

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Of

POLK COUNTY,
NORTH CAROLINA

Columbus, North Carolina
For the Fiscal Year Ended June 30, 2019



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

POLK COUNTY, NORTH CAROLINA
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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.

D. Marche Pittman
County Manager

Jana L. Berg
County Attorney

Angé High
Clerk to the Board
Assistant to Manager



Tommy W. Melton
Chair

Myron L. Yoder
Vice-Chair

Paul Beiler
Commissioner

Ray D. Gasperson
Commissioner

Jake Johnson
Commissioner

November 30, 2019

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, 2019. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. The financial statements and supplemental schedules contained herein have been audited by the independent, Certified Public Accounting firm of Gould Killian CPA Group, P.A., and that firm's unmodified opinion is included in the financial section of this report. The report itself, however, is presented by the County, which is responsible for the accuracy of the data and for the completeness and fairness of its presentation, including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors. The goal of the independent audit was to provide reasonable assurance that the financial statements of Polk County for the fiscal year ended June 30, 2019, 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, 2019 are fairly presented in conformity with GAAP.

REPORTING ENTITY

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

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

DESCRIPTION OF COUNTY

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

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy – The labor force increased approximately 2.7% from the previous year. The present unemployment rate is 4.5 (up from 4.1% the previous year) and higher than the State unemployment rate of 4.3%. The County had one its' lowest year unemployment rate of 3.3% in 2004 and its' highest of 8.8% in 2009. The County has slowly lost some industries and median age is increasing every year. However, the agriculture and equine industries are continuing to grow. Per capita income is higher than the State average.

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

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

Polk County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them.

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

The County also spent many hours of planning and preparation to insure the safety of the citizens during the FEI World Equestrian Games that were held in Mill Spring, NC in September 2018 at Tryon International Equestrian Center, a privately owned property.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2018. This marks the twenty-third 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, 2019

BOARD OF COUNTY COMMISSIONERS

Tommy Melton, Chairman
Myron Yoder, Vice Chairman
Paul Beiler
Ray Gasperson
Jake Johnson

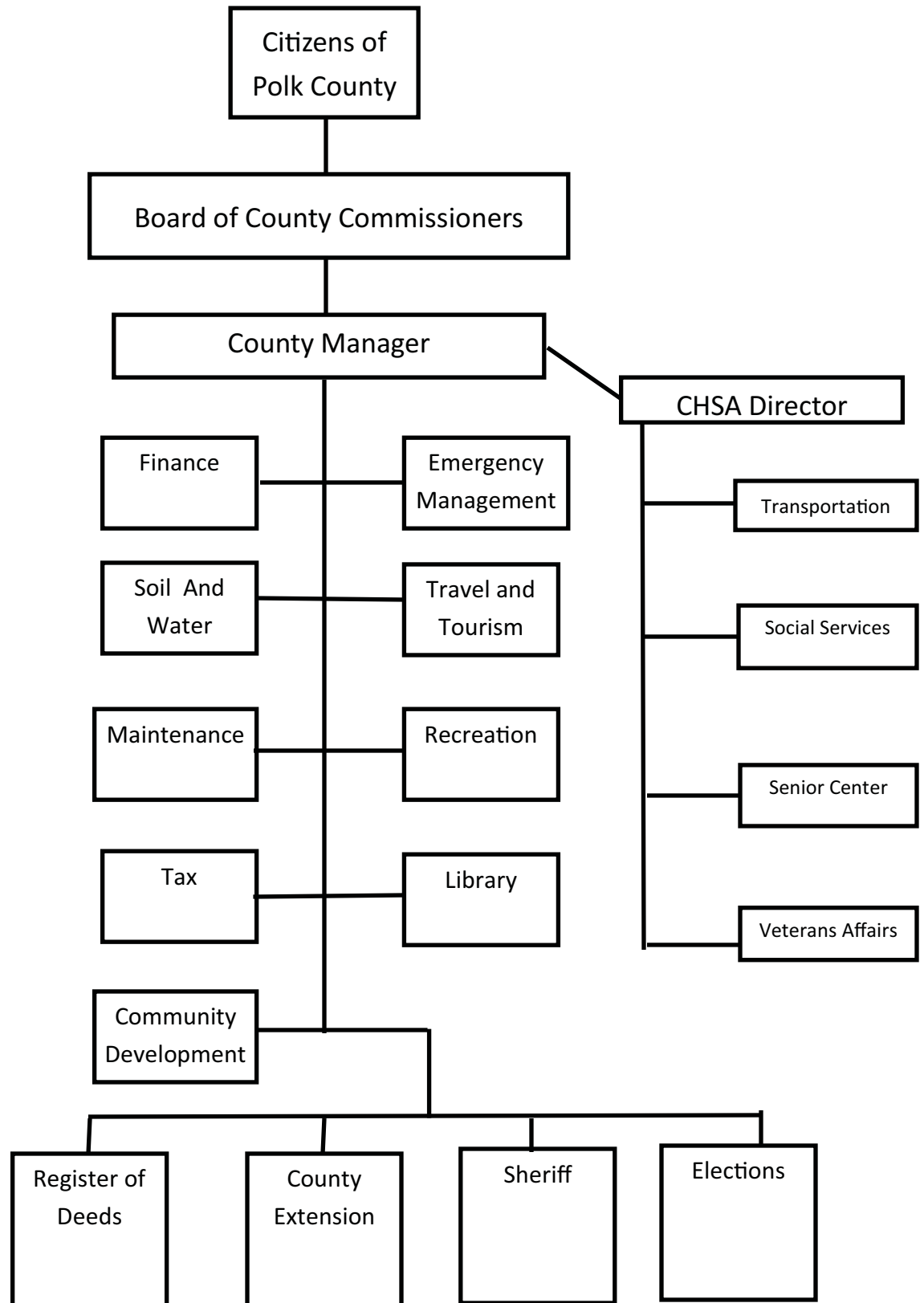
County Officials

Marche Pittman	County Manager
Jana Berg	County Attorney
Ange High	Clerk to the Board
Josh Kennedy	Health and Human Services Director
Sandra Hughes	Finance Director
Sheila Whitmire	Register of Deeds
Timothy Wright	Sheriff
Cliff Marr	Elections Board Director
Melissa Bowlin	Tax Collector/Assessor
Jerry Stensland	Parks and Recreation Director
Pamela Hyder	Clerk of Court
Bruce Yelton	Information Technology Director
Cathy Ruth	Planning Director
Scott Wellborn	Cooperative Extension
Brian Rogers	Forest Ranger
Patti Wagner	Human Resources Director
Rishara Finsel	County Librarian
Bobby Arledge	Emergency Management Director
Michael Crater	Emergency Medical Director
David Gosnell	Building Inspections Director
Melinda Young	Tourism Director
James McGuinn	Communications Director
Kelly Gay	Soil and Water Director
Mickey Edwards	Ground and Building Maintenance Director
Dawn Jordan	Agriculture Economic Development Director
Larry Walker	Solid Waste Director

POLK COUNTY, NORTH CAROLINA

Organization Chart

June 30, 2019





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, 2018

Christopher P. Morrell

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.



**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, 2019, 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, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2019, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Polk County's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 30, 2019

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, 2019. 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 \$47,518,868 (net position).
- The County's net position increased \$3,658,519 this year. This is primarily driven by continued operating efficiencies; revenues came in higher than budgeted while expenditures came in less than budgeted.
- Capital assets of the County increased overall by \$851,197 after depreciation. This increase was mostly due final construction costs on the new detention facility.
- The County's total debt decreased by \$2,120,793 due to scheduled debt repayment and no new debt issued.

Fund level:

