

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Of

POLK COUNTY,
NORTH CAROLINA

Columbus, North Carolina
For the Fiscal Year Ended June 30, 2017



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



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INTRODUCTORY SECTION

(Unaudited)

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.



November 22, 2017

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, 2017. 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 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, 2017, 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, 2017 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.

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 2% from the previous year. The present unemployment rate is 4.0% (down from 4.9% the previous year) and lower than the State unemployment rate of 5.1%. 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 purchased a large tract of land. A new Law Enforcement Center is currently being constructed.

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, 2016. This marks the twenty-first 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, 2017

BOARD OF COUNTY COMMISSIONERS

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

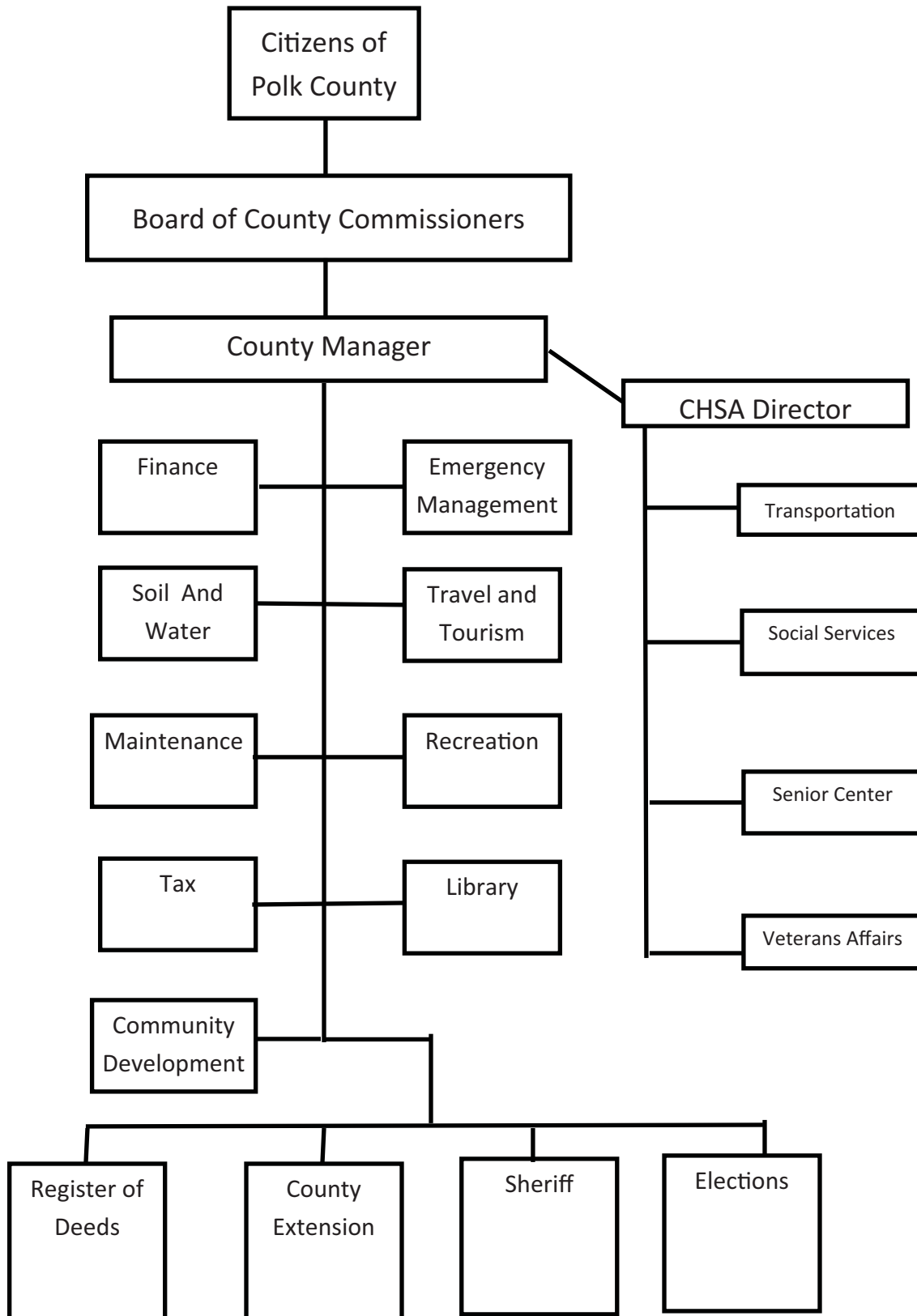
County Officials

Marche Pittman	County Manager
Jana Berg	County Attorney
Josh Kennedy	Consolidated Human Services Agency Director
Lou Parton	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
Dianne Timberlake	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, 2017





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, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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, 2017, 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, 2017, 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-Employee 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 22, 2017, 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 22, 2017

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, 2017. 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 \$40,838,684 (net position).
- The County's net position increased \$3,065,977 this year. This is primarily driven by continued operating efficiencies, a 2 cent County property tax increase, a slight increase in the County's property tax collection rate as well as increases in all revenue sources for an overall revenue increase of approximately 9 percent.
- Capital assets of the County increased overall by \$5,389,012 after depreciation. This net increase was mostly due to construction and land costs incurred on the new detention facility.
- The County's total debt increased by \$11,725,520 due to proceeds from installment debt to build the new detention facility and offset by regular principal payments.

Fund level:

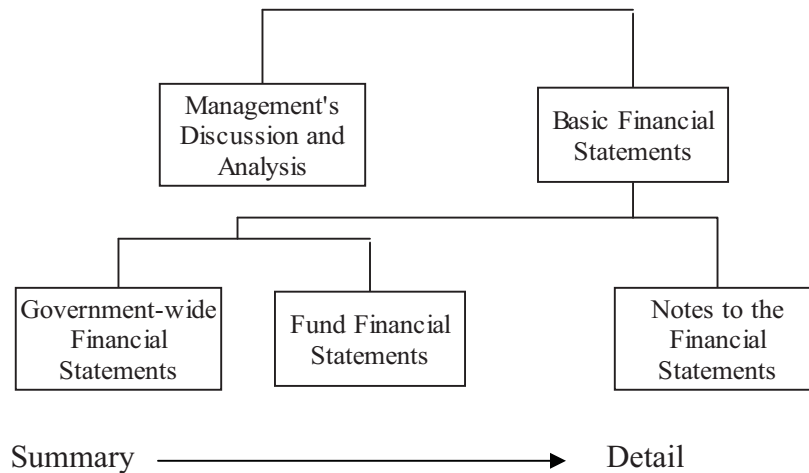
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$20,820,619, an increase of \$9,216,471. Approximately 58 percent, or \$12,055,829 is restricted or nonspendable.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$7,304,048, or 29 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Assets:		<i>(restated)</i>				<i>(restated)</i>
Current and other assets	\$23,353,850	\$13,724,628	\$ 1,476,139	\$ 1,475,636	\$24,829,989	\$15,200,264
Capital assets	<u>25,058,852</u>	<u>19,578,600</u>	<u>13,553,269</u>	<u>13,644,509</u>	<u>38,612,121</u>	<u>33,223,109</u>
Total assets	<u>48,412,702</u>	<u>33,303,228</u>	<u>15,029,408</u>	<u>15,120,145</u>	<u>63,442,110</u>	<u>48,423,373</u>
Deferred outflows of resources	<u>1,889,171</u>	<u>470,083</u>	-	-	<u>1,889,171</u>	<u>470,083</u>
Liabilities:						
Long-term liabilities						
outstanding	19,894,381	8,262,632	161,904	167,441	20,056,285	8,430,073
Other liabilities	<u>3,984,595</u>	<u>1,932,307</u>	<u>214,762</u>	<u>407,108</u>	<u>4,199,357</u>	<u>2,339,415</u>
Total liabilities	<u>23,878,976</u>	<u>10,194,939</u>	<u>376,666</u>	<u>574,549</u>	<u>24,255,642</u>	<u>10,769,488</u>
Deferred inflows of resources	<u>236,955</u>	<u>351,261</u>	-	-	<u>236,955</u>	<u>351,261</u>
Net position:						
Net investment in						
capital assets	19,222,539	17,116,720	13,391,365	13,477,068	32,613,904	30,593,788
Restricted	3,314,024	3,418,452	-	-	3,314,024	3,418,452
Unrestricted	<u>3,649,379</u>	<u>2,691,939</u>	<u>1,261,377</u>	<u>1,068,528</u>	<u>4,910,756</u>	<u>3,760,467</u>
Total net position	<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>

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 \$40,838,684 as of June 30, 2017. The County’s net position increased by \$3,065,977 for the fiscal year ended June 30, 2017, which represents an increase of \$2,958,831 for governmental activities and an increase of \$107,146 for business-type activities.

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

Polk County Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:		<i>(restated)</i>				<i>(restated)</i>
Program revenues:						
Charges for services	\$ 1,810,849	\$ 1,659,756	\$ 1,480,321	\$ 1,398,863	\$ 3,291,170	\$ 3,058,619
Operating grants and contributions	3,713,449	3,550,592	-	-	3,713,449	3,550,592
Capital grants and contributions	244,527	95,705	-	-	244,527	95,705
General revenues:						
Property taxes	16,772,188	15,949,683	-	-	16,772,188	15,949,683
Other taxes	4,291,770	3,361,144	52,108	50,406	4,343,878	3,411,550
Other	324,252	203,708	-	-	324,252	203,708
Total revenues	<u>27,157,035</u>	<u>24,820,588</u>	<u>1,532,429</u>	<u>1,449,269</u>	<u>28,689,464</u>	<u>26,269,857</u>
Expenses:						
General government	4,402,630	3,108,920	-	-	4,402,630	3,108,920
Public safety	6,297,154	7,200,671	-	-	6,297,154	7,200,671
Economic and physical development	647,755	762,832	-	-	647,755	762,832
Human services	4,927,167	4,406,543	-	-	4,927,167	4,406,543
Cultural and recreation	1,758,546	1,773,442	-	-	1,758,546	1,773,442
Education	5,765,217	5,539,826	-	-	5,765,217	5,539,826
Interest on long-term debt	323,545	122,188	-	-	323,545	122,188
Solid waste	-	-	1,273,902	1,220,455	1,273,902	1,220,455
Water	-	-	227,571	250,737	227,571	250,737
Total expenses	<u>24,122,014</u>	<u>22,914,422</u>	<u>1,501,473</u>	<u>1,471,192</u>	<u>25,623,487</u>	<u>24,385,614</u>
Change in net position before transfers	3,035,021	1,906,166	30,956	(21,923)	3,065,977	1,884,243
Transfers	<u>(76,190)</u>	<u>(1,083,315)</u>	<u>76,190</u>	<u>1,083,315</u>	-	-
Change in net position	2,958,831	822,851	107,146	1,061,392	3,065,977	1,884,243
Net position, July 1 (restated)	<u>23,227,111</u>	<u>22,404,260</u>	<u>14,545,596</u>	<u>13,484,204</u>	<u>37,772,707</u>	<u>35,888,464</u>
Net position, June 30	<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>

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 .5375 per \$100. While the majority of the tax revenue increase is due to a 2 cent tax rate increase, the remaining increase of approximately \$500k is due to growth in the tax base. The revenues in the governmental activities have increased 9.4 percent from the prior year. Other taxes, which include sales taxes, are up 2.8 percent. Expenses increased by 5.4 percent.

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 \$20,820,619, an increase of \$9,216,471 in comparison with the prior year. The increase in total fund balance is due primarily to the 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 \$7,304,048 while total fund balance reached \$9,024,701. The County currently has an available fund balance of 29 percent of general fund expenditures (and transfers out), while total fund balance represents 36 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 increased revenues by \$327,554, or 1 percent of the original budget. The increase in the final budgeted revenues is primarily due to anticipated grant revenues. Appropriation of fund balance increased \$1,200,133 in order to transfer funds for the purchase of land adjoining the property purchased for the new law enforcement center.

Capital Asset and Debt Administration

Capital Assets - Polk County's capital assets for its governmental type activities as of June 30, 2017, totals \$25,058,852 (net of accumulated depreciation), an increase of \$5,480,252 as compared to the previous year. The following are major capital acquisitions and projects during the year ended June 30, 2017:

- Land purchase for future construction adjoining the new Law Enforcement Center
- Construction of the new Law Enforcement Center

Polk County's capital assets for its business-type activities as of June 30, 2017, totals \$13,553,269 (net of accumulated depreciation), a decrease of \$91,240 as compared to the previous year, primarily due to depreciation exceeding the construction of new waterlines.

Polk County's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and easements	\$ 7,022,766	\$ 4,742,519	\$ 2,574,867	\$ 2,565,735	\$ 9,597,633	\$ 7,308,254
Construction in progress	3,847,730	439,404	2,048,561	2,433,267	5,896,291	2,872,671
Buildings and improvements	11,773,137	12,037,257	1,051,176	1,085,301	12,824,313	13,122,558
Waterlines and related assets	-	-	7,686,013	7,324,746	7,686,013	7,324,746
Equipment	1,018,844	962,776	191,784	230,326	1,210,628	1,193,102
Vehicles and motor equipment	<u>1,396,375</u>	<u>1,396,644</u>	<u>868</u>	<u>5,134</u>	<u>1,397,243</u>	<u>1,401,778</u>
	<u>\$25,058,852</u>	<u>\$19,578,600</u>	<u>\$13,553,269</u>	<u>\$13,644,509</u>	<u>\$38,612,121</u>	<u>\$33,223,109</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, 2017, Polk County's outstanding balance on installment purchase contracts and capital leases was \$19,388,157. The County's total debt increased \$11,725,520 due to proceeds from installment debt to build the new detention facility and offset by regular principal payments.

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Installment purchase contracts	\$19,340,591	\$ 7,549,657	\$ 161,903	\$ 167,441	\$19,502,494	\$ 7,717,098
Capital leases	<u>47,566</u>	<u>107,442</u>	<u>-</u>	<u>-</u>	<u>47,566</u>	<u>107,442</u>
	<u>\$19,388,157</u>	<u>\$ 7,657,099</u>	<u>\$ 161,903</u>	<u>\$ 167,441</u>	<u>\$19,550,060</u>	<u>\$ 7,824,540</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 \$211,000,000.

