Context: Costs reimbursed to the County for administering the Medicaid program were approximately \$533,000, the majority of which are salaries and benefits of DSS workers. From 71 time entries tested representing 3,510 minutes, 1,180 minutes (29%) could not be verified by examining the casefiles for evidence of time spent. Overall, payroll and benefits reported on the DSS 1571 were supported by payroll records which were authorized and reconciled to the County's general ledger. However, caseworker time records should be detailed enough to allow audit procedures to be performed to verify evidence of time worked in individual case files.

Identification of a repeat finding: This is not a repeat finding.

Effect: The County is not in compliance with the day sheet reporting requirement; caseworker direct program service time cannot be supported. Without proper accountability and monitoring, caseworkers may not spend their time most efficiently for the benefit of the program. For caseworkers who direct charge multiple programs, the allocation of their time to those programs may not be accurate.

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2018

Cause: The County misunderstood the requirements in the SIS User Manual regarding client identification and does not have a policy requiring caseworkers to include client identification in their time records, or any other reliable method for tracking direct client time by client. In addition, the County's casefiles are a mix of paper files and NC FAST, making electronic monitoring using NC FAST activity logs ineffective.

Recommendation: We have recommended to management that caseworkers document the PDC case number for the client they worked on and to make sure that every day sheet entry has the name of the client. Caseworkers should document every client phone call or other case work in the NC FAST narrative, rather than documenting it in paper files or caseworker paper time journals. Supervisors should review this information when approving caseworker time reports.

Views of responsible officials and planned corrective actions: The County agrees with the finding and is taking steps to revise our internal procedures for day sheets. We are currently reviewing an add-on component to our Day Sheet Software (Information, Inc.) that would provide additional documentation. The Consolidated Human Services Directors Association is also planning for conversation with DHHS to eliminate the use of day sheets and to utilize NC FAST or some other method for reimbursement procedures. In the interim, we will be training staff on proper documentation efforts as part of onboarding and will provide a refresher for existing staff. Please refer to the County's corrective action plan on page 120.

#### **IV. State Award Findings and Questioned Costs**

##### **US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

##### **Finding: 2018-001 Medicaid Eligibility Intake**

SIGNIFICANT DEFICENCY

NONMATERIAL NONCOMPLIANCE – ELIGIBILITY

This finding also applies to State requirements and State awards.

##### **Finding: 2018-002 Day Sheet Accountability**

MATERIAL WEAKNESS

NONMATERIAL NONCOMPLIANCE – REPORTING

This finding also applies to State requirements and State awards.

##### **NC Department of Transportation**

Program Name: Rural Operating Assistance Program (ROAP)

Grant Number: DOT-16CL

##### **Finding: 2018-003 ROAP ADMINISTRATION**

MATERIAL WEAKNESS/

NONMATERIAL NONCOMPLIANCE – ACTIVITIES ALLOWED

Criteria: In accordance with the Rural Operating Assistance Program (ROAP) Program Administration Guide, trip-based services should only be provided to individuals meeting the eligibility criteria to ensure that the program is serving the target populations. The County should provide establishes policies and procedures to ensure compliance with grant requirements and the County's objectives for the transportation program.

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2018

Condition: There were 3 riders in the EDTAP program who did not have their eligibility reviewed timely, but remained participants in the program. These riders were allowed to continue in the program, although their eligibility had not been evaluated within 12 months of their trips. Other riders had to pay out of pocket, rather than having their fare subsidized because their eligibility had not been timely determined. We noted several other conditions that indicated an overall lack of proper administration of the program: absence of records and documentation retained to support cost calculations, duplications of effort in some cases and lack of oversight in others.

Questioned Costs: None; noncompliance relates to timeliness.

Context: The County provides a community transportation program to meet the transportation needs of certain target populations as well as the general public. The County provided approximately 6,413 trips to over 200 riders funded by ROAP. We noted 3 instances out of 25 tested (in a statistically valid sample) where eligibility for riders was not reviewed or processed in a timely manner.

Effect: The County provided trips funded by ROAP that did not meet the requirements for activities allowed that the costs of services be for trips provided to certain target populations by allowing individual eligibility evaluations to expire, or failing to review applications, in a timely manner. Overall, a lack of internal controls creates an environment that is not conducive to an effective administration of the program (or County's) resources.

Identification of a repeat finding: This is not a repeat finding.

Cause: The County did not have stringent enough processes in place to support the policies and procedures which would have ensured fidelity to the program as well as effective administration and oversight of the program. Overall administration of the program and work environment could have been enhanced by increased positive communication between staff and more cross-training among administrative staff.