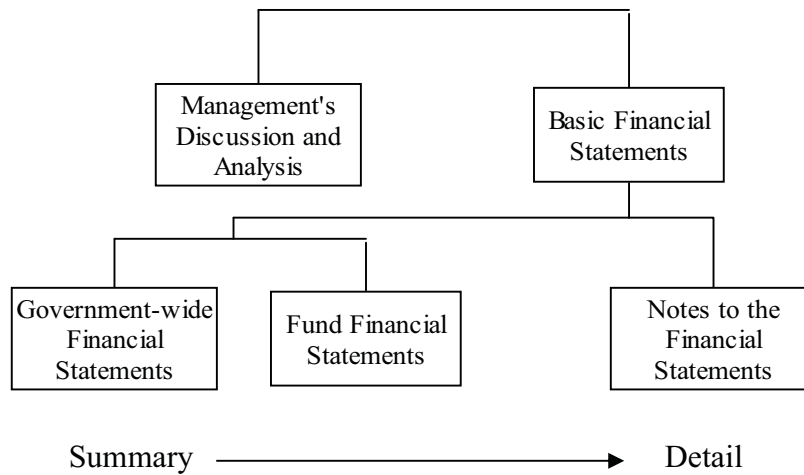
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$16,132,773, an increase of \$1,354,920. Approximately 30 percent, or \$4,777,647 is restricted or nonspendable.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$9,340,093, or 36 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 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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 17,917,883	\$ 17,316,568	\$ 1,784,816	\$ 1,665,566	\$ 19,702,699	\$ 18,982,134
Capital assets	32,874,673	31,890,648	13,359,101	13,491,929	46,233,774	45,382,577
Total assets	<u>50,792,556</u>	<u>49,207,216</u>	<u>15,143,917</u>	<u>15,157,495</u>	<u>65,936,473</u>	<u>64,364,711</u>
Deferred outflows of resources	<u>2,250,291</u>	<u>1,503,878</u>	<u>-</u>	<u>-</u>	<u>2,250,291</u>	<u>1,503,878</u>
Liabilities:						
Long-term liabilities						
outstanding	15,478,858	17,581,435	151,858	157,738	15,630,716	17,739,173
Other liabilities	4,533,369	3,644,660	286,907	279,763	4,820,276	3,924,423
Total liabilities	<u>20,012,227</u>	<u>21,226,095</u>	<u>438,765</u>	<u>437,501</u>	<u>20,450,992</u>	<u>21,663,596</u>
Deferred inflows of resources	<u>216,904</u>	<u>344,644</u>	<u>-</u>	<u>-</u>	<u>216,904</u>	<u>344,644</u>
Net position:						
Net investment in						
capital assets	21,497,816	19,705,853	13,209,319	13,335,905	34,707,135	33,041,758
Restricted	4,309,526	4,183,324	-	-	4,309,526	4,183,324
Unrestricted	<u>7,006,374</u>	<u>5,251,178</u>	<u>1,495,833</u>	<u>1,384,089</u>	<u>8,502,207</u>	<u>6,635,267</u>
Total net position	<u>\$ 32,813,716</u>	<u>\$ 29,140,355</u>	<u>\$ 14,705,152</u>	<u>\$ 14,719,994</u>	<u>\$ 47,518,868</u>	<u>\$ 43,860,349</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 \$47,518,868 as of June 30, 2019. The County's net position increased by \$3,658,519 for the fiscal year ended June 30, 2019, which represents an increase of \$3,673,361 for governmental activities and a decrease of \$14,842 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,853,895	\$ 1,824,915	\$ 1,670,010	\$ 1,642,656	\$ 3,523,905	\$ 3,467,571
Operating grants and contributions	4,505,063	3,428,648	-	-	4,505,063	3,428,648
Capital grants and contributions	1,104,185	145,705	-	-	1,104,185	145,705
General revenues:						
Property taxes	17,721,888	16,840,050	-	-	17,721,888	16,840,050
Other taxes	5,262,546	4,577,695	56,888	51,437	5,319,434	4,629,132
Other	651,136	321,775	-	-	651,136	321,775
Total revenues	<u>31,098,713</u>	<u>27,138,788</u>	<u>1,726,898</u>	<u>1,694,093</u>	<u>32,825,611</u>	<u>28,832,881</u>
Expenses:						
General government	4,124,498	3,127,258	-	-	4,124,498	3,127,258
Public safety	9,445,809	7,952,358	-	-	9,445,809	7,952,358
Economic and physical development	1,006,404	851,477	-	-	1,006,404	851,477
Human services	4,243,382	4,282,258	-	-	4,243,382	4,282,258
Cultural and recreation	1,965,129	1,780,219	-	-	1,965,129	1,780,219
Education	6,202,220	5,685,884	-	-	6,202,220	5,685,884
Interest on long-term debt	342,910	409,921	-	-	342,910	409,921
Solid waste	-	-	1,560,499	1,447,256	1,560,499	1,447,256
Water	-	-	276,241	274,585	276,241	274,585
Total expenses	<u>27,330,352</u>	<u>24,089,375</u>	<u>1,836,740</u>	<u>1,721,841</u>	<u>29,167,092</u>	<u>25,811,216</u>
Change in net position before transfers	3,768,361	3,049,413	(109,842)	(27,748)	3,658,519	3,021,665
Transfers	<u>(95,000)</u>	<u>(95,000)</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>	<u>-</u>
Change in net position	3,673,361	2,954,413	(14,842)	67,252	3,658,519	3,021,665
Net position, July 1	<u>29,140,355</u>	<u>26,185,942</u>	<u>14,719,994</u>	<u>14,652,742</u>	<u>43,860,349</u>	<u>40,838,684</u>
Net position, June 30	<u>\$ 32,813,716</u>	<u>\$ 29,140,355</u>	<u>\$ 14,705,152</u>	<u>\$ 14,719,994</u>	<u>\$ 47,518,868</u>	<u>\$ 43,860,349</u>

Governmental Activities - Property tax revenue is the County's largest source of revenue, accounting for 57 percent of total revenue. Current year property tax base was approximately \$2.96 billion at a rate of .5294 per \$100. The increase in tax revenue is due to an increase in the collection rate and also a result of collections from outstanding receivables from the Bright's Creek Development from prior years. The revenues in the governmental activities have increased more than 15.0 percent from the prior year. Other taxes, which include sales taxes, are up 15.0 percent. Expenses increased over the prior year due mainly to \$1 million expended on the FEI World Equestrian Games to assist in community safety, funded by a state grant. The local supplement for education was also increased by approximately \$500,000.

Business-type Activities - Net position decreased 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 \$16,132,773, an increase of \$1,354,920 in comparison with the prior year. The increase in total fund balance is due primarily to operating efficiencies and collection of outstanding receivables from the Bright's Creek Development from prior years.

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 \$9,340,093 while total fund balance reached \$11,629,940. The County currently has an available fund balance of 36 percent of general fund expenditures (and transfers out), while total fund balance represents 44 percent of that same amount.

The fund balance of other governmental funds was \$4,502,833 at the close of the current fiscal year, a decrease of \$460,748. The fund balance of the Capital Projects Fund decreased \$517,182 due to the County using remaining debt proceeds to complete the Law Enforcement Center.

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 \$1,489,302, or 6 percent of the original budget. The increase in the final budgeted revenues is primarily due to grants received by the County.

Capital Asset and Debt Administration

Capital Assets - Polk County's capital assets for its governmental type activities as of June 30, 2019, totals \$32,874,673 (net of accumulated depreciation), an increase of \$984,025 as compared to the previous year. The majority of the increase is related to the final construction of the new Law Enforcement Center.

Polk County's capital assets for its business-type activities as of June 30, 2019, totals \$13,359,101 (net of accumulated depreciation), a decrease of \$132,828 compared to the previous year, primarily due to depreciation exceeding newly acquired fixed assets.

Polk County's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and easements	\$ 8,122,766	\$ 7,022,766	\$ 2,708,350	\$ 2,708,350	\$ 10,831,116	\$ 9,731,116
Construction in progress	130,813	11,207,267	90,369	2,152,002	221,182	13,359,269
Buildings and improvements	22,161,004	11,290,489	982,910	1,017,108	23,143,914	12,307,597
Waterlines and related assets	-	-	9,314,016	7,456,428	9,314,016	7,456,428
Equipment	797,814	836,949	263,456	158,041	1,061,270	994,990
Vehicles and motor equipment	1,662,276	1,533,177	-	-	1,662,276	1,533,177
	<u>\$ 32,874,673</u>	<u>\$ 31,890,648</u>	<u>\$ 13,359,101</u>	<u>\$ 13,491,929</u>	<u>\$ 46,233,774</u>	<u>\$ 45,382,577</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, 2019, Polk County's outstanding balance on direct placement installment purchase contracts was \$15,280,931. The County's total debt decreased \$2,120,793 due the County making regular principal payments throughout the year.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchase contracts	<u>\$ 15,131,149</u>	<u>\$ 17,245,700</u>	<u>\$ 149,782</u>	<u>\$ 156,024</u>	<u>\$ 15,280,931</u>	<u>\$ 17,401,724</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 \$221,000,000.

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 an unemployment rate of 4.5 percent, just above the state average of 4.3 percent;
- Overall revenues are up 14.6% and expenditures are up 15%;
- The property tax revenue increased due to an increase in the collection rate and an increase in valuation;
- The FEI World Equestrian Games were held in September of 2018 and generated an increase in sales tax and occupancy tax; the County also received a grant for \$1M to assist with community safety;
- Tryon International Equestrian Center (TIEC) located in Mill Spring has significantly changed the landscape of Polk County. It has and will continue to increase occupancy, sales and property taxes. The arena seats 6,000 and is 3 stories high with attendance ranging from 6,000-10,000 on weekends during the season. Four new restaurants have been added, as well as several rental cabins. A resort is expected to be constructed in the near future.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities - Property taxes are budgeted with a 2 cent tax rate increase; 1 cent to fund the afterschool program and 1 cent to fund cost increases in all areas. Revenues from permits and fees are expected to decrease slightly based on slowdown of construction at TIEC. Sales tax revenues are budgeted to increase 6 percent due to a change in the law that positively impacts Polk County as well as a stronger economy. Property tax revenue is budgeted to increase by 9.4 percent due to added valuation and the tax increase. Overall, total budgeted revenue is expected to increase approximately 1.5 percent without the consideration of appropriated fund balance. Fund balance was used to balance the fiscal year 2020 budget in the amount of \$508,050 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 school capital sales tax set-aside as the school debt service is nearly all paid in full. The expenditure budget is increased by less than 1%.