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 4.0 percent than the state average of 5.1 percent;
- Overall revenues are up 9% and expenditures up 5%;
- The property revenue increased due to a 2 cent tax increase and an increase in valuation;
- The County borrowed \$13.5 million to construct a new Jail and Sheriff's office;
- 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. Two 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, 2018

Governmental Activities - Property taxes are budgeted to remain the same as FY17 due to a revenue neutral tax rate estimated from the 8 year revaluation of property. 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 preparing to host the World Equestrian Games in September of 2018. Sales tax revenues are budgeted to increase slightly as well as sales and services. A decrease in Intergovernmental revenues is anticipated due to a reduction in program funding. Property tax revenue is budgeted to remain the same. Overall, total budgeted revenue is expected to be relatively unchanged without the consideration of appropriated fund balance (\$1.2 million in the FY17 budget). Fund balance was used to balance the General Fund fiscal year 2018 budget in the amount of \$546,676 for one-time capital purchases.

The County's largest expenditures are for salaries which are budgeted with no salary increases; however, there is a merit bonus budgeted. The County has budgeted more than double in staff size in the Jail beginning in January to staff the new facility and has budgeted the full year of debt service on the \$13.5 million loan. And still, overall, budgeted expenditures in the General Fund are expected to decrease 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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,681,507	\$ 1,188,830	\$ 10,870,337
Restricted cash	11,126,208	-	11,126,208
Receivables (net)	2,335,106	284,706	2,619,812
Prepays	168,675	2,603	171,278
Net pension asset	42,354	-	42,354
Capital assets:			
Land and construction in progress	10,870,496	4,623,428	15,493,924
Other capital assets, net of depreciation	14,188,356	8,929,841	23,118,197
Capital assets, net	<u>25,058,852</u>	<u>13,553,269</u>	<u>38,612,121</u>
Total assets	<u>48,412,702</u>	<u>15,029,408</u>	<u>63,442,110</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,889,171</u>	<u>-</u>	<u>1,889,171</u>
LIABILITIES			
Accounts payable and accrued expenses	787,134	214,762	1,001,896
Payable from restricted assets	677,371	-	677,371
Accrued interest payable	126,153	-	126,153
Unearned revenue	26,988	-	26,988
Long-term liabilities:			
Net pension liability - LGERS	2,052,935	-	2,052,935
Total pension liability - LEOSSA	314,014	-	314,014
Due within one year	2,606,455	5,879	2,612,334
Due in more than one year	17,287,926	156,025	17,443,951
Total liabilities	<u>23,878,976</u>	<u>376,666</u>	<u>24,255,642</u>
DEFERRED INFLOWS OF RESOURCES	<u>236,955</u>	<u>-</u>	<u>236,955</u>
NET POSITION			
Net investment in capital assets	19,222,539	13,391,365	32,613,904
Restricted for:			
Stabilization by State Statute	1,598,717	-	1,598,717
Public safety	236,614	-	236,614
Tourism	107,185	-	107,185
Economic and physical development	27,486	-	27,486
School debt service	1,350,067	-	1,350,067
Unrestricted	<u>3,643,334</u>	<u>1,261,377</u>	<u>4,904,711</u>
Total net position	<u>\$ 26,185,942</u>	<u>\$ 14,652,742</u>	<u>\$ 40,838,684</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, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total
Governmental Activities:							
General government	\$ 4,402,630	\$ 352,739	\$ 14,157	\$ -	\$ (4,035,734)	\$ -	\$ (4,035,734)
Public safety	6,297,154	1,092,754	328,995	-	(4,875,405)	-	(4,875,405)
Economic and physical development	647,755	-	28,673	-	(619,082)	-	(619,082)
Human services	4,927,167	165,618	3,218,416	-	(1,543,133)	-	(1,543,133)
Cultural and recreational	1,758,546	199,738	123,208	-	(1,435,600)	-	(1,435,600)
Education	5,765,217	-	-	244,527	(5,520,690)	-	(5,520,690)
Interest on long-term debt	323,545	-	-	-	(323,545)	-	(323,545)
Total governmental activities	<u>24,122,014</u>	<u>1,810,849</u>	<u>3,713,449</u>	<u>244,527</u>	<u>(18,353,189)</u>	<u>-</u>	<u>(18,353,189)</u>
Business-type activities:							
Solid waste	1,273,902	1,471,321	-	-	-	197,419	197,419
Water	227,571	9,000	-	-	-	(218,571)	(218,571)
Total business-type activities	<u>1,501,473</u>	<u>1,480,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,152)</u>	<u>(21,152)</u>
Total government-wide	<u>\$ 25,623,487</u>	<u>\$ 3,291,170</u>	<u>\$ 3,713,449</u>	<u>\$ 244,527</u>	<u>(18,353,189)</u>	<u>(21,152)</u>	<u>(18,374,341)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					16,772,188	-	16,772,188
Local option sales tax					4,090,672	-	4,090,672
Other taxes					201,098	52,108	253,206
Investment earnings, unrestricted					125,981	-	125,981
Miscellaneous, unrestricted					198,271	-	198,271
Total general revenues					<u>21,388,210</u>	<u>52,108</u>	<u>21,440,318</u>
Transfers					(76,190)	76,190	-
Total general revenues and transfers					<u>21,312,020</u>	<u>128,298</u>	<u>21,440,318</u>
Changes in net position					2,958,831	107,146	3,065,977
Net position, beginning, as previously stated					23,253,469	14,545,596	37,799,065
Restatement (Note 12)					(26,358)	-	(26,358)
Net position, beginning, as restated					<u>23,227,111</u>	<u>14,545,596</u>	<u>37,772,707</u>
Net position, end of year					<u>\$ 26,185,942</u>	<u>\$ 14,652,742</u>	<u>\$ 40,838,684</u>

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

POLK COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 7,583,937	\$ 1,455,601	\$ 522,843	\$ 9,562,381
Restricted cash and investments	531,685	9,244,456	1,350,067	11,126,208
Receivables, net	2,177,094	-	129,458	2,306,552
Prepays	168,196	-	479	168,675
Total assets	<u>\$ 10,460,912</u>	<u>\$ 10,700,057</u>	<u>\$ 2,002,847</u>	<u>\$ 23,163,816</u>
Liabilities				
Accounts payable and accrued expenses	\$ 632,220	\$ -	\$ 154,914	\$ 787,134
Payable from restricted assets	-	677,371	-	677,371
Unearned revenue	24,590	-	2,398	26,988
Total liabilities	<u>656,810</u>	<u>677,371</u>	<u>157,312</u>	<u>1,491,493</u>
Deferred inflows of resources	<u>779,401</u>	<u>-</u>	<u>72,303</u>	<u>851,704</u>
Fund balances				
Nonspendable:				
Prepays	168,196	-	479	168,675
Restricted:				
Stabilization by State statute	1,552,457	-	46,260	1,598,717
Public safety	16,461	8,567,085	220,153	8,803,699
Tourism	-	-	107,185	107,185
Economic and physical development	-	-	27,486	27,486
School debt service	-	-	1,350,067	1,350,067
Committed:				
Tax revaluation	515,224	-	-	515,224
Assigned:				
Subsequent year's expenditures	546,676	-	-	546,676
Capital projects	-	1,455,601	21,602	1,477,203
Unassigned	6,225,687	-	-	6,225,687
Total fund balances	<u>9,024,701</u>	<u>10,022,686</u>	<u>1,773,232</u>	<u>20,820,619</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,460,912</u>	<u>\$ 10,700,057</u>	<u>\$ 2,002,847</u>	<u>\$ 23,163,816</u>

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

POLK COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds
 June 30, 2017

Total fund balances for governmental funds	\$ 20,820,619
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	37,325,486
Less accumulated depreciation	(12,266,634)
Net pension asset restricted for employees' pension is not a financial resource and is therefore not reported in the governmental funds	42,354
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	514,698
Benefit payments and administrative costs for LEOSSA	612
Pension related deferrals	1,373,861
Accrued interest receivable is not available to pay current-period expenditures and therefore not recognized as revenue in the fund statements.	28,554
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.	696,940
Deferred inflows of resources related to pensions are not reported in the funds	(82,191)
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.	119,126
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	(19,340,591)
Capital leases	(47,566)
Compensated absences	(506,224)
Net pension liability - LGERS	(2,052,935)
Total pension liability - LEOSSA	(314,014)
Accrued interest payable	(126,153)
Net position of governmental activities	<u>\$ 26,185,942</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, 2017

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 15,088,067	\$ -	\$ 1,598,727	\$ 16,686,794
Local option sales taxes	4,090,672	-	-	4,090,672
Other taxes	-	-	201,098	201,098
Restricted intergovernmental	3,756,101	-	201,875	3,957,976
Permits and fees	439,525	-	-	439,525
Sales and services	1,371,324	-	-	1,371,324
Investment earnings	59,731	35,240	31,010	125,981
Miscellaneous	131,385	66,886	-	198,271
Total revenues	<u>24,936,805</u>	<u>102,126</u>	<u>2,032,710</u>	<u>27,071,641</u>
Expenditures				
Current:				
General government	4,135,680	98,349	-	4,234,029
Public safety	5,674,065	4,528,713	1,896,466	12,099,244
Economic and physical development	608,061	-	175,065	783,126
Human services	4,769,752	-	-	4,769,752
Cultural and recreational	1,630,500	-	-	1,630,500
Intergovernmental:				
Education	5,765,217	-	-	5,765,217
Debt service:				
Principal	1,709,066	-	59,876	1,768,942
Interest and fees	242,984	-	3,208	246,192
Total expenditures	<u>24,535,325</u>	<u>4,627,062</u>	<u>2,134,615</u>	<u>31,297,002</u>
Revenues over (under) expenditures	<u>401,480</u>	<u>(4,524,936)</u>	<u>(101,905)</u>	<u>(4,225,361)</u>
Other Financing Sources (Uses)				
Installment purchase obligations issued	-	13,500,000	-	13,500,000
Proceeds from sale of assets	18,022	-	-	18,022
Transfers from (to) other funds	(442,411)	270,515	95,706	(76,190)
Total other financing sources (uses)	<u>(424,389)</u>	<u>13,770,515</u>	<u>95,706</u>	<u>13,441,832</u>
Net changes in fund balances	(22,909)	9,245,579	(6,199)	9,216,471
Fund balance, beginning of year	<u>9,047,610</u>	<u>777,107</u>	<u>1,779,431</u>	<u>11,604,148</u>
Fund balance, end of year	<u>\$ 9,024,701</u>	<u>\$ 10,022,686</u>	<u>\$ 1,773,232</u>	<u>\$ 20,820,619</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, 2017

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

Net change in fund balances--total governmental funds	\$ 9,216,471
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;	6,658,814
Depreciation expense recorded during the current year; and	(1,109,074)
Net book value of capital assets disposed during the current year	(69,488)
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.	
Proceeds from issuance of debt	(13,500,000)
Principal payments	1,768,942
Contributions to pension plans in the current fiscal year are not included on the Statement of Activities	514,698
Benefit payments paid and administrative expenses for the LEOSSA are not included in the Statement of Activities	612
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)	(77,353)
Compensated absences	72,951
Pension expense	(603,136)
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	(18,216)
Net change in taxes receivable	<u>103,610</u>
Change in net position, governmental activities	<u>\$ 2,958,831</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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues				
Ad valorem taxes	\$ 15,255,736	\$ 15,261,236	\$ 15,088,067	\$ (173,169)
Local option sales taxes	3,789,727	3,789,727	4,090,672	300,945
Restricted intergovernmental	3,519,630	3,795,343	3,756,101	(39,242)
Permits and fees	391,860	391,860	439,525	47,665
Sales and services	1,162,365	1,179,280	1,371,324	192,044
Investment earnings	20,940	20,940	59,077	38,137
Miscellaneous	92,563	121,989	131,385	9,396
Total revenues	<u>24,232,821</u>	<u>24,560,375</u>	<u>24,936,151</u>	<u>375,776</u>
Expenditures				
Current:				
General government	3,170,362	4,294,315	3,941,782	352,533
Public safety	5,744,742	5,840,784	5,674,065	166,719
Economic and physical development	722,964	711,317	608,061	103,256
Human services	4,905,951	4,996,509	4,769,752	226,757
Cultural and recreational	1,658,242	1,690,318	1,630,500	59,818
Intergovernmental:				
Education	5,623,121	5,773,121	5,765,217	7,904
Debt service:				
Principal retirement	1,663,609	1,709,068	1,709,066	2
Interest and other charges	348,124	302,665	242,984	59,681
Total expenditures	<u>23,837,115</u>	<u>25,318,097</u>	<u>24,341,427</u>	<u>976,670</u>
Revenues over (under) expenditures	<u>395,706</u>	<u>(757,722)</u>	<u>594,724</u>	<u>1,352,446</u>
Other Financing Sources (Uses)				
Appropriated fund balance	-	1,200,133	-	(1,200,133)
Proceeds from sale of assets	-	-	18,022	18,022
Transfers to other funds	(395,706)	(442,411)	(442,411)	-
Total other financing sources (uses)	<u>(395,706)</u>	<u>757,722</u>	<u>(424,389)</u>	<u>(1,182,111)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	170,335	<u>\$ 170,335</u>
Fund balance, beginning of year			<u>8,339,142</u>	
Fund balance, end of year - General Fund			8,509,477	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Revenue			654	
Expenditures			(193,898)	
Fund balance, beginning of year - Revaluation Fund			<u>708,468</u>	
Fund balance, end of year - Combined General Fund			<u>\$ 9,024,701</u>	

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

POLK COUNTY, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
 June 30, 2017

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,021,936	\$ 166,894	\$ 1,188,830	\$ 119,126
Receivables (net)	138,390	146,316	284,706	-
Prepays	2,603	-	2,603	-
Total current assets	<u>1,162,929</u>	<u>313,210</u>	<u>1,476,139</u>	<u>119,126</u>
Capital assets:				
Land and construction in progress	657,322	3,966,106	4,623,428	-
Other capital assets, net of depreciation	1,243,828	7,686,013	8,929,841	-
Total capital assets	<u>1,901,150</u>	<u>11,652,119</u>	<u>13,553,269</u>	<u>-</u>
Total assets	<u>3,064,079</u>	<u>11,965,329</u>	<u>15,029,408</u>	<u>119,126</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	61,913	152,849	214,762	-
Long term debt, current portion	5,879	-	5,879	-
Total current liabilities	<u>67,792</u>	<u>152,849</u>	<u>220,641</u>	<u>-</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	156,025	-	156,025	-
Total liabilities	<u>223,817</u>	<u>152,849</u>	<u>376,666</u>	<u>-</u>
Net Position				
Net investment in capital assets	1,739,246	11,652,119	13,391,365	-
Unrestricted	1,101,016	160,361	1,261,377	119,126
Total net position	<u>\$ 2,840,262</u>	<u>\$ 11,812,480</u>	<u>\$ 14,652,742</u>	<u>\$ 119,126</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, 2017