Recommendation: With the addition of a new Transportation Manager, the County should continue to develop and implement their draft plans that provide a more clear understanding of written policies and procedures which establish guidelines for performance and accountability in the transportation department for the new manager to follow. The new manager's work should continue to be subject to review, especially in terms of maintaining compliance with grant requirements, providing support for work performed and reports submitted, and for any cash handling procedures where a second party involvement is crucial to maintaining control over the County's cash. A schedule should be created for staff to trigger timely review of applications, with clear goals of turnaround time for new applications.

Views of responsible officials and planned corrective actions: The County agrees with the finding regarding verification of eligibility not being timely. Moving forward all re-eligibility notices will be distributed the first business day of June and reviewed prior to the new fiscal year beginning. In addition, the staff and management team have been reviewing new protocols for financial management since the fourth quarter of FY18 which include the addition of Square to manage and document point of sale transactions. Please refer to the County's corrective action plan on page 120.





# Polk County Consolidated Human Services Agency

Economic Services | Social Services | Senior Services | Transportation Services | Veteran Services

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## **SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**

For the year ended June 30, 2018

There were no findings in the prior year.



**CORRECTIVE ACTION PLAN**

For the year ended June 30, 2018

**Finding 2018-001**

Name of contact person: Joshua Kennedy

Corrective action/management's response: Staff has already taken steps to revise internal procedures to prevent future errors, which includes a program manager's permission on all overrides and OST consultation in the event the manager has additional questions. In addition, we will be requesting NC FAST make adjustments that do not allow an override without digital verification of supervisor approval of an override.

Proposed completion date: Complete, NC FAST Discussion by the end of the current fiscal year

**Finding 2018-002**

Name of contact person: Joshua Kennedy

Corrective action/management's response: Staff is taking steps to revise their internal procedures for day sheets. 1.) We are currently reviewing an add-on component to our Day Sheet Software (Information, Inc.) that would provide additional documentation. 2.) The Consolidated Human Services Directors Association is also planning for conversation with DHHS to eliminate the use of day sheets and to utilize NC FAST or some other method for reimbursement procedures. 3.) In the interim, we will training staff on proper documentation efforts as part of onboarding and will provide a refresher for existing staff.

Proposed completion date: 1. If determined useful effective July 1, 2019.  
2. FY 2020  
3. By December 30, 2018

**Finding 2018-003**

Name of contact person: Joshua Kennedy

Corrective action/management's response: 1.) Moving forward all re-eligibility notices will be distributed the first business day of June and reviewed prior to the new fiscal year beginning. 2.) In addition, the staff and management team have been reviewing new protocols for financial management since the fourth quarter of FY18 which include the addition of Square to manage and document point of sale transactions.

Proposed completion date: 1. June 2019  
2. March 2019

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards  
For the year ended June 30, 2018*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Awards:</b>				
<u>U.S. Department of Agriculture</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Division of Social Services:</u>				
<u>SNAP Cluster:</u>				
Administration:				
Food Stamp Administration	10.561	185NC406S2514	\$ 132,548	\$ -
Food Stamp Fraud	10.561	185NC406S2515	6,128	-
Total SNAP Cluster			<u>138,676</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>				
Passed-through N.C. Dept. of Commerce:				
CDBG - State - Tryon Equestrian Properties Water Project	14.228	U-475	178,095	-
Total HUD			<u>178,095</u>	<u>-</u>
<u>U.S. Department of Transportation (DOT)</u>				
<u>Federal Transit Administration:</u>				
Passed-through the N.C. Dept. of Transportation:				
<u>Rural Area Program:</u>				
Administration	20.509	36233.83.18.1, 36233.83.19.1	138,859	8,678
Capital	20.509	51081.2.2.3	107,931	1,538
<u>Transit Services Program Cluster:</u>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.94.3.2	22,468	-
Total DOT			<u>269,258</u>	<u>10,216</u>
<u>Institute of Museum and Library Services (IMLS)</u>				
Library Services Technology Act (LSTA)	45.310		17,109	-
Total IMLS			<u>17,109</u>	<u>-</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Administration for Community Living:</u>				
Passed-through Isothermal Planning and Development Commission:				
<u>Aging Cluster:</u>				
Special Programs for the Aging - Title III B - Grants for Supportive Services and Senior Centers	93.044	DOA-735	39,793	19,124
Special Programs for the Aging - Title III C - Nutrition Services	93.045	DOA-735	74,045	33,459
Nutrition Services Incentive Program	93.053	DOA-735	24,335	3,647
Total Aging Cluster			<u>138,173</u>	<u>56,230</u>
Social Service Block Grant	93.667	DOA-735	2,508	104