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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,704,548	\$ 1,463,776	\$ 14,168,324
Restricted cash	2,433,528	-	2,433,528
Receivables (net)	2,543,842	318,279	2,862,121
Prepays	190,857	2,761	193,618
Total current assets	17,872,775	1,784,816	19,657,591
Noncurrent assets:			
Net pension asset - ROD	45,108	-	45,108
Capital assets:			
Land and construction in progress	8,253,579	2,798,719	11,052,298
Other capital assets, net of depreciation	24,621,094	10,560,382	35,181,476
Capital assets, net	32,874,673	13,359,101	46,233,774
Total noncurrent assets	32,919,781	13,359,101	46,278,882
Total assets	50,792,556	15,143,917	65,936,473
DEFERRED OUTFLOWS OF RESOURCES	2,250,291	-	2,250,291
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,106,340	272,110	1,378,450
Payable from restricted assets	8,380	-	8,380
Accrued interest payable	80,861	-	80,861
Unearned revenue	2,398	170	2,568
Due within one year	3,335,390	14,627	3,350,017
Total current liabilities	4,533,369	286,907	4,820,276
Noncurrent liabilities:			
Net pension liability - LGERS	2,554,538	-	2,554,538
Total pension liability - LEOSSA	528,954	-	528,954
Due in more than one year	12,395,366	151,858	12,547,224
Total noncurrent liabilities	15,478,858	151,858	15,630,716
Total liabilities	20,012,227	438,765	20,450,992
DEFERRED INFLOWS OF RESOURCES	216,904	-	216,904
NET POSITION			
Net investment in capital assets	21,497,816	13,209,319	34,707,135
Restricted for:			
Stabilization by State Statute	2,183,794	-	2,183,794
Public safety	206,812	-	206,812
Tourism	256,846	-	256,846
Register of Deeds' pension plan	49,092	-	49,092
School debt service	1,612,982	-	1,612,982
Unrestricted	7,006,374	1,495,833	8,502,207
Total net position	\$ 32,813,716	\$ 14,705,152	\$ 47,518,868

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, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Total	Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 4,124,498	\$ 369,492	\$ 225	\$ -	\$ (3,754,781)	\$ -	\$ (3,754,781)
Public safety	9,445,809	1,263,867	450,196	-	(7,731,746)	-	(7,731,746)
Economic and physical development	1,006,404	-	1,206,271	-	199,867	-	199,867
Human services	4,243,382	98,719	2,341,401	-	(1,803,262)	-	(1,803,262)
Cultural and recreational	1,965,129	121,817	506,970	725,000	(611,342)	-	(611,342)
Education	6,202,220	-	-	379,185	(5,823,035)	-	(5,823,035)
Interest on long-term debt	342,910	-	-	-	(342,910)	-	(342,910)
Total governmental activities	27,330,352	1,853,895	4,505,063	1,104,185	(19,867,209)	-	(19,867,209)
Business-type activities:							
Solid waste	1,560,499	1,668,510	-	-	-	108,011	108,011
Water	276,241	1,500	-	-	-	(274,741)	(274,741)
Total business-type activities	1,836,740	1,670,010	-	-	-	(166,730)	(166,730)
Total government-wide	\$ 29,167,092	\$ 3,523,905	\$ 4,505,063	\$ 1,104,185	(19,867,209)	(166,730)	(20,033,939)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					17,721,888	-	17,721,888
Local option sales tax					4,973,439	-	4,973,439
Other taxes					289,107	56,888	345,995
Investment earnings, unrestricted					389,495	-	389,495
Miscellaneous, unrestricted					261,641	-	261,641
Total general revenues					23,635,570	56,888	23,692,458
Transfers					(95,000)	95,000	-
Total general revenues and transfers					23,540,570	151,888	23,692,458
Changes in net position					3,673,361	(14,842)	3,658,519
Net position, beginning of year					29,140,355	14,719,994	43,860,349
Net position, end of year					\$ 32,813,716	\$ 14,705,152	\$ 47,518,868

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

POLK COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Capital Projects Fund	Grant Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 9,972,012	\$ 2,019,315	\$ -	\$ 601,598	\$ 12,592,925
Restricted cash and investments	485,821	334,736	-	1,612,971	2,433,528
Receivables, net	2,043,273	-	375,000	99,177	2,517,450
Due from other funds	338,699	-	-	-	338,699
Prepays	188,873	-	-	1,984	190,857
Total assets	<u>\$ 13,028,678</u>	<u>\$ 2,354,051</u>	<u>\$ 375,000</u>	<u>\$ 2,315,730</u>	<u>\$ 18,073,459</u>
Liabilities					
Accounts payable and accrued expenses	\$ 948,682	\$ -	\$ -	\$ 157,658	\$ 1,106,340
Due to other funds	-	-	338,699	-	338,699
Payable from restricted assets	-	8,380	-	-	8,380
Unearned revenue	-	-	2,398	-	2,398
Total liabilities	<u>948,682</u>	<u>8,380</u>	<u>341,097</u>	<u>157,658</u>	<u>1,455,817</u>
Deferred inflows of resources	<u>450,056</u>	<u>-</u>	<u>-</u>	<u>34,813</u>	<u>484,869</u>
Fund balances					
Nonspendable:					
Prepays	188,873	-	-	1,984	190,857
Restricted:					
Stabilization by State statute	2,100,974	-	33,903	48,917	2,183,794
Public safety	17,011	326,356	-	189,801	533,168
Tourism	-	-	-	256,846	256,846
School debt service	-	-	-	1,612,982	1,612,982
Committed:					
Tax revaluation	468,810	-	-	-	468,810
Assigned:					
Subsequent year's expenditures	323,925	-	-	-	323,925
Capital projects	-	2,019,315	-	-	2,019,315
Public safety	-	-	-	12,729	12,729
Unassigned	8,530,347	-	-	-	8,530,347
Total fund balances	<u>11,629,940</u>	<u>2,345,671</u>	<u>33,903</u>	<u>2,123,259</u>	<u>16,132,773</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,028,678</u>	<u>\$ 2,354,051</u>	<u>\$ 375,000</u>	<u>\$ 2,315,730</u>	<u>\$ 18,073,459</u>

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

POLK COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2019

Total fund balances for governmental funds	\$ 16,132,773
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	47,377,767
Less accumulated depreciation	(14,503,094)
Net pension asset restricted for Register of Deed's pension is not a financial resource and is therefore not reported in the governmental funds	45,108
Deferred outflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered a consumption of net position that applies to a future period and are included in the statement of net position:	
Contributions to pension plans in the current fiscal year (LGERS, ROD)	628,552
Administrative costs for LEOSSA	668
Other pension deferrals	1,621,071
Accrued interest receivable is not available to pay current-period expenditures and therefore not recognized as revenue in the fund statements.	26,392
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.	317,941
Deferred inflows of resources related to pensions are not reported in the funds	(49,976)
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.	111,623
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	(15,131,149)
Compensated absences	(599,607)
Net pension liability - LGERS	(2,554,538)
Total pension liability - LEOSSA	(528,954)
Accrued interest payable	(80,861)
Net position of governmental activities	<u>\$ 32,813,716</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, 2019

	General Fund	Capital Projects Fund	Grant Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	\$ 16,248,394	\$ -	\$ -	\$ 2,079,961	\$ 18,328,355
Local option sales taxes	4,973,439	-	-	-	4,973,439
Other taxes	-	-	-	289,107	289,107
Restricted intergovernmental	4,094,182	-	553,932	231,134	4,879,248
Restricted contributions	-	-	730,000	-	730,000
Permits and fees	475,199	-	-	-	475,199
Sales and services	1,378,696	-	-	-	1,378,696
Investment earnings	321,746	28,217	-	39,532	389,495
Miscellaneous	115,813	145,828	-	-	261,641
Total revenues	<u>27,607,469</u>	<u>174,045</u>	<u>1,283,932</u>	<u>2,639,734</u>	<u>31,705,180</u>
Expenditures					
Current:					
General government	3,987,433	-	-	-	3,987,433
Public safety	6,599,793	422,828	-	2,465,446	9,488,067
Economic and physical development	606,301	-	191,402	214,834	1,012,537
Human services	4,184,763	-	-	-	4,184,763
Cultural and recreational	1,674,077	130,813	1,100,000	-	2,904,890
Intergovernmental:					
Education	6,202,220	-	-	-	6,202,220
Debt service:					
Principal	2,114,551	-	-	-	2,114,551
Interest and fees	376,583	-	-	-	376,583
Total expenditures	<u>25,745,721</u>	<u>553,641</u>	<u>1,291,402</u>	<u>2,680,280</u>	<u>30,271,044</u>
Revenues over (under) expenditures	<u>1,861,748</u>	<u>(379,596)</u>	<u>(7,470)</u>	<u>(40,546)</u>	<u>1,434,136</u>
Other Financing Sources (Uses)					
Proceeds from sale of assets	5,046	6,861	-	-	11,907
Transfers from (to) other funds	(51,126)	(144,447)	-	104,450	(91,123)
Total other financing sources (uses)	<u>(46,080)</u>	<u>(137,586)</u>	<u>-</u>	<u>104,450</u>	<u>(79,216)</u>
Net changes in fund balances	1,815,668	(517,182)	(7,470)	63,904	1,354,920
Fund balance, beginning of year	<u>9,814,272</u>	<u>2,862,853</u>	<u>41,373</u>	<u>2,059,355</u>	<u>14,777,853</u>
Fund balance, end of year	<u>\$ 11,629,940</u>	<u>\$ 2,345,671</u>	<u>\$ 33,903</u>	<u>\$ 2,123,259</u>	<u>\$ 16,132,773</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, 2019