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
Operating Revenues				
Charges for services	\$ 1,471,321	\$ 9,000	\$ 1,480,321	\$ -
Miscellaneous	-	-	-	-
Total operating revenues	<u>1,471,321</u>	<u>9,000</u>	<u>1,480,321</u>	<u>-</u>
Operating Expenses				
Operations	1,114,700	-	1,114,700	-
Closure and postclosure care	57,311	-	57,311	-
Depreciation	91,998	227,571	319,569	-
Total operating expenses	<u>1,264,009</u>	<u>227,571</u>	<u>1,491,580</u>	<u>-</u>
Operating income (loss)	<u>207,312</u>	<u>(218,571)</u>	<u>(11,259)</u>	<u>-</u>
Non-Operating Revenues (Expenses)				
Solid waste taxes	52,108	-	52,108	-
Interest expense	(9,893)	-	(9,893)	-
Total non-operating revenues (expenses)	<u>42,215</u>	<u>-</u>	<u>42,215</u>	<u>-</u>
Income (loss) before transfers	249,527	(218,571)	30,956	-
Transfers from other funds	<u>-</u>	<u>76,190</u>	<u>76,190</u>	<u>-</u>
Change in net position	249,527	(142,381)	107,146	-
Net position, beginning of year	2,590,735	11,954,861	14,545,596	119,126
Net position, end of year	<u>\$ 2,840,262</u>	<u>\$ 11,812,480</u>	<u>\$ 14,652,742</u>	<u>\$ 119,126</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, 2017

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
Cash flows from operating activities:				
Cash received from customers	\$ 1,547,531	\$ 9,000	\$ 1,556,531	\$ -
Cash paid for goods and services	<u>(1,209,566)</u>	<u>(123,824)</u>	<u>(1,333,390)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>337,965</u>	<u>(114,824)</u>	<u>223,141</u>	<u>-</u>
Cash flows from noncapital and related financing activities:				
Solid waste taxes	52,108	-	52,108	-
Transfers from (to) other funds	<u>-</u>	<u>76,190</u>	<u>76,190</u>	<u>-</u>
Net cash provided by noncapital and related financing activities	<u>52,108</u>	<u>76,190</u>	<u>128,298</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(24,197)	(204,132)	(228,329)	-
Principal paid on debt	(5,537)	-	(5,537)	-
Interest paid on debt	<u>(9,893)</u>	<u>-</u>	<u>(9,893)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(39,627)</u>	<u>(204,132)</u>	<u>(243,759)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	350,446	(242,766)	107,680	-
Cash and cash equivalents:				
Beginning of year	<u>671,490</u>	<u>409,660</u>	<u>1,081,150</u>	<u>119,126</u>
End of year	<u>\$ 1,021,936</u>	<u>\$ 166,894</u>	<u>\$ 1,188,830</u>	<u>\$ 119,126</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, 2017

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Self-Insurance Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 207,312	\$ (218,571)	\$ (11,259)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	91,998	227,571	319,569	-
Changes in assets and liabilities:				
Decrease (increase) in receivables	76,210	29,724	105,934	-
Decrease (increase) in prepaids	1,243	-	1,243	-
Increase (decrease) in accounts payable and accrued expenses	<u>(38,798)</u>	<u>(153,548)</u>	<u>(192,346)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 337,965</u>	<u>\$ (114,824)</u>	<u>\$ 223,141</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, 2017

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 202,497
Liabilities	
Due to others	183,115
Due to other governments	19,308
Due to State of North Carolina	74
	<u>\$ 202,497</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, 2017

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, 2017.

(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	\$ 1,350,067
Unspent loan proceeds	9,244,456
Tax revaluation fund	515,224
Drug fund	<u>16,461</u>
Total restricted cash	<u>\$ 11,126,208</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, 2016. 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.

(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 two items that meet this criterion: pension related deferrals and contributions made to the pension plan in the current fiscal year.

In addition to liabilities, the Statement of 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 three 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 Economic and Physical Development - portion of fund balance that is restricted by revenue source for economic and physical development expenditures.

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

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 \$5,000.

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 designation official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2017, the County's deposits had a carrying amount of \$1,763,790 and a bank balance of \$2,020,700. Of the bank balance, \$1,065,612 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, 2017 of \$1,950.

(B) Investments

At June 30, 2017, the County had the following investments and maturities:

<u>Investment type</u>	Valuation Measurement <u>Method</u>	<u>Fair Value</u>	Less Than <u>Six Months</u>
NC Capital Management Trust - Government Portfolio	Amortized cost	\$ 17,052,052	N/A
NC Capital Management Trust - Term Portfolio	Fair Value - Level 1	2,031,193	2,031,193
Commercial paper	Fair Value - Level 2	<u>1,350,057</u>	<u>1,350,057</u>
Total		<u>\$ 20,433,302</u>	<u>\$ 3,381,250</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, 2017, 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, 2017. 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, 2017 were as follows:

	<u>Governmental Funds</u>		<u>Accrual Adjustment</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
	<u>General</u>	<u>Other</u>			
Receivables:					
Accounts	\$ 576,187	\$ 29,666	\$ -	\$ 605,853	\$ 140,858
Taxes	704,639	82,719	-	787,357	-
Due from other governments	1,277,403	17,073	-	1,294,477	144,816
Interest on taxes	-	-	28,554	28,554	-
Less: allowance	<u>(381,135)</u>	<u>-</u>	<u>-</u>	<u>(381,135)</u>	<u>(967)</u>
Total receivables (net)	<u>\$ 2,177,094</u>	<u>\$ 129,458</u>	<u>\$ 28,554</u>	<u>\$ 2,335,106</u>	<u>\$ 284,706</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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 969,700	\$ 317,577	\$ 1,287,277
2015	996,087	236,571	1,232,658
2016	1,005,694	148,344	1,154,038
2017	<u>1,066,274</u>	<u>61,314</u>	<u>1,127,588</u>
	<u>\$ 4,037,755</u>	<u>\$ 763,806</u>	<u>\$ 4,801,561</u>

(E) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,742,519	\$ 2,280,247	\$ -	\$ 7,022,766
Construction in progress	<u>439,404</u>	<u>4,627,062</u>	<u>(1,218,736)</u>	<u>3,847,730</u>
Total capital assets not being depreciated	<u>5,181,923</u>	<u>6,907,309</u>	<u>(1,218,736)</u>	<u>10,870,496</u>
Capital assets being depreciated:				
Buildings and improvements	18,664,348	219,251	-	18,883,599
Equipment	4,115,867	377,693	(49,453)	4,444,107
Vehicles and motor equipment	<u>3,111,932</u>	<u>373,297</u>	<u>(357,945)</u>	<u>3,127,284</u>
Total capital assets being depreciated	<u>25,892,147</u>	<u>970,241</u>	<u>(407,398)</u>	<u>26,454,990</u>
Less accumulated depreciation for:				
Buildings and improvements	6,627,091	483,371	-	7,110,462
Equipment	3,153,091	312,886	(40,714)	3,425,263
Vehicles and motor equipment	<u>1,715,288</u>	<u>312,817</u>	<u>(297,196)</u>	<u>1,730,909</u>
Total accumulated depreciation	<u>11,495,470</u>	<u>1,109,074</u>	<u>(337,910)</u>	<u>12,266,634</u>
Capital assets being depreciated, net	<u>14,396,677</u>	<u>\$ (138,833)</u>	<u>\$ (69,488)</u>	<u>14,188,356</u>
Governmental activities capital assets, net	<u>\$ 19,578,600</u>			<u>\$ 25,058,852</u>

Depreciation was charged to expense as follows:

General government	\$ 282,878
Public safety	382,654
Economic and physical development	5,073
Human services	177,683
Cultural and recreational	<u>260,786</u>
Total depreciation expenses	<u>\$ 1,109,074</u>

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type activities:				
Solid Waste				
Capital assets not being depreciated:				
Land	\$ 648,190	\$ 9,132	\$ -	\$ 657,322
Capital assets being depreciated:				
Buildings and improvements	1,423,863	-	-	1,423,863
Equipment	650,527	15,065	-	665,592
Vehicles and motor equipment	36,462	-	-	36,462
Total capital assets being depreciated	<u>2,110,852</u>	<u>15,065</u>	<u>-</u>	<u>2,125,917</u>
Less accumulated depreciation for:				
Buildings and improvements	338,562	34,125	-	372,687
Equipment	420,201	53,607	-	473,808
Vehicles and motor equipment	31,328	4,266	-	35,594
Total accumulated depreciation	<u>790,091</u>	<u>91,998</u>	<u>-</u>	<u>882,089</u>
Capital assets being depreciated, net	<u>1,320,761</u>			<u>1,243,828</u>
Solid waste capital assets, net	<u>1,968,951</u>			<u>1,901,150</u>
Water				
Capital assets not being depreciated:				
Land and easements	\$ 1,917,545	\$ -	\$ -	\$ 1,917,545
Construction in progress	2,433,267	204,132	(588,838)	2,048,561
	<u>4,350,812</u>	<u>204,132</u>	<u>(588,838)</u>	<u>3,966,106</u>
Capital assets being depreciated:				
Water lines and related assets	<u>8,594,702</u>	<u>588,838</u>	<u>-</u>	<u>9,183,540</u>
Less accumulated depreciation for:				
Water lines and related assets	<u>1,269,956</u>	<u>227,571</u>	<u>-</u>	<u>1,497,527</u>
Capital assets being depreciated, net	<u>7,324,746</u>	<u>\$ 361,267</u>	<u>\$ -</u>	<u>7,686,013</u>
Water capital assets, net	<u>11,675,558</u>			<u>11,652,119</u>
Business-type capital assets, net	<u>\$ 13,644,509</u>			<u>\$ 13,553,269</u>

The County has an active construction project as of June 30, 2017. At year-end, the County's commitments with contractors and architects are approximately \$8,500,000 for the new law enforcement facility project.

Note 3 – Liabilities**(A) Payables**

Payables at the fund and government-wide level at June 30, 2017, were as follows:

	Governmental Funds			Governmental Activities	Business- Type Activities
	General	Capital			
		Projects	Other		
Accounts payable	\$ 357,177	\$ 677,371	\$ 154,582	\$ 1,189,130	\$ 213,023
Accrued wages	167,852	-	332	168,184	1,739
Due to other governments	107,191	-	-	107,191	-
Total accounts payable and accrued expenses	<u>\$ 632,220</u>	<u>\$ 677,371</u>	<u>\$ 154,914</u>	<u>\$ 1,464,505</u>	<u>\$ 214,762</u>

(B) Pension Plan ObligationsLocal 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.

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, 2017, was 8.00% of compensation for law enforcement officers and 7.38% 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 \$512,665 for the year ended June 30, 2017.

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, 2017, the County reported a liability of \$2,052,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .09673%, which was a decrease of .00093% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$563,880. At June 30, 2017, 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	\$ 38,571	\$ 71,937
Changes of assumptions	140,608	-
Net difference between projected and actual earnings on pension plan investments	1,135,014	-
Changes in proportion and difference between County contributions and proportionate share of contributions	45,898	-
County contributions subsequent to the measurement date	<u>512,665</u>	<u>-</u>
	<u>\$ 1,872,756</u>	<u>\$ 71,937</u>

\$512,665 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ 208,462
2018	208,471
2019	543,402
2020	327,819
2021	-
Thereafter	<u>-</u>
	<u>\$ 1,288,154</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 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	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Real Rate of Return</u>
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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 4,872,572	\$ 2,052,935	\$ (302,236)

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>32</u>
Total	<u><u>32</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, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor
Discount rate	3.86%

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 mortality tables base rates projected to the valuation date using MP-2015.

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, 2017, the County reported a total pension liability of \$314,014. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$37,643.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions and other inputs	-	7,853
County benefit payments and plan administrative expense subsequent to the measurement date	612	-
	<u>\$ 612</u>	<u>\$ 7,853</u>

\$612 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ (1,257)
2019	(1,257)
2020	(1,257)
2021	(1,257)
2022	(1,257)
Thereafter	<u>(1,568)</u>
	<u>\$ (7,853)</u>

\$0 paid as benefits came due and \$612 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 346,479	\$ 314,014	\$ 284,452

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2015	\$ 284,430
Changes for the year:	
Service cost at end of year	28,540
Interest	10,154
Change in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions and other inputs	(9,110)
Benefit payments	-
Other	-
Net changes	<u>29,584</u>
Total pension liability as of December 31, 2016	<u>\$ 314,014</u>

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 \$59,061 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.

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 \$2,033 for the year ended June 30, 2017.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the County reported an asset of \$42,354 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension asset was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was 0.22654%, which was a decrease of .01400% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,819. At June 30, 2017, 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	\$ 45	\$ 548
Change of assumptions	11,284	-
Net difference between projected and actual earnings on pension plan investments	73	-
Changes in proportion and difference between County contributions and proportionate share of contributions	2,368	1,853
County contributions subsequent to the measurement date	<u>2,033</u>	<u>-</u>
	<u>\$ 15,803</u>	<u>\$ 2,401</u>

\$2,033 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 3,960
2019	5,531
2020	2,348
2021	(470)
2022	-
Thereafter	<u>-</u>
	<u>\$ 11,369</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 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, 2015 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, 2016 is 1.4%.

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 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)	\$ (34,151)	\$ (42,354)	\$ (49,245)

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.