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards  
For the year ended June 30, 2018*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Administration for Children and Families:</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Division of Social Services:</u>				
Foster Care and Adoption (Note 3):				
Administration:				
Foster Care	93.658	1801NCFOST	31,026	-
Title IV-E CPS	93.658	1801NCFOST	19,447	7,989
Title IV-E Foster Care/Off Trn	93.658	1801NCFOST	102,563	-
Title IV-E Adoption/Off Trn	93.659	1801NCADPT	1,141	-
Title IV-E Optional Adopt Trn 5	93.659	1801NCADPT	6,181	-
Direct Benefit Payments:				
Title IV-E Foster Care	93.658	1801NCFOST	237,061	57,812
Total Foster Care and Adoption (Note 3)			<u>397,419</u>	<u>65,801</u>
Family Preservation	93.556	G1801NCFPSS	14,297	-
<u>TANF Cluster:</u>				
TANF/Work First Administration	93.558	G1801NCTANF	26,840	-
TANF/Work First Service	93.558	G1801NCTANF	96,433	-
TANF Payments & Penalties	93.558	G1801NCTANF	-	80
Total TANF Cluster			<u>123,273</u>	<u>80</u>
AFDC Payments & Penalties	93.560	AFDC PMT 18	(59)	(16)
IV-D Offset-ESC	93.563	1804NC4005	2	-
IV-D Offset-Fed	93.563	1804NC4006	513	-
IV-D Administration	93.563	1804NC4007	69,069	-
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	G18B1NCLIEA	9,349	-
Crisis Intervention Program	93.568	G18B1NCLIEA	59,557	-
Low Income Energy Assistance	93.568	G18B1NCLIEA	57,500	-
Permanency Planning Svc & Admin	93.645	G1801NCCWSS	5,536	-
Adult Protective Service	93.667	1701NCSOSR, G1801NCSOS	17,155	-
CPS TANF to SSBG	93.667	1701NCSOSR, G1801NCSOS	68,045	-
Social Service Block Grant	93.667	1701NCSOSR, G1801NCSOS	65,592	-
LINKS	93.674	1801NCCILP	11,920	2,230
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Administration for Children and Families:</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Subsidized Child Care Cluster (Note 3):</u>				
Child Care Development Fund Cluster:				
<u>Division of Social Services:</u>				
Child Care Development Fund-Administration	93.596	G1801NCCCDF	29,040	-
Total Child Care Development Fund Cluster			<u>29,040</u>	<u>-</u>
Total Subsidized Child Care (Note 3)			<u>29,040</u>	<u>-</u>
<u>Medicaid Cluster:</u>				
<u>Division of Social Services:</u>				
Administration:				
Medical Assistance Program	93.778	XIX-MAP 18	531,172	1,520
Total Medicaid Cluster			<u>531,172</u>	<u>1,520</u>

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards  
For the year ended June 30, 2018*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>Division of Social Services:</u>				
Administration:				
State Children's Insurance Program:				
N.C. Health Choice	93.767	CHIP 18	24,187	9
Total DHHS			1,624,248	125,958
<u>U. S. Department of Homeland Security</u>				
Passed-through N.C. Dept. of Crime Control and Public Safety:				
<u>Division of Emergency Management:</u>				
Emergency Management Assistance	97.042	EMA-2017-EP00005	39,642	-
Total Federal awards			2,267,028	136,174
<b>State Awards:</b>				
<u>N.C. Dept. of Cultural and Natural Resources</u>				
<u>Division of State Library</u>				
Library Services			-	79,627
Total N.C. Dept. of Cultural Resources			-	79,627
<u>N.C. Dept. of Health and Human Services (NCDHHS)</u>				
<u>Division of Social Services:</u>				
Administration:				
State Child Welfare/CPS			-	21,625
State Foster Care Program - Direct Benefits:				
State Foster Home			-	39,893
Foster Care At Risk Max			-	82,178
SFHF Maximization			-	31,966
Total Division of Social Services			-	175,662
Total NCDHHS			-	175,662
<u>N.C. Dept. of Juvenile Justice and Delinquency Prevention</u>				
Juvenile Crime Prevention Programs			-	65,668
Total N.C. Dept. of Juvenile Justice and Delinquency Prevention			-	65,668
<u>N.C. Dept. of Public Instruction (NCDPI)</u>				
Public School Building Capital Fund:				
Lottery Proceeds			-	145,705
Total NCDPI			-	145,705
<u>N.C. Dept. of Transportation (NCDOT)</u>				
Rural Operating Assistance Program (ROAP):				
ROAP Elderly and Disabled Transportation Assistance Program				
		DOT-16CL	-	55,100
ROAP Rural General Public Program				
		DOT-16CL	-	54,823
ROAP Work First Transitional - Employment				
		DOT-16CL	-	6,572
Total ROAP			-	116,495
Total NCDOT			-	116,495
Total State awards			-	583,157
Total Federal and State awards			\$ 2,267,028	\$ 719,331

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2018

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
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**Notes to the Schedule of Expenditures of Federal and State Awards:**

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**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Polk County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position or cash flows of Polk County.

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

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Polk County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Cluster of Programs**

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