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

Net change in fund balances--total governmental funds	\$ 1,354,920
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;	2,342,214
Depreciation expense recorded during the current year; and	(1,358,189)
The issuance of long-term debt provides current financial resources, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net position.	
Principal payments	2,114,551
Contributions to pension plans in the current fiscal year are not included on the Statement of Activities	628,552
Plan administrative expenses for the LEOSSA are not included in the Statement of Activities	668
Adjustment of the internal service fund's net expenses to the governmental activities in the Statement of Net Position.	(3,877)
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)	33,673
Compensated absences	4,109
Pension expense	(836,793)
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	(64,080)
Net change in taxes receivable	<u>(542,387)</u>
Change in net position, governmental activities	<u>\$ 3,673,361</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues				
Ad valorem taxes	\$ 15,212,860	\$ 15,212,860	\$ 16,248,394	\$ 1,035,534
Local option sales taxes	4,236,306	4,236,306	4,973,439	737,133
Restricted intergovernmental	2,879,975	4,369,077	4,094,182	(274,895)
Permits and fees	493,880	493,880	475,199	(18,681)
Sales and services	1,399,592	1,399,592	1,378,696	(20,896)
Investment earnings	108,708	108,708	318,410	209,702
Miscellaneous	94,648	94,848	115,813	20,965
Total revenues	<u>24,425,969</u>	<u>25,915,271</u>	<u>27,604,133</u>	<u>1,688,862</u>
Expenditures				
Current:				
General government	3,285,042	4,387,736	3,961,768	425,968
Public safety	6,643,230	6,869,868	6,599,793	270,075
Economic and physical development	660,475	681,403	606,301	75,102
Human services	4,279,101	4,419,312	4,184,763	234,549
Cultural and recreational	1,567,526	1,722,951	1,674,077	48,874
Intergovernmental:				
Education	5,956,862	6,208,042	6,202,220	5,822
Debt service:				
Principal retirement	2,027,886	2,114,551	2,114,551	-
Interest and other charges	374,636	376,588	376,583	5
Total expenditures	<u>24,794,758</u>	<u>26,780,451</u>	<u>25,720,056</u>	<u>1,060,395</u>
Revenues over (under) expenditures	<u>(368,789)</u>	<u>(865,180)</u>	<u>1,884,077</u>	<u>2,749,257</u>
Other Financing Sources (Uses)				
Appropriated fund balance	408,240	1,155,722	-	(1,155,722)
Proceeds from sale of assets	5,000	5,000	5,046	46
Transfers from other funds	305,000	323,859	549,415	225,556
Transfers to other funds	(349,451)	(619,401)	(600,541)	18,860
Total other financing sources (uses)	<u>368,789</u>	<u>865,180</u>	<u>(46,080)</u>	<u>(911,260)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,837,997</u>	<u>\$ 1,837,997</u>
Fund balance, beginning of year			<u>9,323,634</u>	
Fund balance, end of year - General Fund			11,161,631	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Revenue			3,336	
Expenditures			(25,665)	
Fund balance, beginning of year - Revaluation Fund			<u>490,638</u>	
Fund balance, end of year - Combined General Fund			<u>\$ 11,629,940</u>	

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

POLK COUNTY, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,236,338	\$ 227,438	\$ 1,463,776	\$ 111,623
Receivables (net)	125,791	192,488	318,279	-
Prepays	2,761	-	2,761	-
Total current assets	<u>1,364,890</u>	<u>419,926</u>	<u>1,784,816</u>	<u>111,623</u>
Capital assets:				
Land and construction in progress	790,805	2,007,914	2,798,719	-
Other capital assets, net of depreciation	<u>1,246,366</u>	<u>9,314,016</u>	<u>10,560,382</u>	<u>-</u>
Total capital assets	<u>2,037,171</u>	<u>11,321,930</u>	<u>13,359,101</u>	<u>-</u>
Total assets	<u>3,402,061</u>	<u>11,741,856</u>	<u>15,143,917</u>	<u>111,623</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	68,908	203,202	272,110	-
Compensated absences	8,000	-	8,000	-
Long term debt, current portion	6,627	-	6,627	-
Unearned revenue	<u>170</u>	<u>-</u>	<u>170</u>	<u>-</u>
Total current liabilities	<u>83,705</u>	<u>203,202</u>	<u>286,907</u>	<u>-</u>
Noncurrent liabilities:				
Compensated absences	8,703	-	8,703	-
Long-term debt, net of current portion	<u>143,155</u>	<u>-</u>	<u>143,155</u>	<u>-</u>
Total noncurrent liabilities	<u>151,858</u>	<u>-</u>	<u>151,858</u>	<u>-</u>
Total liabilities	<u>235,563</u>	<u>203,202</u>	<u>438,765</u>	<u>-</u>
Net Position				
Net investment in capital assets	1,887,389	11,321,930	13,209,319	-
Unrestricted	<u>1,279,109</u>	<u>216,724</u>	<u>1,495,833</u>	<u>111,623</u>
Total net position	<u>\$ 3,166,498</u>	<u>\$ 11,538,654</u>	<u>\$ 14,705,152</u>	<u>\$ 111,623</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, 2019

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
Operating Revenues				
Charges for services	\$ 1,668,510	\$ 1,500	\$ 1,670,010	\$ -
Total operating revenues	<u>1,668,510</u>	<u>1,500</u>	<u>1,670,010</u>	<u>-</u>
Operating Expenses				
Operations	1,401,517	45,000	1,446,517	-
Closure and postclosure care	49,735	-	49,735	-
Depreciation	<u>100,058</u>	<u>231,241</u>	<u>331,299</u>	<u>-</u>
Total operating expenses	<u>1,551,310</u>	<u>276,241</u>	<u>1,827,551</u>	<u>-</u>
Operating income (loss)	<u>117,200</u>	<u>(274,741)</u>	<u>(157,541)</u>	<u>-</u>
Non-Operating Revenues (Expenses)				
Solid waste taxes	56,888	-	56,888	-
Interest expense	<u>(9,189)</u>	<u>-</u>	<u>(9,189)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>47,699</u>	<u>-</u>	<u>47,699</u>	<u>-</u>
Income (loss) before transfers	164,899	(274,741)	(109,842)	-
Transfers from (to) other funds	<u>-</u>	<u>95,000</u>	<u>95,000</u>	<u>(3,877)</u>
Change in net position	164,899	(179,741)	(14,842)	(3,877)
Net position, beginning of year	<u>3,001,599</u>	<u>11,718,395</u>	<u>14,719,994</u>	<u>115,500</u>
Net position, end of year	<u>\$ 3,166,498</u>	<u>\$ 11,538,654</u>	<u>\$ 14,705,152</u>	<u>\$ 111,623</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, 2019

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
Cash flows from operating activities:				
Cash received from customers	\$ 1,693,535	\$ 1,500	\$ 1,695,035	\$ -
Cash paid for goods and services	(1,228,440)	(37,294)	(1,265,734)	-
Cash paid to employees for services	(256,304)	-	(256,304)	-
Net cash provided (used) by operating activities	208,791	(35,794)	172,997	-
Cash flows from noncapital and related financing activities:				
Solid waste taxes	56,888	-	56,888	-
Transfers from (to) other funds	-	95,000	95,000	(3,877)
Net cash provided (used) by noncapital and related financing activities	56,888	95,000	151,888	(3,877)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(171,275)	(27,196)	(198,471)	-
Principal paid on debt	(6,242)	-	(6,242)	-
Interest paid on debt	(9,189)	-	(9,189)	-
Net cash used by capital and related financing activities	(186,706)	(27,196)	(213,902)	-
Net increase (decrease) in cash and cash equivalents	78,973	32,010	110,983	(3,877)
Cash and cash equivalents:				
Beginning of year	1,157,365	195,428	1,352,793	115,500
End of year	\$ 1,236,338	\$ 227,438	\$ 1,463,776	\$ 111,623

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, 2019

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self- Insurance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 117,200	\$ (274,741)	\$ (157,541)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	100,058	231,241	331,299	-
Changes in assets and liabilities:				
Decrease (increase) in receivables	24,855	(33,122)	(8,267)	-
Increase (decrease) in accounts payable and accrued expenses	(36,240)	40,828	4,588	-
Increase (decrease) in compensated absences	2,748	-	2,748	-
Increase (decrease) in unearned revenue	170	-	170	-
Net cash provided (used) by operating activities	<u>\$ 208,791</u>	<u>\$ (35,794)</u>	<u>\$ 172,997</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, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 265,816
Liabilities	
Due to others	233,246
Due to other governments	30,096
Due to State of North Carolina	2,474
	<u>\$ 265,816</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, 2019

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, 2019.

(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.

Grant Projects Fund. This fund is established to account for the expenditure of grant funds related to community 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 four legally budgeted nonmajor funds. The Fire District Fund, the Tourism Development Fund and the Emergency Telephone System Fund 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, and proprietary 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 North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported 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	\$ 1,612,971
Unspend loan proceeds	334,736
Tax revaluation fund	468,810
Drug fund	<u>17,011</u>
Total restricted cash	<u>\$ 2,433,528</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, 2018. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

(5) Allowances for Doubtful Accounts

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

(6) Prepaid Items

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

(7) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. Minimum capitalization cost is \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Polk County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Polk County Board of Education.