(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
Pensions - difference between expected and actual experience	\$ 38,616	\$ 72,485
Pensions - changes of assumptions	151,892	7,853
Pensions - difference between projected and actual investment earnings	1,135,087	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	48,266	1,853
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	514,698	-
Benefit payments and administrative expenses subsequent to measurement date (LEOSSA)	612	-
Prepaid taxes not yet earned (General Fund)	-	154,764
Ad valorem taxes receivable, net (General Fund)	-	624,637
Taxes receivable, net (Special Revenue)	-	72,303
Total	<u>\$ 1,889,171</u>	<u>\$ 933,895</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

Capital Leases

The County has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following summarizes capital lease activity for the fiscal year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Equipment lease purchase agreement, monthly payments of \$5,257, including interest at 4% through May 2018	\$ 107,442	\$ -	\$ 59,876	\$ 47,566

The capital assets acquired through capital leases are recorded in the governmental activities as follows:

Asset:	
Communications equipment	\$ 282,031
Accumulated depreciation	<u>(230,325)</u>
Total	<u>\$ 51,706</u>

The future minimum lease obligations as of June 30, 2017, including interest, were as follows:

Year ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 47,566	\$ 814
	<u>\$ 47,566</u>	<u>\$ 814</u>

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, 2017 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.	\$ 1,726,668	\$ -	\$ 493,333	\$ 1,233,335
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.	1,999,999	-	666,667	1,333,332
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.	1,233,335	-	123,333	1,110,002
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.	745,655	-	54,345	691,310
2016 \$13,500,000 installment purchase contract for the construction of a new jail facility, initial payment of of \$502,968 and 29 semi-annual payments of \$545,538, including interest at 2.58% through October 2031.	-	13,500,000	371,388	13,128,612
Total governmental activities	<u>\$ 7,549,657</u>	<u>\$ 13,500,000</u>	<u>\$ 1,709,066</u>	<u>\$ 19,340,591</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Installment purchase contract, 360 monthly payments of \$1,286, including interest at 6% through January 2034	\$ 167,441	\$ -	\$ 5,538	\$ 161,903

For Polk County, the future minimum payments as of June 30, 2017, including interest are:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30,				
2018	\$ 2,094,889	\$ 420,728	\$ 5,879	\$ 9,551
2019	2,114,551	376,583	6,242	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 - 2027	5,298,249	997,488	44,852	32,300
2028 - 2032	4,755,438	310,202	60,499	16,653
2033 - 2034	-	-	23,300	1,180
	<u>\$ 19,340,591</u>	<u>\$ 3,027,905</u>	<u>\$ 161,903</u>	<u>\$ 94,033</u>

Debt Related to Capital Activities

Of the total governmental activities debt listed only \$15,297,435 relates to assets the County holds title. Unspent restricted cash related to this debt amounts to \$9,244,456.

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, 2017:

	<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	\$ 7,549,657	\$ 13,500,000	\$ 1,709,066	\$ 19,340,591	\$ 2,094,889
Capital leases	107,442	-	59,876	47,566	47,566
Compensated absences	579,175	584,283	657,234	506,224	464,000
Net pension liability (LGERS)	438,292	1,614,643	-	2,052,935	-
Net pension obligation (LEO)	284,430	29,584	-	314,014	-
Total governmental activities	<u>\$ 8,958,996</u>	<u>\$ 15,728,510</u>	<u>\$ 2,426,176</u>	<u>\$ 22,261,330</u>	<u>\$ 2,606,455</u>
Business-type activities:					
Installment purchase contracts	\$ 167,441	\$ -	\$ 5,538	\$ 161,903	\$ 5,879

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, 2017, Polk County had a legal debt margin of approximately \$211,000,000.

Note 4 – Net Investment in Capital Assets

The net investment in capital assets at June 30, 2017, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$ 25,058,852	\$ 13,553,269
Less:		
Installment purchase contracts	(19,340,591)	(161,903)
Capital leases	(47,566)	-
Add:		
Unspent debt proceeds	9,244,456	-
School related debt	4,090,721	-
Solid waste debt	216,667	-
	<u>\$ 19,222,539</u>	<u>\$ 13,391,366</u>

Note 5 – Interfund Activities

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer from General Fund to:		
Debt Service Fund	For QZAB sinking fund payment	\$ 95,706
Capital Reserve Fund	To fund future capital projects	335,000
Capital Projects Fund	To fund capital projects	3,515
Water Capital Projects Fund	To fund capital projects	8,190
		<u>\$ 442,411</u>
Transfer from Capital Reserve Fund to:		
Water Capital Projects Fund	To fund capital projects	<u>\$ 68,000</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	\$ 9,024,701
Less:	
Stabilization by State statute	1,552,457
Committed for tax revaluation	515,224
Assigned - subsequent year's expenditures	<u>546,676</u>
Remaining fund balance	<u>\$ 6,410,344</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. General fund had no encumbrances at June 30, 2017.

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, 2017. 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, 2017. The County paid operating appropriations of \$175,145 to the District during fiscal year June 30, 2017. 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 \$174,607 to the Community College for operating purposes during the fiscal year ended June 30, 2017. 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, 2017. 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 \$6,608 to the Commission during the fiscal year ended June 30, 2017.

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

The following 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.

	<u>Federal</u>	<u>State</u>
Special supplemental nutrition payments for women, infants, and children (WIC)	\$ 140,731	-
Title IV-E adoption subsidy	158,440	39,508
Title IV-E foster care	107,680	26,692
Temporary assistance for needy families (TANF)	113,212	145
Crisis intervention / low income energy assistance	126,027	-
Medicaid	16,781,772	8,907,213
State children's insurance program - N.C. health choice	551,856	2,649
SC/SA domiciliary care	-	110,141
State foster home / foster care	-	267,294
CWS adoption subsidy	-	125,310
	<u>\$ 17,979,718</u>	<u>\$ 9,478,952</u>

Note 12 – Prior Period Adjustments

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$26,358.



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REQUIRED SUPPLEMENTAL FINANCIAL DATA

- 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
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POLK COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
 For the year ended June 30, 2017

Schedule of Changes in Total Pension Liability

	June 30 2017*
Beginning balance	\$ 284,430
Changes for the year:	
Service cost at end of year	28,540
Interest	10,154
Change in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions and other inputs	(9,110)
Benefit payments	-
Other	-
Net changes	29,584
Ending balance of the total pension liability	\$ 314,014

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total Pension Liability	\$ 314,014
Covered Payroll	1,255,857
Total pension liability as a percentage of covered payroll	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 fiscal year ending June 30.

POLK COUNTY, NORTH CAROLINA

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.09673%	0.09766%	0.09752%	0.09240%
County's proportion of the net pension liability (asset) (\$)	\$ 2,052,935	\$ 438,292	\$ (575,120)	\$ 1,113,775
County's covered payroll	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	34.50%	7.68%	(10.31%)	20.43%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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 Four Fiscal Years*

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 512,665	\$ 409,164	\$ 407,190	\$ 396,750
Contributions in relation to the contractually required contribution	<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>
County's covered payroll	6,823,860	5,951,154	5,709,585	5,577,537
Contributions as a percentage of covered payroll	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 Four Fiscal Years*

Registers of Deeds' Supplemental Pension Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.22654%	0.24054%	0.22095%	0.20720%
County's proportion of the net pension liability (asset) (\$)	\$ (42,354)	\$ (55,743)	\$ (50,087)	\$ (44,258)
County's covered payroll	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	(79.13%)	(104.15%)	(96.58%)	(89.63%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	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 Four Fiscal Years*

Registers of Deeds' Supplemental Pension Fund

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



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MAJOR FUNDS

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.
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POLK COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes:			
Taxes	\$ 15,142,652	\$ 14,958,011	\$ (184,641)
Penalties and interest	<u>118,584</u>	<u>130,056</u>	<u>11,472</u>
Total	<u>15,261,236</u>	<u>15,088,067</u>	<u>(173,169)</u>
Other Taxes:			
Local option sales taxes	3,312,270	3,632,224	319,954
Article 44 sales tax (hold harmless)	<u>477,457</u>	<u>458,448</u>	<u>(19,009)</u>
Total	<u>3,789,727</u>	<u>4,090,672</u>	<u>300,945</u>
Restricted Intergovernmental:			
Lottery revenue	245,705	244,527	(1,178)
Federal grants	3,172,574	3,103,380	(69,194)
State grants	346,707	355,694	8,987
Local grants	<u>30,357</u>	<u>52,500</u>	<u>22,143</u>
Total	<u>3,795,343</u>	<u>3,756,101</u>	<u>(39,242)</u>
Licenses and Permits:			
Register of Deeds fees	200,000	245,323	45,323
Building, other permit, inspection fees	<u>191,860</u>	<u>194,202</u>	<u>2,342</u>
Total	<u>391,860</u>	<u>439,525</u>	<u>47,665</u>
Sales and Services:			
Rents, concessions, and fees	88,740	107,417	18,677
EMS fees	711,825	823,090	111,265
Transportation fees	104,100	165,618	61,518
Recreation department	179,815	190,899	11,084
Court costs, fees, and charges	80,000	64,233	(15,767)
Other charges for services	<u>14,800</u>	<u>20,067</u>	<u>5,267</u>
Total	<u>1,179,280</u>	<u>1,371,324</u>	<u>192,044</u>
Investment Earnings	20,940	59,077	38,137
Miscellaneous	<u>121,989</u>	<u>131,385</u>	<u>9,396</u>
Total revenues	<u>24,560,375</u>	<u>24,936,151</u>	<u>375,776</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing body	\$ 1,369,296	\$ 1,366,527	\$ 2,769
Manager	291,080	287,319	3,761
Board of elections	204,394	198,542	5,852
Personnel	174,200	122,476	51,724
Finance	288,104	278,204	9,900
Tax collections	606,528	582,204	24,324
Legal	49,803	42,576	7,227
Register of Deeds	200,629	191,340	9,289
Public buildings	539,768	516,941	22,827
Court facilities	5,800	5,344	456
Non-departmental	564,713	350,309	214,404
Total general government	<u>4,294,315</u>	<u>3,941,782</u>	<u>352,533</u>
Public Safety:			
Sheriff's department	2,431,836	2,402,635	29,201
Jail	882,070	858,823	23,247
Emergency medical services	1,513,455	1,472,461	40,994
Emergency management	98,092	96,520	1,572
Communications	480,537	431,302	49,235
Building inspections	264,305	253,435	10,870
Animal control	170,489	158,889	11,600
Total public safety	<u>5,840,784</u>	<u>5,674,065</u>	<u>166,719</u>
Economic and physical development:			
Cooperative extension	172,387	169,552	2,835
Planning and zoning	115,066	99,949	15,117
Soil and water conservation	131,624	116,505	15,119
Agriculture	115,927	101,019	14,908
Forestry	63,354	46,079	17,275
Economic development	112,959	74,957	38,002
Total economic and physical development	<u>711,317</u>	<u>608,061</u>	<u>103,256</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Human Services:			
Health	\$ 175,145	\$ 175,145	\$ -
Mental health	78,556	78,529	27
Veteran's administration	50,583	48,173	2,410
Social services administration	1,742,213	1,627,499	114,714
Social services programs	2,044,396	1,963,093	81,303
Public transportation	826,284	799,417	26,867
Community based alternatives	79,332	77,896	1,436
Total human services	<u>4,996,509</u>	<u>4,769,752</u>	<u>226,757</u>
Cultural and recreational:			
Recreation	679,951	639,886	40,065
Library	614,655	608,103	6,552
Senior centers	395,712	382,511	13,201
Total cultural and recreational	<u>1,690,318</u>	<u>1,630,500</u>	<u>59,818</u>
Education:			
Public schools-current	5,129,788	5,129,788	-
Public schools-capital outlay	312,267	312,000	267
Public schools-local supplement	150,000	148,822	1,178
Community colleges-current	181,066	174,607	6,459
Total education	<u>5,773,121</u>	<u>5,765,217</u>	<u>7,904</u>
Debt Service:			
Principal retirement	1,709,068	1,709,066	2
Interest and fees	302,665	242,984	59,681
Total debt service	<u>2,011,733</u>	<u>1,952,050</u>	<u>59,683</u>
Total expenditures	<u>25,318,097</u>	<u>24,341,427</u>	<u>976,670</u>
Revenues over (under) expenditures	<u>(757,722)</u>	<u>594,724</u>	<u>1,352,446</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses)			
Appropriated fund balance	\$ 1,200,133	\$ -	\$ (1,200,133)
Proceeds from sale of assets	-	18,022	18,022
Transfers to other funds	<u>(442,411)</u>	<u>(442,411)</u>	<u>-</u>
Total other financing sources (uses)	<u>757,722</u>	<u>(424,389)</u>	<u>(1,182,111)</u>
Net change in fund balance	<u>\$ -</u>	170,335	<u>\$ 170,335</u>
Fund balance, beginning of year		<u>8,339,142</u>	
Fund balance, end of year		<u>\$ 8,509,477</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ -	\$ 654	\$ 654
Expenditures			
General Government:			
Revaluation	<u>296,050</u>	<u>193,898</u>	<u>102,152</u>
Revenues under expenditures	<u>(296,050)</u>	<u>(193,244)</u>	<u>102,806</u>
Other Financing Sources			
Appropriated fund balance	<u>296,050</u>	<u>-</u>	<u>(296,050)</u>
Net change in fund balance	<u>\$ -</u>	<u>(193,244)</u>	<u>\$ (193,244)</u>
Fund balance, beginning of year		<u>708,468</u>	
Fund balance, end of year		<u>\$ 515,224</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, 2017

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
Revenues					
Investment earnings	\$ -	\$ -	\$ 35,203	\$ 35,203	\$ 35,203
Miscellaneous	-	109,746	66,886	176,632	176,632
Total revenues	<u>-</u>	<u>109,746</u>	<u>102,089</u>	<u>211,835</u>	<u>211,835</u>
Expenditures					
General government:					
Court facilities	98,515	-	98,349	98,349	166
Public safety:					
Detention facility	13,500,000	439,404	4,528,713	4,968,117	8,531,883
Total expenditures	<u>13,598,515</u>	<u>439,404</u>	<u>4,627,062</u>	<u>5,066,466</u>	<u>8,532,049</u>
Revenues under expenditures	<u>(13,598,515)</u>	<u>(329,658)</u>	<u>(4,524,973)</u>	<u>(4,854,631)</u>	<u>8,743,884</u>
Other Financing Sources					
Installment purchase obligations issued	13,500,000	-	13,500,000	13,500,000	-
Transfers from other funds	98,515	95,000	3,515	98,515	-
Closed projects	-	373,270	-	373,270	373,270
Total other financing sources	<u>13,598,515</u>	<u>468,270</u>	<u>13,503,515</u>	<u>13,971,785</u>	<u>373,270</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 138,612</u>	8,978,542	<u>\$ 9,117,154</u>	<u>\$ 9,117,154</u>
Fund balance, beginning of year			<u>138,612</u>		
Fund balance, end of year - Capital Projects Fund			9,117,154		
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			37		
Transfers from other funds			335,000		
Transfers to other funds			(68,000)		
Fund balance, beginning - Capital Reserve Fund			<u>638,495</u>		
Fund balance, ending - Combined Capital Projects Fund			<u>\$ 10,022,686</u>		