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

	<u>Years</u>
Buildings	50
Improvements	20
Furniture and equipment	5-10
Vehicles	8

(8) Deferred Outflows/Inflows of Resources

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

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

(9) Long-Term Obligations

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

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

(10) Compensated Absences

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

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

(11) Net Position

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

(12) Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

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

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

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of net unspent debt proceeds of \$326,356 and restricted for Register of Deeds pension plan asset and related deferrals of \$49,092, for a net difference of \$277,264 as of June 30, 2019.

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

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

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

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

Assigned for public safety - portion of fund balance that has been appropriated by the governing body for law enforcement 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, 2019, the County's deposits had a carrying amount of \$2,346,441 and a bank balance of \$2,631,006. Of the bank balance, \$1,109,629 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, 2019 of \$1,850.

Reconciliation of cash and cash equivalents

The components of cash and cash equivalents:		Reported in the financial statements as:	
Deposits in banks	\$ 2,346,441	Cash and cash equivalents	\$ 14,168,324
Petty cash on hand	1,850	Restricted cash	2,433,528
Investments	14,519,377	Cash in agency funds	265,816
	<u>\$ 16,867,668</u>		<u>\$ 16,867,668</u>

(B) Investments

At June 30, 2019, the County had the following investments and maturities:

<u>Investment type</u>	<u>Valuation</u>		<u>Less Than</u>
	<u>Measurement</u>	<u>Fair Value</u>	<u>Six Months</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 10,796,771	\$ 10,796,771
NC Capital Management Trust - Term Portfolio*	Fair Value - Level 1	2,109,634	2,109,634
Commercial paper	Fair Value - Level 2	<u>1,612,972</u>	<u>1,612,972</u>
Total		<u>\$ 14,519,377</u>	<u>\$ 14,519,377</u>

* As of June 30, 2019, the NCCMT Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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, 2019, 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, 2019. 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, 2019 were as follows:

	Governmental Funds		Accrual	Governmental	Business-
	General	Other	Adjustment	Activities	Type Activities
Receivables:					
Accounts	\$ 685,142	\$ 31,640	\$ -	\$ 716,782	\$ 128,555
Taxes	345,130	48,276	-	393,406	-
Due from other governments	1,484,509	394,261	-	1,878,770	192,488
Interest on taxes	-	-	26,392	26,392	-
Less: allowance	(471,508)	-	-	(471,508)	(2,764)
Total receivables (net)	<u>\$ 2,043,273</u>	<u>\$ 474,177</u>	<u>\$ 26,392</u>	<u>\$ 2,543,842</u>	<u>\$ 318,279</u>

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

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

Year Levied	Tax	Interest	Total
2015	\$ 999,241	\$ 327,261	\$ 1,326,502
2016	1,041,075	247,268	1,288,343
2017	1,566,298	231,029	1,797,327
2018	1,610,265	92,591	1,702,856
	<u>\$ 5,216,879</u>	<u>\$ 898,149</u>	<u>\$ 6,115,028</u>

(E) Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,022,766	\$ 1,100,000	\$ -	\$ 8,122,766
Construction in progress	11,207,267	553,641	(11,630,095)	130,813
Total capital assets not being depreciated	<u>18,230,033</u>	<u>1,653,641</u>	<u>(11,630,095)</u>	<u>8,253,579</u>
Capital assets being depreciated:				
Buildings and improvements	18,883,599	11,543,568	-	30,427,167
Equipment	4,650,889	266,489	(132,146)	4,785,232
Vehicles and motor equipment	3,443,617	508,611	(40,439)	3,911,789
Total capital assets being depreciated	<u>26,978,105</u>	<u>12,318,668</u>	<u>(172,585)</u>	<u>39,124,188</u>
Less accumulated depreciation for:				
Buildings and improvements	7,593,110	673,053	-	8,266,163
Equipment	3,813,940	305,624	(132,146)	3,987,418
Vehicles and motor equipment	1,910,440	379,512	(40,439)	2,249,513
Total accumulated depreciation	<u>13,317,490</u>	<u>1,358,189</u>	<u>(172,585)</u>	<u>14,503,094</u>
Capital assets being depreciated, net	<u>13,660,615</u>			<u>24,621,094</u>
Governmental activities capital assets, net	<u>\$ 31,890,648</u>			<u>\$ 32,874,673</u>

Depreciation was charged to expense as follows:

General government	\$ 279,004
Public safety	622,170
Economic and physical development	2,426
Human services	207,918
Cultural and recreational	<u>246,671</u>
Total depreciation expenses	<u>\$ 1,358,189</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	<u>\$ 790,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,805</u>
Capital assets being depreciated:				
Buildings and improvements	1,423,863	-	-	1,423,863
Equipment	683,742	171,275	(1,489)	853,528
Vehicles and motor equipment	<u>36,462</u>	<u>-</u>	<u>-</u>	<u>36,462</u>
Total capital assets being depreciated	<u>2,144,067</u>	<u>171,275</u>	<u>(1,489)</u>	<u>2,313,853</u>
Less accumulated depreciation for:				
Buildings and improvements	406,755	34,198	-	440,953
Equipment	525,701	65,860	(1,489)	590,072
Vehicles and motor equipment	<u>36,462</u>	<u>-</u>	<u>-</u>	<u>36,462</u>
Total accumulated depreciation	<u>968,918</u>	<u>100,058</u>	<u>(1,489)</u>	<u>1,067,487</u>
Capital assets being depreciated, net	<u>1,175,149</u>			<u>1,246,366</u>
Solid waste capital assets, net	<u>1,965,954</u>			<u>2,037,171</u>

	Beginning Balance	Increase	Decrease	Ending Balance
Water				
Capital assets not being depreciated:				
Land and easements	1,917,545	-	-	1,917,545
Construction in progress	2,152,002	27,196	(2,088,829)	90,369
Total capital assets not being depreciated	4,069,547	27,196	(2,088,829)	2,007,914
Capital assets being depreciated:				
Water lines and related assets	9,183,540	2,088,829	-	11,272,369
Less accumulated depreciation for:				
Water lines and related assets	1,727,112	231,241	-	1,958,353
Capital assets being depreciated, net	7,456,428			9,314,016
Water capital assets, net	11,525,975			11,321,930
Business-type capital assets, net	\$ 13,491,929			\$ 13,359,101

Note 3 – Liabilities**(A) Payables**

Payables at the fund and government-wide level at June 30, 2019, were as follows:

	Governmental Funds			Business-
	General	Capital Projects	Other	Type Activities
Accounts payable	\$ 633,421	\$ 8,380	\$ 155,361	\$ 797,162
Accrued wages	205,677	-	2,297	207,974
Due to other governments	109,584	-	-	109,584
Total accounts payable and accrued expenses	\$ 948,682	\$ 8,380	\$ 157,658	\$ 1,114,720

(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, 2019, was 8.50% of compensation for law enforcement officers and 7.85% 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 \$626,472 for the year ended June 30, 2019.

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, 2019, the County reported a liability of \$2,554,538 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of

June 30, 2018 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, 2019, the County's proportion was 0.10768% (measured as of June 30, 2018), which was a decrease of 0.002338% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the County recognized pension expense of \$760,901. At June 30, 2019, 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	\$ 394,104	\$ 13,224
Changes of assumptions	677,876	-
Net difference between projected and actual earnings on pension plan investments	350,662	-
Changes in proportion and difference between County contributions and proportionate share of contributions	80,569	3,283
County contributions subsequent to measurement date	626,472	-
	<u>\$ 2,129,683</u>	<u>\$ 16,507</u>

\$626,472 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	\$ 709,324
2021	469,667
2022	104,937
2023	202,776
Thereafter	-
	<u>\$ 1,486,704</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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, 2017 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, 2019 are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 6,136,221	\$ 2,554,538	\$ (438,373)

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, 2017 (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>38</u>
Total	<u><u>38</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, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2018.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Contributions: The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The County made no benefit payments for the reporting period.

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

At June 30, 2019, the County reported a total pension liability of \$528,954. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$70,018.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,561	\$ -
Changes of assumptions and other inputs	22,219	25,293
County plan administrative expenditures subsequent to the measurement date	668	-
	<u>\$ 108,448</u>	<u>\$ 25,293</u>

The County paid \$0 in benefit payments and \$668 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	\$ 16,795
2021	16,795
2022	16,795
2023	16,795
2024	12,796
Thereafter	<u>2,511</u>
	<u>\$ 82,487</u>

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 579,349	\$ 528,954	\$ 482,897

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2017	\$ 437,922
Changes for the year:	
Service cost at end of year	38,755
Interest	13,838
Change in benefit terms	-
Difference between expected and actual experience	62,074
Changes of assumptions and other inputs	(23,635)
Benefit payments	-
Other	-
Net changes	<u>91,032</u>
Total pension liability as of December 31, 2018	<u>\$ 528,954</u>

Changes of assumptions. Since the prior measurement date, the discount rate changed from 3.16% to 3.64% due to a change in the municipal bond rate.

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 \$76,354 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 \$2,080 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$45,108 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was 0.27234%, which was an increase of .003838% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$5,874. At June 30, 2019, 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	\$ 398	\$ 2,059
Change of assumptions	2,122	-
Net difference between projected and actual earnings on pension plan investments	7,190	-
Changes in proportion and difference between County contributions and proportionate share of contributions	370	6,117
County contributions subsequent to measurement date	2,080	-
	<u>\$ 12,160</u>	<u>\$ 8,176</u>

\$2,080 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	\$ 894
2021	(2,226)
2022	2,119
2023	1,117
2024	-
Thereafter	-
	<u>\$ 1,904</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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, 2017 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, 2019 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 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)	\$ (35,565)	\$ (45,108)	\$ (53,155)

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

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

The net pension liability for LGERS and ROD was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability for LEOSSA was measured as of December 31, 2018, with an actuarial valuation date of December 31, 2017. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	ROD	LEOSSA	Total
Proportion of the net pension liability (asset) \$	\$ 2,554,538	\$ (45,108)		\$ 2,509,430
Proportion of the net pension liability (asset) %	0.10768%	(0.27234%)		
Total pension liability			\$ 528,954	528,954
Pension expense	760,901	5,874	70,018	836,793

Deferred outflows of resources

Differences between expected and actual experience	\$ 394,104	\$ 398	\$ 85,561	\$ 480,063
Changes of assumptions	677,876	2,122	22,219	702,217
Net difference between projected and actual earnings on pension plan investments	350,662	7,190	-	357,852
Changes in proportion and differences between County contributions and proportionate share of contributions	80,569	370	-	80,939
County contributions (LGERS, ROD)/ admin costs (LEOSSA) subsequent to measurement date	<u>626,472</u>	<u>2,080</u>	<u>668</u>	<u>629,220</u>
	<u>\$ 2,129,683</u>	<u>\$ 12,160</u>	<u>\$ 108,448</u>	<u>\$ 2,250,291</u>

Deferred inflows of resources

Differences between expected and actual experience	\$ 13,224	\$ 2,059	\$ -	\$ 15,283
Changes of assumptions	-	-	25,293	25,293
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>3,283</u>	<u>6,117</u>	<u>-</u>	<u>9,400</u>
	<u>\$ 16,507</u>	<u>\$ 8,176</u>	<u>\$ 25,293</u>	<u>\$ 49,976</u>

(C) Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension deferrals (LGERS)	\$ 2,129,683	\$ 16,507
Pension deferrals (ROD)	12,160	8,176
Pension deferrals (LEOSSA)	108,448	25,293
Prepaid taxes not yet earned (General Fund)	-	166,928
Ad valorem taxes receivable, net (General Fund)	-	283,128
Taxes receivable, net (Special Revenue)	-	34,813
Total	<u>\$ 2,250,291</u>	<u>\$ 534,845</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 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.

A separate cybersecurity insurance policy for up to \$1,000,000 single and aggregate limit is carried by the County to insure against losses and damages and address major cyber risks such as media liability, security breach liability, replacement or restoration of electronic data, extortion threats, public relations expense, and security breach expense.

(E) Long-Term Obligations**Direct Placement Installment Purchase Contracts**

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County financed various property acquisitions, construction and improvements in a direct placement for use by Polk County, Polk County Board of Education, and Isothermal Community College during the fiscal year ended June 30, 2019 by installment purchase.

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
2004 \$7.40 million direct placement 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. Polk County pledged the buildings as collateral.	\$ 740,000	\$ -	\$ 493,334	\$ 246,666
2004 \$10 million direct placement 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. Polk County pledged the middle school building as collateral.	666,666	-	666,666	-
2005 \$1.84 million QZAB, non-interest bearing direct placement installment financing agreement for school renovations, 15 annual payments of \$95,706 into escrow with a balloon payment in June 2020. Polk County pledged the school building as collateral.	1,844,000	-	-	1,844,000
2010 \$1.85 million direct placement 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. Polk County pledged the DSS building as collateral.	986,668	-	123,334	863,334

	Beginning Balance	Additions	Retirements	Ending Balance
2015 \$800,000 direct placement 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. Polk County pledged the early college as collateral.	636,965	-	54,345	582,620
2016 \$13.5 million direct placement installment purchase contract for the construction of a new jail facility, initial payment of \$502,968 and 29 semi-annual payments of \$545,538, including interest at 2.58% through October 2031. Polk County pledged the jail facility as collateral.	12,371,401	-	776,872	11,594,529
Total governmental activities	<u>\$ 17,245,700</u>	<u>\$ -</u>	<u>\$ 2,114,551</u>	<u>\$ 15,131,149</u>

Business-type activities:

Direct placement installment purchase contract, 360 monthly payments of \$1,286, including interest at 6% through January 2034.

Polk County pledged the land as Collateral.	<u>\$ 156,024</u>	<u>\$ -</u>	<u>\$ 6,242</u>	<u>\$ 149,782</u>
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For Polk County, the future minimum payments as of June 30, 2019, including interest are:

Year ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 3,065,390	\$ 334,660	\$ 6,627	\$ 8,804
2021	995,420	307,074	7,035	8,395
2022	1,016,654	281,170	7,469	7,961
2023	1,038,439	254,715	7,930	7,500
2024	1,060,790	227,694	8,419	7,011
2025 - 2029	5,290,061	731,107	50,555	26,596
2030 - 2034	2,664,395	103,572	61,747	8,847
	<u>\$ 15,131,149</u>	<u>\$ 2,239,992</u>	<u>\$ 149,782</u>	<u>\$ 75,114</u>

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, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Direct placement installment purchase	\$ 17,245,700	\$ -	\$ 2,114,551	\$ 15,131,149	\$ 3,065,390
Compensated absences	603,716	167,340	171,449	599,607	270,000
Net pension liability (LGERS)	1,680,648	873,890	-	2,554,538	-
Net pension obligation (LEO)	<u>437,922</u>	<u>91,032</u>	<u>-</u>	<u>528,954</u>	<u>-</u>
Total governmental activities	<u>\$ 19,967,986</u>	<u>\$ 1,132,262</u>	<u>\$ 2,286,000</u>	<u>\$ 18,814,248</u>	<u>\$ 3,335,390</u>
Business-type activities:					
Direct placement installment purchase	\$ 156,024	\$ -	\$ 6,242	\$ 149,782	\$ 6,627
Compensated absences	<u>13,954</u>	<u>9,892</u>	<u>7,143</u>	<u>16,703</u>	<u>8,000</u>
	<u>\$ 169,978</u>	<u>\$ 9,892</u>	<u>\$ 13,385</u>	<u>\$ 166,485</u>	<u>\$ 14,627</u>

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

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

At June 30, 2019, Polk County had a legal debt margin of approximately \$221,000,000.

Note 4 – Net Investment in Capital Assets

The net investment in capital assets at June 30, 2019, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of depreciation	\$ 32,874,673	\$ 13,359,101
Less:		
Installment purchase contracts	(15,131,149)	(149,782)
Add:		
Unspent debt proceeds	334,736	-
School related debt	3,289,556	-
Solid waste debt	<u>130,000</u>	<u>-</u>
	<u>\$ 21,497,816</u>	<u>\$ 13,209,319</u>

Note 5 – Interfund Activities

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer from General Fund to:

Debt Service Fund	For QZAB sinking fund payment	\$ 95,705
Tourism Development Fund	To promote tourism	8,745
Capital Reserve Fund	To fund future capital projects	161,726
Capital Projects Fund	To fund capital projects	239,365
Water Capital Projects Fund	To fund capital projects	95,000
		<u>\$ 600,541</u>

Transfer from Capital Projects Fund to:

General Fund	Law Enforcement Center	<u>\$ 545,538</u>
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Transfer from Self Insurance Fund to:

General Fund	For insurance costs	<u>\$ 3,877</u>
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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 fund balance of the of General fund:

Total fund balance - General Fund	\$ 11,629,940
Less:	
Prepays	188,873
Stabilization by State statute	2,100,974
Restricted for public safety	17,011
Committed for tax revaluation	468,810
Assigned - subsequent year's expenditures	<u>323,925</u>
Remaining fund balance	<u>\$ 8,530,347</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The general fund had encumbrances of \$2,130 at June 30, 2019.

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, 2019. 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, 2019. The County paid operating appropriations of \$217,553 to the District during fiscal year June 30, 2019. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

Beginning in July, 2019, The County withdrew from the District and now is running its own Health Department.

(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 \$175,113 to the Community College for operating purposes during the fiscal year ended June 30, 2019. 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, 2019. 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 \$9,713 to the Commission during the fiscal year ended June 30, 2019.