POLK COUNTY, NORTH CAROLINA

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

Solid Waste Fund

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services	\$ 1,403,376	\$ 1,471,321	\$ 67,945
Solid waste taxes	30,998	52,108	21,110
Total revenues	<u>1,434,374</u>	<u>1,523,429</u>	<u>89,055</u>
Expenditures			
Current:			
Operating	1,222,214	1,114,700	107,514
Closure and postclosure care	71,400	57,311	14,089
Capital outlay	78,210	24,197	54,013
Debt service:			
Principal retirement	5,538	5,537	1
Interest and fees	9,893	9,893	-
Total expenditures	<u>1,387,255</u>	<u>1,211,638</u>	<u>175,617</u>
Revenues over expenditures	<u>47,119</u>	<u>311,791</u>	<u>264,672</u>
Other Financing Sources			
Appropriated fund balance	<u>(47,119)</u>	<u>-</u>	<u>47,119</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	311,791	<u>\$ 311,791</u>
Reconciliation from modified accrual to full accrual basis:			
Capital outlay		24,197	
Depreciation		(91,998)	
Principal retirement		<u>5,537</u>	
Change in net position		<u>\$ 249,527</u>	

POLK COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services	\$ -	\$ 9,000	\$ 9,000
Total revenues	<u>-</u>	<u>9,000</u>	<u>9,000</u>
Expenditures			
Current:			
Operating	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>9,000</u>	<u>\$ 9,000</u>
Reconciliation from modified accrual to full accrual basis:			
Depreciation		(227,571)	
<u>From Water Capital Projects Fund:</u>			
Transfers from other funds		<u>76,190</u>	
Change in net position		<u><u>\$ (142,381)</u></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, 2017

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
Expenditures					
Capital:					
Sunny View	\$ 2,000,815	\$ 1,889,429	\$ 99,450	\$ 1,988,879	\$ 11,936
General	<u>206,481</u>	<u>-</u>	<u>104,682</u>	<u>104,682</u>	<u>101,799</u>
Total expenditures	<u>2,207,296</u>	<u>1,889,429</u>	<u>204,132</u>	<u>2,093,561</u>	<u>113,735</u>
Other Financing Sources					
Transfers from other funds	<u>2,207,296</u>	<u>2,124,084</u>	<u>76,190</u>	<u>2,200,274</u>	<u>(7,022)</u>
Total other financing sources	<u>2,207,296</u>	<u>2,124,084</u>	<u>76,190</u>	<u>2,200,274</u>	<u>(7,022)</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 234,655</u>	<u>\$ (127,942)</u>	<u>\$ 106,713</u>	<u>\$ 106,713</u>



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NONMAJOR GOVERNMENTAL FUNDS

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, 2017

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Grant Projects Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 11,856	\$ 137,218	\$ 343,885	\$ 29,884	\$ 522,843	\$ -	\$ 522,843
Restricted cash	-	-	-	-	-	1,350,067	1,350,067
Receivables, net	82,719	29,666	17,073	-	129,458	-	129,458
Prepays	-	479	-	-	479	-	479
Total assets	\$ 94,575	\$ 167,363	\$ 360,958	\$ 29,884	\$ 652,780	\$ 1,350,067	\$ 2,002,847
LIABILITIES							
Accounts payable and other current liabilities	\$ 22,272	\$ 30,512	\$ 102,130	\$ -	\$ 154,914	\$ -	\$ 154,914
Unearned revenues	-	-	-	2,398	2,398	-	2,398
Total liabilities	22,272	30,512	102,130	2,398	157,312	-	157,312
DEFERRED INFLOWS OF RESOURCES	72,303	-	-	-	72,303	-	72,303
FUND BALANCES							
Nonspendable:							
Prepays	-	479	-	-	479	-	479
Restricted:							
Stabilization by State statute	-	29,187	17,073	-	46,260	-	46,260
Public safety	-	-	220,153	-	220,153	-	220,153
Tourism	-	107,185	-	-	107,185	-	107,185
Economic and physical development	-	-	-	27,486	27,486	-	27,486
School debt service	-	-	-	-	-	1,350,067	1,350,067
Assigned	-	-	21,602	-	21,602	-	21,602
Total fund balances	-	136,851	258,828	27,486	423,165	1,350,067	1,773,232
Total liabilities, deferred inflows of resources and fund balances	\$ 94,575	\$ 167,363	\$ 360,958	\$ 29,884	\$ 652,780	\$ 1,350,067	\$ 2,002,847



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POLK COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2017

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Grant Projects Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues							
Ad valorem taxes	\$ 1,598,727	\$ -	\$ -	\$ -	\$ 1,598,727	\$ -	\$ 1,598,727
Other taxes	-	201,098	-	-	201,098	-	201,098
Restricted intergovernmental	-	-	201,875	-	201,875	-	201,875
Investment earnings	-	-	40	-	40	30,970	31,010
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>1,598,727</u>	<u>201,098</u>	<u>201,915</u>	<u>-</u>	<u>2,001,740</u>	<u>30,970</u>	<u>2,032,710</u>
Expenditures							
Current:							
Public safety	1,598,727	-	297,739	-	1,896,466	-	1,896,466
Economic and physical development	-	174,861	-	204	175,065	-	175,065
Debt service:							
Principal retirement	-	-	59,876	-	59,876	-	59,876
Interest and fees	-	-	3,208	-	3,208	-	3,208
Total expenditures	<u>1,598,727</u>	<u>174,861</u>	<u>360,823</u>	<u>204</u>	<u>2,134,615</u>	<u>-</u>	<u>2,134,615</u>
Revenues over (under) expenditures	-	26,237	(158,908)	(204)	(132,875)	30,970	(101,905)
Other Financing Sources							
Transfers from other funds	-	-	-	-	-	95,706	95,706
Total other financing sources	-	-	-	-	-	95,706	95,706
Net change in fund balances	-	26,237	(158,908)	(204)	(132,875)	126,676	(6,199)
Fund balances, beginning of year	-	110,614	417,736	27,690	556,040	1,223,391	1,779,431
Fund balances, end of year	\$ -	\$ 136,851	\$ 258,828	\$ 27,486	\$ 423,165	\$ 1,350,067	\$ 1,773,232

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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes:			
Taxes	\$ 1,603,821	\$ 1,591,819	\$ (12,002)
Penalties and interest	<u> -</u>	<u> 6,908</u>	<u> 6,908</u>
Total revenues	<u>1,603,821</u>	<u>1,598,727</u>	<u>(5,094)</u>
Expenditures			
Public safety:			
Sunny View Fire Department	267,149	219,593	47,556
Green Creek Fire Department	277,954	296,354	(18,400)
Tryon Fire Department	193,558	201,416	(7,858)
Saluda Fire Department	162,311	167,398	(5,087)
Mill Springs Fire Department	246,197	241,884	4,313
Columbus Fire Department	<u>456,652</u>	<u>472,082</u>	<u>(15,430)</u>
Total expenditures	<u>1,603,821</u>	<u>1,598,727</u>	<u>5,094</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ -</u>	

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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Occupancy tax	\$ 181,000	\$ 201,098	\$ 20,098
Expenditures			
Economic and physical development:			
Tourism	<u>181,000</u>	<u>174,861</u>	<u>6,139</u>
Net change in fund balance	<u>\$ -</u>	26,237	<u>\$ 26,237</u>
Fund balance, beginning of year		<u>110,614</u>	
Fund balance, end of year		<u>\$ 136,851</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, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$ 201,995	\$ 201,875	\$ (120)
Interest earned	-	40	40
Total revenues	201,995	201,915	(80)
Expenditures			
Public safety:			
Telephone and furniture		109,250	
Software		31,602	
Hardware		171,683	
Hosted solutions		62	
Functions		48,226	
Total expenditures	381,995	360,823	21,172
Revenues under expenditures	(180,000)	(158,908)	21,092
Other Financing Sources			
Appropriated fund balance	180,000	-	(180,000)
Net change in fund balance	\$ -	(158,908)	\$ (158,908)
Fund balance, beginning of year		417,736	
Fund balance, end of year		\$ 258,828	

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, 2017

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
Revenues and Other Financing Sources					
Restricted intergovernmental revenue:					
Community development block grant:					
Tryon Equestrian Properties water project	\$ 281,250	\$ 211,387	\$ -	\$ 211,387	\$ (69,863)
Rural economic development grant:					
Underserved and limited resources communities	23,200	20,208	-	20,208	(2,992)
Restricted contributions:					
Tryon Equestrian Properties water project	93,750	93,725	-	93,725	(25)
Other financing sources:					
Transfer from other funds (local match):					
Rural economic development grant	<u>7,000</u>	<u>7,000</u>	-	<u>7,000</u>	<u>-</u>
Total revenues and other financing sources	<u>405,200</u>	<u>332,320</u>	<u>-</u>	<u>332,320</u>	<u>(72,880)</u>
Expenditures					
Economic and physical development:					
Tryon Equestrian Properties water project	375,000	279,980	190	280,170	94,830
Rural economic development grant	30,200	24,618	14	24,632	5,568
Closed projects	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>	<u>(32)</u>
Total expenditures	<u>405,200</u>	<u>304,630</u>	<u>204</u>	<u>304,834</u>	<u>100,366</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 27,690</u>	(204)	<u>\$ 27,486</u>	<u>\$ 27,486</u>
Fund balance, beginning of year			<u>27,690</u>		
Fund balance, end of year			<u>\$ 27,486</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ -	\$ 37	\$ 37
Other Financing Sources (Uses)			
Transfers from other funds	403,000	335,000	(68,000)
Transfers to other funds	<u>(403,000)</u>	<u>(68,000)</u>	<u>335,000</u>
Total other financing sources (uses)	<u>-</u>	<u>267,000</u>	<u>267,000</u>
Net change in fund balance	<u>\$ -</u>	267,037	<u>\$ 267,037</u>
Fund balance, beginning of year		<u>638,495</u>	
Fund balance, end of year		<u>\$ 905,532</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ -	\$ 30,970	\$ 30,970
Expenditures			
Debt service:			
Principal retirement *	<u>95,706</u>	<u>-</u>	<u>95,706</u>
Revenues over (under) expenditures	<u>(95,706)</u>	<u>30,970</u>	<u>126,676</u>
Other Financing Sources			
Transfers from other funds	<u>95,706</u>	<u>95,706</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	126,676	<u>\$ 126,676</u>
Fund balance, beginning of year		<u>1,223,391</u>	
Fund balance, end of year		<u>\$ 1,350,067</u>	

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



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AGENCY FUNDS

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.
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POLK COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
 For the year ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 50,064	\$ 135,732	\$ 122,009	\$ 63,787
Liabilities:				
Due to others	\$ 50,064	\$ 135,732	\$ 122,009	\$ 63,787
Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 23,829	\$ 1,687,563	\$ 1,692,084	\$ 19,308
Liabilities:				
Due to other governments	\$ 23,829	\$ 1,687,563	\$ 1,692,084	\$ 19,308
Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ 9,385	\$ 192,428	\$ 201,739	\$ 74
Liabilities:				
Due to Polk County Schools	\$ -	\$ 176,184	\$ 176,184	\$ -
Due to the State of North Carolina	9,385	16,244	25,555	74
	<u>\$ 9,385</u>	<u>\$ 192,428</u>	<u>\$ 201,739</u>	<u>\$ 74</u>
Other Agency Fund:				
Assets:				
Cash and cash equivalents	\$ 95,450	\$ 137,487	\$ 113,609	\$ 119,328
Liabilities:				
Due to others	\$ 95,450	\$ 137,487	\$ 113,609	\$ 119,328
Total:				
Assets:				
Cash and cash equivalents	\$ 178,728	\$ 2,153,210	\$ 2,129,441	\$ 202,497
Liabilities:				
Due to others	\$ 145,514	\$ 273,219	\$ 235,618	\$ 183,115
Due to other governments	23,829	1,687,563	1,692,084	19,308
Due to Polk County Schools	-	176,184	176,184	-
Due to the State of North Carolina	9,385	16,244	25,555	74
	<u>\$ 178,728</u>	<u>\$ 2,153,210</u>	<u>\$ 2,129,441</u>	<u>\$ 202,497</u>



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OTHER SUPPLEMENTARY INFORMATION

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



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POLK COUNTY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable
General Fund
 June 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 15,501,046	\$ 15,114,915	\$ 386,131
2015-2016	388,434	-	176,926	211,508
2014-2015	64,323	-	47,753	16,570
2013-2014	35,407	-	22,430	12,977
2012-2013	32,524	-	19,020	13,504
2011-2012	27,842	-	8,904	18,938
2010-2011	18,927	-	5,409	13,518
2009-2010	19,632	-	5,265	14,367
2008-2009	11,209	-	2,201	9,008
2007-2008	9,456	-	1,338	8,118
2006-2007	7,659	-	7,659	-
Total	<u>\$ 615,413</u>	<u>\$ 15,501,046</u>	<u>\$ 15,411,820</u>	704,639
Less allowance for uncollectible ad valorem taxes receivable				<u>(80,000)</u>
Ad valorem taxes receivable, net				<u>\$ 624,639</u>
Reconciliation with Revenues:				
Taxes - Ad valorem - General Fund				<u>\$ 15,088,067</u>
Reconciling items:				
Discounts allowed				(162,992)
Garnishment fees				15,541
Foreclosure fees				1,525
Taxes written off				7,659
Penalties and interest				130,056
Settlement refunds				250,000
Other adjustments				<u>81,964</u>
Total reconciling items				<u>323,753</u>
Total collections and credits				<u>\$ 15,411,820</u>

POLK COUNTY, NORTH CAROLINA

*Analysis of Current Year County-Wide Tax Levy
June 30, 2017*

	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	\$2,835,451,535	0.5375	\$ 15,240,552	\$ 14,148,103	\$ 1,092,449
Penalties	-		6,769	6,769	-
Total	2,835,451,535		15,247,321	14,154,872	1,092,449
Discoveries:					
Current year taxes	75,584,787	0.5375	406,268	406,268	-
Prior year taxes	4,554,979	0.5175	23,572	23,572	-
Abatements:					
Current year taxes	(31,566,944)	0.5375	(170,801)	(170,801)	-
Prior year taxes	(1,026,728)	0.5175	(5,314)	(5,314)	-
Total property valuation	\$2,882,997,629				
Net levy			15,501,046	14,408,597	1,092,449
Current Year's Taxes Uncollected at 6/30/17			386,131	386,131	-
Current Year's Taxes Collected			\$ 15,114,915	\$ 14,022,466	\$ 1,092,449
Current Levy Collection %			97.51%	97.32%	100.00%
Secondary Market Disclosures:					
Assessed Valuation					
Assessment Ratio ⁽¹⁾				100.00%	
Real Property				\$ 2,545,059,654	
Personal Property				61,994,961	
Public Service Companies ⁽²⁾				72,694,644	
Registered Motor Vehicles				203,248,370	
Total Assessed Valuation				2,882,997,629	
Tax Rate per \$100				0.5375	
Levy (includes discoveries, releases and abatements) ⁽³⁾				\$ 15,501,046	
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				\$ 152,091	
School Districts				76,992	
Towns				1,057,186	
Fire Protection Districts				1,493,582	
Total				\$ 2,779,851	

⁽¹⁾ Percentage of appraised value has been established by statute.