Note 10 – Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

Note 11 – Benefit Payments Issued by the State

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

Note 12 – Contingent Liabilities

At June 30, 2019, the County was a defendant to various lawsuits. In the opinion of the County's management, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

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 Governmental Employees' Retirement System – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
 - Local Governmental Employees' Retirement System – Schedule of County's Contributions
 - Registers of Deeds' Supplemental Pension Fund – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
 - Registers of Deeds' Supplemental Pension Fund – Schedule of County's Contributions
-

POLK COUNTY, NORTH CAROLINA

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

Schedule of Changes in Total Pension Liability

	2019	2018	2017
Beginning balance	\$ 437,922	\$ 314,014	\$ 284,430
Changes for the year:			
Service cost at end of year	38,755	32,284	28,540
Interest	13,838	12,121	10,154
Change in benefit terms	-	-	-
Difference between expected and actual experience	62,074	47,602	-
Changes of assumptions and other inputs	(23,635)	31,901	(9,110)
Benefit payments	-	-	-
Other	-	-	-
Net changes	<u>91,032</u>	<u>123,908</u>	<u>29,584</u>
Ending balance of the total pension liability	<u>\$ 528,954</u>	<u>\$ 437,922</u>	<u>\$ 314,014</u>

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Total Pension Liability	\$ 528,954	\$ 437,922	\$ 314,014
Covered Payroll	1,560,107	1,510,245	1,255,857
Total pension liability as a percentage of covered payroll	33.90%	29.00%	25.00%

Notes to the schedule:

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

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

POLK COUNTY, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.10768%	0.11001%	0.09673%	0.09766%	0.09752%	0.09240%
County's proportion of the net pension liability (asset) (\$)	\$ 2,554,538	\$ 1,680,648	\$ 2,052,935	\$ 438,292	\$ (575,120)	\$ 1,113,775
County's covered payroll	7,125,615	6,823,860	5,951,154	5,709,585	5,577,537	5,452,559
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.85%	24.63%	34.50%	7.68%	(10.31%)	20.43%
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

POLK COUNTY, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 626,472	\$ 551,335	\$ 512,665	\$ 409,164	\$ 407,190	\$ 396,750
Contributions in relation to the contractually required contribution	<u>626,472</u>	<u>551,335</u>	<u>512,665</u>	<u>409,164</u>	<u>407,190</u>	<u>396,750</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	7,849,908	7,125,615	6,823,860	5,951,154	5,709,585	5,577,537
Contributions as a percentage of covered payroll	7.98%	7.74%	7.51%	6.88%	7.13%	7.11%

POLK COUNTY, NORTH CAROLINA

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

Registers of Deeds' Supplemental Pension Fund

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.27234%	0.23396%	0.22654%	0.24054%	0.22095%	0.20720%
County's proportion of the net pension liability (asset) (\$)	\$ (45,108)	\$ (39,935)	\$ (42,354)	\$ (55,743)	\$ (50,087)	\$ (44,258)
Plan fiduciary net position as a percentage of the total pension liability (asset)	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

POLK COUNTY, NORTH CAROLINA

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

Registers of Deeds' Supplemental Pension Fund

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,080	\$ 2,331	\$ 2,033	\$ 1,851	\$ 1,925	\$ 1,804
Contributions in relation to the contractually required contribution	<u>2,080</u>	<u>2,331</u>	<u>2,033</u>	<u>1,851</u>	<u>1,925</u>	<u>1,804</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.
- Grant Projects Fund – This fund is established to account for the expenditure of grant funds related to community projects.

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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes:			
Taxes	\$ 15,082,775	\$ 16,058,232	\$ 975,457
Penalties and interest	130,085	190,162	60,077
Total	<u>15,212,860</u>	<u>16,248,394</u>	<u>1,035,534</u>
Other Taxes:			
Local option sales taxes	3,910,781	4,478,564	567,783
Article 44 sales tax (hold harmless)	325,525	494,875	169,350
Total	<u>4,236,306</u>	<u>4,973,439</u>	<u>737,133</u>
Restricted Intergovernmental:			
Lottery revenue	379,185	379,185	-
Federal grants	2,535,131	2,256,931	(278,200)
State grants	1,382,346	1,388,150	5,804
Local grants	72,415	69,916	(2,499)
Total	<u>4,369,077</u>	<u>4,094,182</u>	<u>(274,895)</u>
Licenses and Permits:			
Register of Deeds fees	207,000	270,498	63,498
Building, other permit, inspection fees	286,880	204,701	(82,179)
Total	<u>493,880</u>	<u>475,199</u>	<u>(18,681)</u>
Sales and Services:			
Rents, concessions, and fees	93,061	98,995	5,934
EMS fees	746,353	834,969	88,616
Transportation fees	128,287	98,719	(29,568)
Recreation department	125,000	114,386	(10,614)
Court costs, fees, and charges	63,859	48,452	(15,407)
Other charges for services	243,032	183,175	(59,857)
Total	<u>1,399,592</u>	<u>1,378,696</u>	<u>(20,896)</u>
Investment Earnings	108,708	318,410	209,702
Miscellaneous	<u>94,848</u>	<u>115,813</u>	<u>20,965</u>
Total revenues	<u>25,915,271</u>	<u>27,604,133</u>	<u>1,688,862</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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing body	217,918	211,041	6,877
Manager	284,596	281,979	2,617
Board of elections	182,435	180,300	2,135
Personnel	356,493	315,079	41,414
Finance	298,122	294,201	3,921
Tax collections	597,520	592,383	5,137
Legal	61,557	61,666	(109)
Register of Deeds	220,060	186,960	33,100
Public buildings	678,601	667,268	11,333
Court facilities	17,270	14,500	2,770
Non-departmental	<u>1,473,164</u>	<u>1,156,391</u>	<u>316,773</u>
Total general government	<u>4,387,736</u>	<u>3,961,768</u>	<u>425,968</u>
Public Safety:			
Sheriff's department	2,632,434	2,569,054	63,380
Jail	1,453,680	1,402,817	50,863
Emergency medical services	1,438,965	1,392,580	46,385
Emergency management	126,690	121,977	4,713
Communications	525,208	486,220	38,988
Building inspections	414,735	360,723	54,012
Animal control	<u>278,156</u>	<u>266,422</u>	<u>11,734</u>
Total public safety	<u>6,869,868</u>	<u>6,599,793</u>	<u>270,075</u>
Economic and Physical Development:			
Cooperative extension	181,235	177,936	3,299
Planning and zoning	133,135	124,465	8,670
Soil and water conservation	129,126	124,195	4,931
Agriculture	110,265	99,608	10,657
Forestry	80,060	43,868	36,192
Economic development	<u>47,582</u>	<u>36,229</u>	<u>11,353</u>
Total economic and physical development	<u>681,403</u>	<u>606,301</u>	<u>75,102</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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Human Services:			
Health	257,996	247,088	10,908
Mental health	78,791	78,529	262
Veteran's administration	61,961	53,396	8,565
Social services administration	1,885,984	1,785,198	100,786
Social services programs	1,196,827	1,149,630	47,197
Public transportation	858,421	791,904	66,517
Community based alternatives	79,332	79,018	314
Total human services	<u>4,419,312</u>	<u>4,184,763</u>	<u>234,549</u>
Cultural and Recreational:			
Recreation	689,163	653,347	35,816
Library	616,938	609,843	7,095
Senior centers	416,850	410,887	5,963
Total cultural and recreational	<u>1,722,951</u>	<u>1,674,077</u>	<u>48,874</u>
Education:			
Public schools-current	5,129,788	5,129,788	-
Public schools-capital outlay	312,267	312,000	267
Public schools-local supplement	586,134	585,319	815
Community colleges-current	179,853	175,113	4,740
Total education	<u>6,208,042</u>	<u>6,202,220</u>	<u>5,822</u>
Debt Service:			
Principal retirement	2,114,551	2,114,551	-
Interest and fees	376,588	376,583	5
Total debt service	<u>2,491,139</u>	<u>2,491,134</u>	<u>5</u>
Total expenditures	<u>26,780,451</u>	<u>25,720,056</u>	<u>1,060,395</u>
Revenues over (under) expenditures	<u>(865,180)</u>	<u>1,884,077</u>	<u>2,749,257</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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses)			
Appropriated fund balance	1,155,722	-	(1,155,722)
Proceeds from sale of assets	5,000	5,046	46
Transfers from other funds	323,859	549,415	225,556
Transfers to other funds	<u>(619,401)</u>	<u>(600,541)</u>	<u>18,860</u>
Total other financing sources (uses)	<u>865,180</u>	<u>(46,080)</u>	<u>(911,260)</u>
 Net change in fund balance	 <u>\$ -</u>	 1,837,997	 <u>\$ 1,837,997</u>
 Fund balance, beginning of year		 <u>9,323,634</u>	
 Fund balance, end of year		 <u>\$ 11,161,631</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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 3,336	\$ 3,336
Expenditures			
General Government:			
Revaluation	25,666	25,665	1
Revenues under expenditures	(25,666)	(22,329)	3,337
Other Financing Sources			
Appropriated fund balance	25,666	-	(25,666)
Net change in fund balance	\$ -	(22,329)	\$ (22,329)
Fund balance, beginning of year		490,638	
Fund balance, end of year		\$ 468,309	