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

⁽³⁾ The levy includes interest and penalties.

STATISTICAL SECTION

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

	<u>2008</u>	<u>2009 ⁽¹⁾</u>	<u>2010</u>	<u>2011</u>
Governmental activities:				
Net investment in capital assets	\$ 14,896,379	\$ 12,807,648	\$ 19,242,095	\$ 16,076,619
Restricted	299,847	897,428	514,929	3,359,835
Unrestricted	(3,436,761)	(3,471,180)	(5,965,030)	(1,239,021)
Total governmental activities net position	<u>\$ 11,759,465</u>	<u>\$ 10,233,896</u>	<u>\$ 13,791,994</u>	<u>\$ 18,197,433</u>
Business-type activities:				
Net investment in capital assets	\$ 1,694,826	\$ 7,035,005	\$ 8,945,463	\$ 9,027,773
Restricted	-	-	-	-
Unrestricted	352,413	1,421,280	172,796	673,949
Total business-type activities net position	<u>\$ 2,047,239</u>	<u>\$ 8,456,285</u>	<u>\$ 9,118,259</u>	<u>\$ 9,701,722</u>
Primary government:				
Net investment in capital assets	\$ 16,591,205	\$ 19,842,653	\$ 28,187,558	\$ 25,104,392
Restricted	299,847	897,428	514,929	3,359,835
Unrestricted	(3,084,348)	(2,049,900)	(5,792,234)	(565,072)
Total primary government net position	<u>\$ 13,806,704</u>	<u>\$ 18,690,181</u>	<u>\$ 22,910,253</u>	<u>\$ 27,899,155</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

	2012	2013	2014 ⁽²⁾	2015	2016	2017
\$	17,491,725	\$ 16,924,056	\$ 16,823,252	\$ 16,778,656	\$ 17,116,720	\$ 19,222,539
	2,343,502	2,357,260	2,513,727	3,408,680	3,418,452	3,314,024
	445,749	1,488,679	2,508,175	2,189,288	2,718,297	3,649,379
\$	20,280,976	\$ 20,769,995	\$ 21,845,154	\$ 22,376,624	\$ 23,253,469	\$ 26,185,942
\$	9,283,387	\$ 9,708,668	\$ 10,958,504	\$ 12,699,586	\$ 13,477,068	\$ 13,391,365
	-	-	-	-	-	-
	842,565	2,043,592	649,402	784,618	1,068,528	1,261,377
\$	10,125,952	\$ 11,752,260	\$ 11,607,906	\$ 13,484,204	\$ 14,545,596	\$ 14,652,742
\$	26,775,112	\$ 26,632,724	\$ 27,781,756	\$ 29,478,242	\$ 30,593,788	\$ 32,613,904
	2,343,502	2,357,260	2,513,727	3,408,680	3,418,452	3,314,024
	1,288,314	3,532,271	3,157,577	2,973,906	3,786,825	4,910,756
\$	30,406,928	\$ 32,522,255	\$ 33,453,060	\$ 35,860,828	\$ 37,799,065	\$ 40,838,684

POLK COUNTY, NORTH CAROLINA

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

	2008	2009 ⁽¹⁾	2010	2011
Governmental activities				
Program revenues:				
Charges for services:				
General government	\$ 1,356,198	\$ 864,488	\$ 832,957	\$ 1,180,459
Public safety	695,145	763,734	746,571	655,485
Economic and physical development	25,292	9,194	-	-
Human services	243,765	255,638	250,656	230,731
Cultural and recreational	92,965	92,667	131,766	104,203
Operating grants and contributions	2,888,791	3,029,342	3,250,918	3,210,156
Capital grants and contributions	71,008	956,449	25,000	1,395,348
Total program revenues	<u>5,373,164</u>	<u>5,971,512</u>	<u>5,237,868</u>	<u>6,776,382</u>
Expenses:				
General government	2,603,109	2,897,048	2,597,039	2,564,394
Public safety	4,703,673	5,000,699	5,130,053	5,400,531
Economic and physical development	669,407	733,884	1,016,720	919,265
Human services	4,772,975	4,687,695	4,259,428	4,366,981
Cultural and recreational	1,395,294	1,712,737	922,727	1,414,145
Education	4,933,837	7,957,032	4,663,770	4,759,096
Interest on long-term debt	839,020	754,146	663,762	526,997
Total program expenses	<u>19,917,315</u>	<u>23,743,241</u>	<u>19,253,499</u>	<u>19,951,409</u>
Net expenses	<u>(14,544,151)</u>	<u>(17,771,729)</u>	<u>(14,015,631)</u>	<u>(13,175,027)</u>
General revenues and transfers:				
Taxes:				
Property taxes	14,110,976	14,799,647	15,371,932	15,293,427
Local option sales tax	3,811,698	3,064,046	2,207,319	2,050,123
Other taxes	297,863	306,828	298,009	294,499
Investment earnings, unrestricted	690,768	287,194	56,921	42,466
Miscellaneous, unrestricted	809,899	434,348	263,917	152,021
Transfers	(15,430)	(2,645,903)	(624,369)	(252,070)
Total general revenues	<u>19,705,774</u>	<u>16,246,160</u>	<u>17,573,729</u>	<u>17,580,466</u>
Change in net position	<u>5,161,623</u>	<u>(1,525,569)</u>	<u>3,558,098</u>	<u>4,405,439</u>

	2012	2013	2014 ⁽²⁾	2015	2016	2017
\$	369,453	\$ 370,476	\$ 418,126	\$ 489,951	\$ 295,730	\$ 352,739
	688,868	429,208	709,506	767,946	1,017,988	1,092,754
	-	-	-	-	-	-
	272,605	265,407	245,308	246,271	144,715	165,618
	118,711	114,765	118,479	136,669	201,323	199,738
	3,003,690	2,952,339	3,377,349	3,354,029	3,550,592	3,713,449
	232,219	181,457	531,932	632,886	95,705	244,527
	4,685,546	4,313,652	5,400,700	5,627,752	5,306,053	5,768,825
	2,758,095	2,773,817	2,944,270	2,742,665	3,108,920	4,402,630
	5,899,783	5,704,927	6,233,081	6,696,025	7,200,671	6,297,154
	760,672	811,129	1,577,119	1,092,014	762,832	647,755
	4,604,527	4,873,307	4,445,455	4,539,628	4,406,543	4,927,167
	1,814,164	1,524,910	1,559,705	1,573,950	1,773,442	1,758,546
	5,079,611	5,238,727	5,937,254	5,786,491	5,539,826	5,765,217
	540,693	381,823	337,287	305,706	122,188	323,545
	21,457,545	21,308,640	23,034,171	22,736,479	22,914,422	24,122,014
	(16,771,999)	(16,994,988)	(17,633,471)	(17,108,727)	(17,608,369)	(18,353,189)
	15,698,882	15,603,425	15,888,653	15,806,434	15,949,683	16,772,188
	3,220,416	3,247,594	3,232,234	3,344,092	3,211,303	4,090,672
	270,301	287,912	280,937	317,665	149,841	201,098
	36,751	39,917	34,432	36,268	62,988	125,981
	343,726	125,016	124,889	127,758	140,720	198,271
	(714,534)	(1,819,857)	(135,490)	(1,992,020)	(1,083,315)	(76,190)
	18,855,542	17,484,007	19,425,655	17,640,197	18,431,220	21,312,020
	2,083,543	489,019	1,792,184	531,470	822,851	2,958,831

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POLK COUNTY, NORTH CAROLINA

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

	2008	2009 ⁽¹⁾	2010	2011
Business-type activities				
Program revenues:				
Charges for services:				
Solid waste	\$ 1,307,658	\$ 1,185,218	\$ 1,166,548	\$ 1,185,595
Water	N/A	19,200	255,825	59,545
Water capital projects	N/A	-	-	135,753
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	4,030,000	21,667	267,995
Total program revenues	<u>1,307,658</u>	<u>5,234,418</u>	<u>1,444,040</u>	<u>1,648,888</u>
Expenses:				
Solid waste	1,395,303	1,367,129	1,194,725	1,172,556
Water	N/A	104,146	211,710	144,939
Total program expenses	<u>1,395,303</u>	<u>1,471,275</u>	<u>1,406,435</u>	<u>1,317,495</u>
Net revenues (expenses)	<u>(87,645)</u>	<u>3,763,143</u>	<u>37,605</u>	<u>331,393</u>
General revenues and transfers:				
Other taxes	-	-	-	-
Miscellaneous, unrestricted	-	-	-	-
Transfers	15,430	2,645,903	624,369	252,070
	<u>15,430</u>	<u>2,645,903</u>	<u>624,369</u>	<u>252,070</u>
Change in net position	<u>(72,215)</u>	<u>6,409,046</u>	<u>661,974</u>	<u>583,463</u>
Primary government				
Program revenues	6,680,822	11,205,930	6,681,908	8,425,270
Expenses	21,312,618	25,214,516	20,659,934	21,268,904
Net expenses	<u>(14,631,796)</u>	<u>(14,008,586)</u>	<u>(13,978,026)</u>	<u>(12,843,634)</u>
General revenues and transfers	<u>19,721,204</u>	<u>18,892,063</u>	<u>18,198,098</u>	<u>17,832,536</u>
Change in net position	<u>\$ 5,089,408</u>	<u>\$ 4,883,477</u>	<u>\$ 4,220,072</u>	<u>\$ 4,988,902</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

	2012	2013	2014 ⁽²⁾	2015	2016	2017
\$	1,252,841	\$ 1,261,698	\$ 1,323,063	\$ 1,411,327	\$ 1,393,764	\$ 1,471,321
	30,521	34,857	17,858	4,500	5,099	9,000
	-	-	-	-	-	-
	-	15,458	-	-	-	-
	-	-	-	-	-	-
	1,283,362	1,312,013	1,340,921	1,415,827	1,398,863	1,480,321
	1,253,339	1,359,559	1,416,362	1,370,127	1,220,455	1,273,902
	320,327	221,170	249,315	207,665	250,737	227,571
	1,573,666	1,580,729	1,665,677	1,577,792	1,471,192	1,501,473
	(290,304)	(268,716)	(324,756)	(161,965)	(72,329)	(21,152)
	-	44,138	44,912	46,243	50,406	52,108
	-	31,029	-	-	-	-
	714,534	1,819,857	135,490	1,992,020	1,083,315	76,190
	714,534	1,895,024	180,402	2,038,263	1,133,721	128,298
	424,230	1,626,308	(144,354)	1,876,298	1,061,392	107,146
	5,968,908	5,625,665	6,741,621	7,043,579	6,704,916	7,249,146
	23,031,211	22,889,369	24,699,848	24,314,271	24,385,614	25,623,487
	(17,062,303)	(17,263,704)	(17,958,227)	(17,270,692)	(17,680,698)	(18,374,341)
	19,570,076	19,379,031	19,606,057	19,678,460	19,564,941	21,440,318
\$	2,507,773	\$ 2,115,327	\$ 1,647,830	\$ 2,407,768	\$ 1,884,243	\$ 3,065,977

POLK COUNTY, NORTH CAROLINA

Fund Balances - Governmental Funds
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:				
Reserved	\$ 1,010,102	\$ 947,259	\$ 727,136	N/A
Unreserved	7,679,650	6,107,233	7,058,899	N/A
Nonspendable:				
Prepays	N/A	N/A	N/A	\$ -
Restricted:				
Stabilization by State Statute	N/A	N/A	N/A	1,137,887
Public safety	N/A	N/A	N/A	-
Committed:				
Tax Revaluation	N/A	N/A	N/A	682,465
Assigned:				
Subsequent year's expenditure	N/A	N/A	N/A	79,820
Unassigned	N/A	N/A	N/A	6,044,488
Total General Fund	<u>\$ 8,689,752</u>	<u>\$ 7,054,492</u>	<u>\$ 7,786,035</u>	<u>\$ 7,944,660</u>
Other governmental funds:				
Reserved	\$ 344,628	\$ 433,505	\$ 548,126	N/A
Unreserved, reported in:				
Special revenue funds	865,333	1,000,878	1,148,062	N/A
Capital projects fund	1,156,247	914,602	331,799	N/A
Nonspendable:				
Prepays	N/A	N/A	N/A	\$ -
Restricted:				
Stabilization by State Statute	N/A	N/A	N/A	395,670
Public safety	N/A	N/A	N/A	414,260
Construction of new buildings	N/A	N/A	N/A	775,150
Tourism	N/A	N/A	N/A	10,496
Economic and physical development	N/A	N/A	N/A	-
School debt service	N/A	N/A	N/A	626,372
Committed:				
Dam repair	N/A	N/A	N/A	210,000
Vehicles	N/A	N/A	N/A	54,000
Communications	N/A	N/A	N/A	112,713
Waterline extension	N/A	N/A	N/A	-
Assigned:				
Subsequent year's expenditures	N/A	N/A	N/A	192,301
Capital projects	N/A	N/A	N/A	-
Unassigned (deficit)	N/A	N/A	N/A	(369,488)
Total other funds	<u>\$ 2,366,208</u>	<u>\$ 2,348,985</u>	<u>\$ 2,027,987</u>	<u>\$ 2,421,474</u>

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

Source: Polk County Financial Statements

	2012	2013	2014	2015	2016	2017
	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
	1,075,768	785,210	1,047,125	1,163,570	1,633,744	1,552,457
	-	-	-	-	-	16,461
	838,533	973,254	938,082	919,154	708,468	515,224
	-	445,542	474,719	888,900	-	546,676
	6,011,199	5,738,575	7,047,387	5,906,286	6,534,837	6,225,687
\$	7,925,500	\$ 7,942,581	\$ 9,507,313	\$ 8,877,910	\$ 9,047,610	\$ 9,024,701
	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
	25,460	-	-	-	44,120	46,260
	376,989	437,439	431,493	445,577	400,698	8,787,238
	107,665	134,921	-	-	-	-
	17,926	24,372	43,373	99,671	88,809	107,185
	-	118,852	15,227	25,691	27,690	27,486
	739,694	856,466	976,509	1,099,051	1,223,391	1,350,067
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	852,206	-	-	-	-	-
	-	-	-	-	-	-
	-	1,099,551	634,512	1,251,150	777,107	1,477,203
	-	-	-	-	(8,543)	-
\$	2,119,940	\$ 2,671,601	\$ 2,101,114	\$ 2,921,140	\$ 2,556,538	\$ 11,795,918

POLK COUNTY, NORTH CAROLINA

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:				
Property taxes	\$ 13,957,504	\$ 14,882,777	\$ 15,124,648	\$ 15,392,862
Local option sales taxes	3,811,698	3,064,046	2,207,319	2,050,123
Other taxes	297,863	306,828	298,009	294,499
Unrestricted intergovernmental	687,581	415,750	458,065	821,630
Restricted intergovernmental	2,959,799	3,985,792	3,275,917	4,605,504
Restricted contributions	-	-	-	-
Permits and fees	529,134	321,011	275,786	248,561
Sales and services	1,196,650	1,248,960	1,228,099	1,100,687
Investment earnings	690,768	287,194	56,921	42,466
Miscellaneous	809,899	434,348	263,917	152,021
Total revenues	<u>24,940,896</u>	<u>24,946,706</u>	<u>23,188,681</u>	<u>24,708,353</u>
Expenditures:				
Current:				
General government	2,448,377	2,408,644	2,322,946	2,307,926
Public safety	4,807,317	5,043,502	5,021,443	5,413,393
Economic and physical development	675,773	738,915	1,026,375	919,971
Human services	4,701,856	4,766,281	4,098,286	4,599,715
Cultural and recreational	1,530,732	1,566,221	1,256,085	2,475,080
Intergovernmental:				
Education	4,933,837	6,052,088	4,736,505	4,759,096
Capital outlay	2,347,900	1,687,648	576,650	1,209,750
Debt service:				
Principal	2,222,443	2,633,357	2,945,425	3,540,000
Interest	849,082	756,632	663,610	529,240
Total expenditures	<u>24,517,317</u>	<u>25,653,288</u>	<u>22,647,325</u>	<u>25,754,171</u>
Other financing sources (uses):				
Proceeds from sales of assets	-	-	-	-
Proceeds from capital lease	-	-	-	-
Proceeds from installment purchase contracts	-	1,700,000	-	1,850,000
Transfers from other funds	4,594,492	729,117	410,261	514,194
Transfers to other funds	(4,609,922)	(3,375,020)	(541,074)	(766,264)
Total other financing sources (uses):	<u>(15,430)</u>	<u>(945,903)</u>	<u>(130,813)</u>	<u>1,597,930</u>
Net change in fund balances	<u>\$ 408,149</u>	<u>\$ (1,652,485)</u>	<u>\$ 410,543</u>	<u>\$ 552,112</u>
Debt service as a percentage of non-capital expenditures	<u>13.9%</u>	<u>14.1%</u>	<u>16.4%</u>	<u>16.6%</u>

Source: Polk County Financial Statements

	2012	2013	2014	2015	2016	2017
\$	15,437,492	\$ 15,530,011	\$ 15,876,129	\$ 15,671,820	\$ 16,150,390	\$ 16,686,794
	3,220,416	3,247,594	3,232,234	3,344,092	3,513,262	4,090,672
	67,713	69,564	76,154	117,868	149,841	201,098
	-	-	-	-	-	-
	3,438,497	3,353,992	4,020,364	3,399,130	3,646,295	3,957,976
	-	-	93,725	787,857	-	-
	309,603	297,483	340,563	406,966	365,658	439,525
	1,178,919	1,165,089	1,158,433	1,301,164	1,294,100	1,371,324
	36,751	39,917	34,432	36,268	62,988	125,981
	343,726	125,016	124,889	127,758	140,720	198,271
	24,033,117	23,828,666	24,956,923	25,192,923	25,323,254	27,071,641
	2,238,737	2,261,154	2,595,845	2,489,437	2,832,665	4,060,235
	5,641,523	5,636,335	5,849,037	6,410,486	6,848,449	5,893,817
	748,902	806,231	1,562,525	1,097,371	763,494	644,324
	4,238,766	4,305,639	4,248,054	4,461,551	4,258,143	4,758,052
	1,471,813	1,190,189	1,293,759	1,301,417	1,487,901	1,501,409
	5,079,611	5,238,727	5,937,254	5,786,491	5,539,826	5,765,217
	895,780	589,734	656,314	628,586	1,163,108	6,658,814
	2,818,743	1,345,878	1,336,449	1,338,613	1,395,210	1,768,942
	515,402	392,790	348,255	296,328	156,377	246,192
	23,649,277	21,766,677	23,827,492	23,810,280	24,445,173	31,297,002
	-	54,579	304	-	6,425	18,022
	-	282,031	-	-	-	-
	-	-	-	800,000	-	13,500,000
	339,706	495,878	233,089	208,281	290,781	366,221
	(1,054,240)	(2,315,735)	(368,579)	(2,200,301)	(1,374,096)	(442,411)
	(714,534)	(1,483,247)	(135,186)	(1,192,020)	(1,076,890)	13,441,832
\$	(330,694)	\$ 578,742	\$ 994,245	\$ 190,623	\$ (198,809)	\$ 9,216,471
	14.7%	8.2%	7.3%	7.1%	6.7%	8.2%

POLK COUNTY, NORTH CAROLINA

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real property	\$ 1,740,118	\$ 1,931,780	\$ 2,691,983	\$ 2,731,694
Personal property	301,994	180,435	161,911	155,922
Public service companies	47,030	42,825	71,821	64,304
Less tax exempt property	<u>(144,517)</u>	<u>(150,225)</u>	<u>(189,654)</u>	<u>(216,414)</u>
Total taxable assessed value	<u>\$ 1,944,625</u>	<u>\$ 2,004,815</u>	<u>\$ 2,736,061</u>	<u>\$ 2,735,506</u>
Total direct tax rate	<u>0.6800</u>	<u>0.6800</u>	<u>0.5200</u>	<u>0.5200</u>

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

2012	2013	2014	2015	2016	2017
\$ 2,732,468	\$ 2,723,284	\$ 2,582,280	\$ 2,694,037	\$ 2,722,705	\$ 2,778,171
172,627	171,863	363,642	227,145	237,507	265,243
65,814	76,478	82,533	80,835	78,842	72,695
(215,794)	(220,313)	(223,908)	(228,599)	(230,862)	(233,111)
\$ 2,755,115	\$ 2,751,312	\$ 2,804,547	\$ 2,773,418	\$ 2,808,192	\$ 2,882,998
0.5200	0.5200	0.5175	0.5175	0.5175	0.5375

POLK COUNTY, NORTH CAROLINA

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

	<u>2008</u>	<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>
County direct rate:										
General Fund	0.6800	0.6800	0.5200	0.5200	0.5200	0.5200	0.5175	0.5175	0.5175	0.5375
Harmon Field rate	0.0426	0.0426	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350
City/town rates:										
Saluda	0.6200	0.6200	0.5050	0.5050	0.5050	0.6050	0.6050	0.6050	0.6050	0.6050
Columbus	0.4500	0.4500	0.3900	0.3900	0.3900	0.4000	0.4000	0.4000	0.4150	0.4200
Tryon	0.6175	0.6175	0.5258	0.5258	0.5258	0.5258	0.5508	0.5508	0.5708	0.5708
Fire district rates:										
Saluda	0.0900	0.0900	0.0650	0.0650	0.0650	0.0650	0.0750	0.0750	0.0850	0.0950
Sunnyview	0.0875	0.0875	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
Mill Spring	0.0700	0.0700	0.0500	0.0500	0.0500	0.0500	0.0650	0.0650	0.0650	0.0700
Green Creek	0.0527	0.0527	0.0410	0.0410	0.0410	0.0410	0.0410	0.0410	0.0410	0.0560
Tryon	0.0575	0.0575	0.0480	0.0480	0.0480	0.0480	0.0480	0.0480	0.0680	0.0680
Columbus	0.0420	0.0420	0.0400	0.0400	0.0400	0.0500	0.0500	0.0650	0.0650	0.0700
School district rate:										
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>0.0300</u>
Total Direct and Overlapping Rates	<u>2.8398</u>	<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>

POLK COUNTY, NORTH CAROLINA

Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2017</u>			<u>2008</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>
Tryon Equestrian Properties ⁽²⁾	\$ 64,994,449	1	22.54%	\$ 17,955,593	3	9.23%
Adult Communities Total						
Services	49,056,758	2	17.02%	42,852,777	2	22.04%
Alianza Trinity ⁽¹⁾	35,480,691	3	12.31%	50,661,869	1	26.05%
Tryon Showgrounds	21,653,859	4	7.51%	N/A		
RL REGI-NC Little Wing LLC ⁽³⁾	10,698,099	5	3.71%	10,833,982	5	5.57%
Green River Farm LLC	8,782,672	6	3.05%	N/A		
Clary Hood Inc	7,706,344	7	2.67%	N/A		
Hidden Springs Holdings	7,429,367	8	2.58%	N/A		
White Oak Manor Inc.	6,332,739	9	2.20%	N/A		
Travis Oates LLC	6,325,682	10	2.19%	6,066,629	9	3.12%
Duke Energy	-	-	0.00%	16,962,926	4	8.72%
Rutherford Electric Membership Corporation	-	-	0.00%	8,196,859	6	4.22%
Windstream NC Inc.				8,150,705	7	4.19%
Tryon/Columbus Retirement Associates, LLC	-	-	0.00%	6,347,118	8	3.26%
Public Service Co., of NC	-	-	0.00%	4,227,413	10	2.17%
Total	\$ 218,460,660		75.78%	\$ 172,255,871		79.35%

⁽¹⁾ Previously Bright's Creek

⁽²⁾ Previously White Oak Development

⁽³⁾ Previously Tryon Investment Properties

Source: Polk County Tax Department

POLK COUNTY, NORTH CAROLINA

Property Tax Levies and Collections
Last Ten Fiscal Years
(In thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Taxes levied for the year	\$ 13,350	\$ 13,713	\$ 14,225	\$ 14,234
Collected within the fiscal year of the levy:				
Amount	\$ 12,999	\$ 13,284	\$ 13,700	\$ 13,759
Percentage	97%	97%	96%	97%
Current uncollected balance	\$ 8	\$ 9	\$ 14	\$ 14
Collection in subsequent years	\$ 343	\$ 420	\$ 511	\$ 461
Total collections to date:				
Amount	\$ 13,342	\$ 13,704	\$ 14,211	\$ 14,220
Percentage	99.94%	99.93%	99.90%	99.90%

Source: Polk County Financial Statements

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 14,327	\$ 14,307	\$ 14,514	\$ 14,352	\$ 14,538	\$ 15,501
\$ 13,849 97%	\$ 13,875 97%	\$ 14,145 97%	\$ 13,886 97%	\$ 14,149 97%	\$ 15,115 98%
\$ 19	\$ 14	\$ 13	\$ 17	\$ 212	\$ 386
\$ 459	\$ 418	\$ 356	\$ 449	\$ 177	\$ -
\$ 14,308 99.87%	\$ 14,293 99.90%	\$ 14,501 99.91%	\$ 14,335 99.88%	\$ 14,326 98.54%	\$ 15,115 97.51%

POLK COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities:				
General obligation bonds	\$ 2,110,000	\$ 1,395,000	\$ -	\$ -
Installment purchases	18,142,353	17,923,998	16,383,998	14,694,000
Capital leases	286,302	232,052	175,310	115,961
Total governmental activities	<u>20,538,655</u>	<u>19,551,050</u>	<u>16,559,308</u>	<u>14,809,961</u>
Business-type activities:				
Installment purchases	<u>201,550</u>	<u>197,920</u>	<u>194,290</u>	<u>190,661</u>
Total government-wide	<u>\$ 20,740,205</u>	<u>\$ 19,748,970</u>	<u>\$ 16,753,598</u>	<u>\$ 15,000,622</u>
Total debt as a percent of personal income	2.69%	2.59%	2.33%	2.07%
Total debt per capita	\$ 1,069	\$ 1,038	\$ 866	\$ 729
Percentage of bonded debt to estimated actual property value	0.09%	0.05%	0.00%	0.00%
Bonded debt per capita	\$ 109	\$ 73	\$ -	\$ -

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,937,334	10,654,001	9,370,668	8,887,335	7,549,657	19,340,591
53,884	273,370	220,254	164,974	107,442	47,566
11,991,218	10,927,371	9,590,922	9,052,309	7,657,099	19,388,157
186,556	182,197	177,570	172,657	167,441	161,903
\$ 12,177,774	\$ 11,109,568	\$ 9,768,492	\$ 9,224,966	\$ 7,824,540	\$ 19,550,060
1.61%	1.45%	1.20%	1.09%	N/A	N/A
\$ 596	\$ 544	\$ 474	\$ 444	\$ 376	\$ 930
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, 2017

Governmental Unit:	Debt Outstanding ⁽¹⁾	Estimated Percentage Applicable	Applicable to Primary Government
Town of Columbus ⁽¹⁾	\$ 4,296,052	100%	\$ 4,296,052
Town of Tryon ⁽¹⁾	3,433,619	100%	3,433,619
City of Saluda ⁽¹⁾	754,511	100%	754,511
			<hr/>
		Subtotal, overlapping debt	8,484,182
		Polk County direct debt	<hr/> 19,502,494
		Total direct and overlapping debt	<hr/> \$ 27,986,676 <hr/>

⁽¹⁾ 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 155,569,990	\$ 160,385,230	\$ 218,884,896	\$ 219,751,408
Total debt applicable to limit	<u>20,538,655</u>	<u>19,551,050</u>	<u>16,559,308</u>	<u>14,809,961</u>
Legal debt margin	<u>\$ 135,031,335</u>	<u>\$ 140,834,180</u>	<u>\$ 202,325,588</u>	<u>\$ 204,941,447</u>
Total debt applicable to the limit as a percentage of debt limit	<u>13.20%</u>	<u>12.19%</u>	<u>7.57%</u>	<u>6.74%</u>

Source: Polk County Financial Statements

2012	2013	2014	2015	2016	2017
\$ 220,409,169	\$ 220,105,015	\$ 224,363,764	\$ 221,873,438	\$ 224,655,361	\$ 230,639,810
11,991,218	10,927,371	9,590,922	9,052,309	7,824,540	19,550,060
<u>\$ 208,417,951</u>	<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>
5.44%	4.96%	4.27%	4.08%	3.48%	8.48%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	<u>\$ 2,882,997,629</u>
Debt limit (8% of assessed value)	\$ 230,639,810
Debt applicable to limit:	
Installment purchase contracts	19,502,494
Capital leases	<u>47,566</u>
Total	<u>19,550,060</u>
Legal debt margin	<u>\$ 211,089,750</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>
2008	19,402	\$ 771,759	\$ 41,124	46.23	2,477	4.5%
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	N/A	N/A	51.06	2,167	4.9%
2017	21,020	N/A	N/A	51.29	2,147	4.0%

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>2017</u>			<u>2008</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 Schools	250-499	1	2.8% - 5.6%	392	2	3.92%
St. Luke's Hospital	250-499	2	2.8% - 5.6%	390	1	3.24%
Tryon Estates	250-499	3	2.8% - 5.6%	350	3	3.52%
Polk County Government	100-249	4	1.1% - 2.8%	173	4	1.74%
Cooper Riis	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 Manor	100-249	7	1.1% - 2.8%	130	5	1.31%
Pavillon International (A Corp)	100-249	8	1.1% - 2.8%	N/A	N/A	0.00%
Polk Vocational	50-99	9	.06% - 1%	90	9	0.91%
Autumn Corporation	50-99	10	.06% - 1%	110	7	1.11%
Community Choices Inc	50-99	11	.06% - 1%	N/A	N/A	0.00%
Pure Country	50-99	12	.06% - 1%	N/A	N/A	0.00%
Milliken & Co Inc	50-99	13	.06% - 1%	N/A	N/A	0.00%
Carolina Yarn Processors	50-99	14	.06% - 1%	51	12	0.51%
Side Street Pizza & Pasta Inc	50-99	15	.06% - 1%	N/A	N/A	0.00%
Woodland Mills	N/A		0.00%	128	6	1.29%
Hatch Plant	N/A		0.00%	100	8	1.01%
Bright's Creek	N/A		0.00%	70	10	0.70%
Laurel Hurst	N/A		0.00%	55	11	0.55%
Total Workforce & % of:	<u>8,928</u>		<u>14.3% - 37.8%</u>	<u>9,941</u>		<u>19.81%</u>

NOTE: Percent range for 2017 & as shown for 2008

N/A Information not available.

Source: d4ncommerce.com for 2017 & Local Business Survey for 2008

POLK COUNTY, NORTH CAROLINA

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

	<u>2008</u>	<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>
General government:										
Governing Body									1.0	1.0
Administration - Co Mgr	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.5
Finance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.5
Tax - collections	7.5	8.0	8.3	7.3	8.0	7.5	8.0	7.0	8.0	8.0
Tag Office								1.5	1.4	2.4
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	2.9	2.8	2.8	2.8	2.8
Public buildings	3.7	4.7	3.4	3.4	3.0	6.9	6.9	6.9	6.9	6.9
Management info systems	3.0	3.0	3.0	3.0	3.0	2.5	2.8	3.0	2.5	2.5
Public safety:										
Sheriff's department	28.0	24.4	22.5	23.5	27.0	30.0	32.0	33.0	33.0	34.0
Jail	10.0	10.5	10.5	10.0	10.5	10.5	11.0	10.0	11.0	11.0
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
Animal control	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community development	5.0	4.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	5.0
Emergency medical services	18.5	18.5	18.5	17.0	17.0	18.0	18.0	17.0	18.0	19.0
Economic and physical development:										
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	5.1	5.3	5.3	5.5	4.5	5.0	5.0	5.0	5.0	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	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human services:										
Public transportation	14.5	15.5	15.0	15.0	16.0	17.5	17.5	17.5	17.5	17.0
Social service administration	29.5	31.5	31.5	32.0	30.0	30.0	30.0	31.0	32.0	34.5
Veteran's administration	0.6	0.6	0.6	0.8	0.8	0.8	0.8	0.85	0.9	1.0
Cultural and recreational:										
Senior Centers	5.7	5.7	5.7	5.7	6.3	6.3	6.3	6.9	6.9	6.9
Library	10.5	10.5	10.5	9.5	9.5	9.5	9.5	10.7	10.7	10.7
Recreation	4.0	4.0	4.0	5.0	5.2	5.2	5.2	6.2	6.2	6.2
Total	<u>172.8</u>	<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>199.2</u>

Source: Various County Departments.



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POLK COUNTY, NORTH CAROLINA

Operating Indicators by Function
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government:				
Percentage of registered voters participating in General Election	71%	N/A	53%	N/A
Public Safety:				
Number of inmates processed	561	761	761	715
Number of inmate days	N/A	N/A	8,602	7,397
Number of building permits issued	127	60	54	34
Number of EMS calls dispatched	2,661	2,783	2,917	2,639
Human Services:				
Public transportation total route miles	386,082	394,279	403,153	410,156
Public transportation passengers	50,385	52,883	55,061	56,081
Number of children in Foster Care	25	31	22	24
Economic & Physical Development:				
Number of plats recorded	305	192	143	157
Culture and Recreation - Library:				
Volumes in collection	55,761	59,800	60,233	60,509
Circulation	105,104	101,374	101,406	103,761
Education:				
Current expense per ADM	\$ 1,639	\$ 1,733	\$ 1,866	\$ 1,862
Enterprise Fund- Landfill:				
Tons of waste received	22,061	19,473	17,892	17,775

N/A Information not available

Source: Various County Departments

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
72%	N/A	49%	N/A	68%	N/A
757	687	926	1,119	910	992
10,581	11,392	10,274	10,760	10,409	9,269
44	44	59	72	59	85
2,617	2,790	2,725	3,237	3,190	3,105
414,106	371,596	332,025	356,307	368,690	381,076
57,707	46,059	40,420	39,520	40,597	39,448
20	21	17	33	30	51
149	128	169	175	141	194
60,939	59,450	63,636	57,368	53,191	52,304
104,502	110,834	110,954	143,291	157,858	158,968
\$ 2,021	\$ 2,086	\$ 2,130	\$ 2,168	\$ 2,323	\$ 2,389
18,808	20,894	22,653	21,440	21,009	19,156

POLK COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	35	31	31	31	35	38	37	37	43	39
Culture and Recreation:										
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	6	5	5	5	5	5	5	5	5
Senior Centers	3	3	3	3	3	3	3	3	3	3
Human Services:										
Transit-Vans	11	13	11	14	14	14	15	15	15	15
	198	196	193	196	200	203	203	203	209	205

Source: Various County Departments

COMPLIANCE SECTION

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, 2017, 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 22, 2017.

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 22, 2017



**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, 2017. 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, 2017.

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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 22, 2017

POLK COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2017

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes 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)? yes no

The following were tested as major federal programs of Polk County:

<u>Program Name</u> _____	<u>CFDA #</u> _____
Medicaid Cluster	93.778, 93.777, 93.775

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

Polk County qualified as low-risk auditee? yes no

POLK COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2017

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

POLK COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the year ended June 30, 2017

Finding 2016-001

Status: Corrective action plan has been implemented. This finding was not repeated in fiscal year 2017.

Finding 2016-002

Status: Corrective action plan has been implemented. This finding was not repeated in fiscal year 2017.

Polk County, North Carolina

*Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2017*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
<u>U.S. Department of Agriculture</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
<u>SNAP Cluster:</u>				
Administration:				
Food Stamp Administration	10.561		\$ 134,418	\$ -
Food Stamp Fraud	10.561		5,696	-
Total SNAP Cluster			<u>140,114</u>	<u>-</u>
Division of Public Health:				
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		140,731	-
Total U.S. Department of Agriculture			<u>280,845</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	13-E-2614	190	-
Total HUD			<u>190</u>	<u>-</u>
<u>U.S. Department of Transportation (DOT)</u>				
Federal Transit Administration:				
Passed-through the N.C. Dept. of Transportation:				
Rural Area Program:				
Administration	20.509	36233.83.17.1	133,263	8,329
Capital	20.509	36233.83.17.3	169,756	18,716
<u>Transit Services Program Cluster:</u>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.94.1.2	84,666	-
Total DOT			<u>387,685</u>	<u>27,045</u>
<u>Institute of Museum and Library Services (IMLS)</u>				
Library Services Technology Act (LSTA)	45.310		16,717	-
Total IMLS			<u>16,717</u>	<u>-</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Office of the Population Affairs</u>				
Passed-through Isothermal Planning and Development Commission:				
Aging Cluster:				
Special Programs for the Aging - Title III B - Grants for Supportive Services and Senior Centers	93.044	DOA-735	36,954	26,267
Special Programs for the Aging - Title III C - Nutrition Services	93.045	DOA-735	71,797	19,333
Nutrition Services Incentive Program	93.053	DOA-735	26,574	3,625
Total Aging Cluster			<u>135,325</u>	<u>49,225</u>

Polk County, North Carolina

*Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2017*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
Administration for Children and Families:				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Foster Care and Adoption (Note 3):				
Administration:				
Foster Care	93.658		12,017	1,724
Title IV-E CPS	93.658		22,802	8,088
Title IV-E Foster Care Trn	93.658		481	-
Title IV-E Foster Care/Off Trn	93.658		80,017	-
Title IV-E Adoption Training	93.659		254	-
Title IV-E Adoption/Off Trn	93.659		1,807	-
Title IV-E Optional Adopt Trn 5	93.659		3,027	-
Direct Benefit Payments:				
Title IV-E Adoption Subsidy & Vendor	93.659		158,440	39,508
Title IV-E Foster Care	93.658		66,087	16,350
Title IV-E Foster Care in Excess	93.658		41,593	10,342
Total Foster Care and Adoption (Note 3)			<u>386,525</u>	<u>76,012</u>
Family Preservation	93.556		17,103	-
<u>TANF Cluster:</u>				
TANF/Work First Administration	93.558		24,457	-
TANF/Work First Service	93.558		93,471	-
TANF Payments & Penalties	93.558		113,212	145
Total TANF Cluster			<u>231,140</u>	<u>145</u>
AFDC Payments & Penalties	93.560		(156)	(43)
IV-D Offset-Fed	93.563		311	-
IV-D Administration	93.563		59,434	-
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568		9,956	-
Crisis Intervention Program	93.568		61,108	-
Low Income Energy Assistance	93.568		64,919	-
Permanency Planning Svc & Admin	93.645		5,322	-
Adult Protective Service	93.667		17,827	-
In Home Services	93.667		402	-
CPS TANF to SSBG	93.667		70,862	-
Social Service Block Grant	93.667		61,600	6,222
LINKS	93.674		12,023	2,131

Polk County, North Carolina

*Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2017*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
Administration for Children and Families:				
Passed-through the N.C. Dept. of Health and Human Services:				
Subsidized Child Care Cluster (Note 3):				
Child Care Development Fund Cluster:				
Division of Social Services:				
Child Care Development Fund-Administration	93.596		68,212	-
Division of Child Development:				
Child Care and Development Fund -- Discretionary	93.575		172,954	-
Child Care and Development Fund -- Mandatory	93.596		58,772	-
Child Care and Development Fund -- Match	93.596		76,978	30,780
Total Child Care Development Fund Cluster			<u>376,916</u>	<u>30,780</u>
Temporary Assistance for Needy Families (TANF)	93.558		48,206	-
Foster Care Title IV-E	93.658		3,442	1,727
State Appropriations			-	64,479
TANF-MOE			-	65,360
Total Subsidized Child Care (Note 3)			<u>428,564</u>	<u>162,346</u>
Centers for Medicare and Medicaid Services:				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Medicaid Cluster:</u>				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778		16,781,772	8,907,213
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778		523,303	1,075
Total Medicaid Cluster			<u>17,305,075</u>	<u>8,908,288</u>
Division of Medical Assistance:				
State Children's Insurance Program:				
N.C. Health Choice	93.767		551,856	2,649
Division of Social Services:				
Administration:				
State Children's Insurance Program:				
N.C. Health Choice	93.767		24,446	28
Total DHHS			<u>19,443,642</u>	<u>9,207,003</u>
<u>U. S. Department of Homeland Security</u>				
Passed-through N.C. Dept. of Crime Control and Public Safety:				
Division of Emergency Management:				
Emergency Management Assistance	97.042		38,584	-
Total Federal awards			<u>20,167,663</u>	<u>9,234,048</u>

Polk County, North Carolina

*Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2017*

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
State Awards:				
<u>N.C. Dept. of Cultural and Natural Resources</u>				
Division of State Library				
Library Services			-	76,970
Total N.C. Dept. of Cultural Resources			-	76,970
<u>N.C. Dept. of Health and Human Services (NCDHHS)</u>				
Division of Social Services:				
Administration:				
State Child Welfare/CPS			-	25,259
Direct Benefits:				
SC/SA Domiciliary Care			-	110,141
State Foster Home			-	66,607
Foster Care At Risk Max			-	37,906
CWS Adoption Subsidy & Vendor			-	125,310
SFHF Maximization			-	162,781
Total Division of Social Services			-	528,004
Total NCDHHS			-	528,004
<u>N.C. Dept. of Juvenile Justice and Delinquency Prevention</u>				
Juvenile Crime Prevention Programs			-	66,786
Total N.C. Dept. of Juvenile Justice and Delinquency Prevention			-	66,786
<u>N.C. Dept. of Public Instruction (NCDPI)</u>				
Public School Building Capital Fund:				
Lottery Proceeds			-	244,527
Total NCDPI			-	244,527
<u>N.C. Dept. of Transportation (NCDOT)</u>				
Rural Operating Assistance Program (ROAP):				
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	55,101
ROAP Rural General Public Program		DOT-16CL	-	56,100
ROAP Work First Transitional - Employment		DOT-16CL	-	6,572
Total ROAP			-	117,773
Total NCDOT			-	117,773
Total State awards			-	1,034,060
Total Federal and State awards			\$ 20,167,663	\$ 10,268,108

Polk County, North Carolina

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2017

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

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, 2017. 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