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, 2019

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental revenue:					
Investment earnings	\$ -	\$ 94,932	\$ 28,027	\$ 122,959	\$ 122,959
Miscellaneous	<u>176,564</u>	<u>176,632</u>	<u>145,828</u>	<u>322,460</u>	<u>145,896</u>
Total revenues	<u>176,564</u>	<u>271,564</u>	<u>173,855</u>	<u>445,419</u>	<u>268,855</u>
Expenditures					
Public safety:					
Detention facility	13,500,000	12,327,654	422,828	12,750,482	749,518
Recreation:					
Waste water treatment plant	<u>239,365</u>	<u>-</u>	<u>130,813</u>	<u>130,813</u>	<u>108,552</u>
Total expenditures	<u>13,739,365</u>	<u>12,327,654</u>	<u>553,641</u>	<u>12,881,295</u>	<u>858,070</u>
Revenues under expenditures	<u>(13,562,801)</u>	<u>(12,056,090)</u>	<u>(379,786)</u>	<u>(12,435,876)</u>	<u>1,126,925</u>
Other Financing Sources (Uses):					
Installment purchase obligations issued	13,500,000	13,500,000	-	13,500,000	-
Transfers from other funds	239,365	-	239,365	239,365	-
Transfers to other funds	(550,000)	-	(545,538)	(545,538)	4,462
Closed projects	<u>373,436</u>	<u>373,436</u>	<u>-</u>	<u>373,436</u>	<u>-</u>
Total other financing sources (uses)	<u>13,562,801</u>	<u>13,873,436</u>	<u>(306,173)</u>	<u>13,567,263</u>	<u>4,462</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,817,346</u>	<u>(685,959)</u>	<u>\$ 1,131,387</u>	<u>\$ 1,131,387</u>
Fund balance, beginning of year			<u>1,817,346</u>		
Fund balance, end of year - Capital Projects Fund			1,131,387		
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			190		
Proceeds from sale of assets			6,861		
Transfers from other funds			161,726		
Fund balance, beginning - Capital Reserve Fund			<u>1,045,507</u>		
Fund balance, ending - Combined Capital Projects Fund			<u>\$ 2,345,671</u>		

POLK COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,503,500	\$ 1,668,510	\$ 165,010
Solid waste taxes	23,800	56,888	33,088
Total revenues	<u>1,527,300</u>	<u>1,725,398</u>	<u>198,098</u>
Expenditures			
Current:			
Operating	1,464,115	1,398,769	65,346
Closure and postclosure care	56,189	49,735	6,454
Capital outlay	220,640	171,275	49,365
Debt service:			
Principal retirement	6,242	6,242	-
Interest and fees	9,189	9,189	-
Total expenditures	<u>1,756,375</u>	<u>1,635,210</u>	<u>121,165</u>
Revenues over (under) expenditures	<u>(229,075)</u>	<u>90,188</u>	<u>319,263</u>
Other Financing Sources			
Appropriated fund balance	229,075	-	(229,075)
Total other financing sources	<u>229,075</u>	<u>-</u>	<u>(229,075)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>90,188</u>	<u>\$ 90,188</u>
Reconciliation from modified accrual to full accrual basis:			
Capital outlay		171,275	
Depreciation		(100,058)	
Increase in compensated absences		(2,748)	
Principal retirement		<u>6,242</u>	
Change in net position		<u>\$ 164,899</u>	

POLK COUNTY, NORTH CAROLINA

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

For the year ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ -	\$ 1,500	\$ 1,500
Total revenues	-	1,500	1,500
Expenditures	-	-	-
Revenues over expenditures	\$ -	1,500	\$ 1,500
Reconciliation from modified accrual to full accrual basis:			
Depreciation		(231,241)	
<u>From Water Capital Projects Fund:</u>			
Non-capital expenditures		(45,000)	
Transfers from other funds		95,000	
Change in net position		\$ (179,741)	

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, 2019

	Project Authorization	Reported In Prior Years	Current Year	Total	Variance Positive (Negative)
Revenues					
Water participation fees	\$ 4,000	\$ 81,000	\$ -	\$ 81,000	\$ 77,000
Total revenues	<u>4,000</u>	<u>81,000</u>	<u>-</u>	<u>81,000</u>	<u>77,000</u>
Expenditures					
Capital:					
Hwy 9/Ken Miller Rd/Silver Creek Rd	87,240	74,760	4,740	79,500	7,740
General	<u>352,824</u>	<u>-</u>	<u>67,456</u>	<u>67,456</u>	<u>285,368</u>
Total expenditures	<u>440,064</u>	<u>74,760</u>	<u>72,196</u>	<u>146,956</u>	<u>293,108</u>
Revenues over (under) expenditures	<u>(436,064)</u>	<u>6,240</u>	<u>(72,196)</u>	<u>(65,956)</u>	<u>370,108</u>
Other Financing Sources					
Transfers from other funds	<u>436,064</u>	<u>143,032</u>	<u>95,000</u>	<u>238,032</u>	<u>(198,032)</u>
Total other financing sources	<u>436,064</u>	<u>143,032</u>	<u>95,000</u>	<u>238,032</u>	<u>(198,032)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 149,272</u>	<u>\$ 22,804</u>	<u>\$ 172,076</u>	<u>\$ 172,076</u>

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, 2019

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental revenue:					
Community development block grant:					
Bulldog building reuse program	\$ 250,000	\$ -	\$ 178,932	\$ 178,932	\$ (71,068)
Parks and recreation trust fund:					
Little white oak mountain	375,000	-	375,000	375,000	-
Restricted contributions:					
Bulldog building reuse program contributions	5,000	-	5,000	5,000	-
Donated land value	<u>725,000</u>	<u>-</u>	<u>725,000</u>	<u>725,000</u>	<u>-</u>
	<u>1,355,000</u>	<u>-</u>	<u>1,283,932</u>	<u>1,283,932</u>	<u>(71,068)</u>
Expenditures					
Economic and physical development:					
Bulldog building reuse program	262,500	-	191,402	191,402	71,098
Cultural and recreation:					
Little white oak mountain	<u>1,100,000</u>	<u>-</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
Total expenditures	<u>1,362,500</u>	<u>-</u>	<u>1,291,402</u>	<u>1,291,402</u>	<u>71,098</u>
Revenues under expenditures	<u>(7,500)</u>	<u>-</u>	<u>(7,470)</u>	<u>(7,470)</u>	<u>30</u>
Other Financing Sources					
Transfer from other funds (local match):					
Bulldog building reuse program	7,500	-	-	-	(7,500)
Prior year transfers	<u>-</u>	<u>41,373</u>	<u>-</u>	<u>41,373</u>	<u>41,373</u>
Total other financing sources	<u>7,500</u>	<u>41,373</u>	<u>-</u>	<u>41,373</u>	<u>33,873</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 41,373</u>	<u>(7,470)</u>	<u>\$ 33,903</u>	<u>\$ 33,903</u>
Fund balance, beginning of year			<u>41,373</u>		
Fund balance, end of year			<u>\$ 33,903</u>		

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.

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, 2019

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 27,786	\$ 328,248	\$ 245,553	\$ 601,587	\$ 11	\$ 601,598
Restricted cash	-	-	-	-	1,612,971	1,612,971
Receivables, net	48,276	31,640	19,261	99,177	-	99,177
Prepays	-	1,984	-	1,984	-	1,984
Total assets	<u>\$ 76,062</u>	<u>\$ 361,872</u>	<u>\$ 264,814</u>	<u>\$ 702,748</u>	<u>\$ 1,612,982</u>	<u>\$ 2,315,730</u>
LIABILITIES						
Accounts payable and other current liabilities	<u>\$ 41,249</u>	<u>\$ 73,386</u>	<u>\$ 43,023</u>	<u>\$ 157,658</u>	<u>\$ -</u>	<u>\$ 157,658</u>
Total liabilities	<u>41,249</u>	<u>73,386</u>	<u>43,023</u>	<u>157,658</u>	<u>-</u>	<u>157,658</u>
DEFERRED INFLOWS OF RESOURCES	<u>34,813</u>	<u>-</u>	<u>-</u>	<u>34,813</u>	<u>-</u>	<u>34,813</u>
FUND BALANCES						
Nonspendable:						
Prepays	-	1,984	-	1,984	-	1,984
Restricted:						
Stabilization by State statute	-	29,656	19,261	48,917	-	48,917
Public safety	-	-	189,801	189,801	-	189,801
Tourism	-	256,846	-	256,846	-	256,846
School debt service	-	-	-	-	1,612,982	1,612,982
Assigned	-	-	12,729	12,729	-	12,729
Total fund balances	<u>-</u>	<u>288,486</u>	<u>221,791</u>	<u>510,277</u>	<u>1,612,982</u>	<u>2,123,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 76,062</u>	<u>\$ 361,872</u>	<u>\$ 264,814</u>	<u>\$ 702,748</u>	<u>\$ 1,612,982</u>	<u>\$ 2,315,730</u>

POLK COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
 For the year ended June 30, 2019

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
Ad valorem taxes	\$ 2,079,961	\$ -	\$ -	\$ 2,079,961	\$ -	\$ 2,079,961
Other taxes	-	289,107	-	289,107	-	289,107
Restricted intergovernmental	-	-	231,134	231,134	-	231,134
Investment earnings	-	-	274	274	39,258	39,532
Total revenues	<u>2,079,961</u>	<u>289,107</u>	<u>231,408</u>	<u>2,600,476</u>	<u>39,258</u>	<u>2,639,734</u>
Expenditures						
Current:						
Public safety	2,079,961	-	385,485	2,465,446	-	2,465,446
Economic and physical development	-	214,834	-	214,834	-	214,834
Total expenditures	<u>2,079,961</u>	<u>214,834</u>	<u>385,485</u>	<u>2,680,280</u>	<u>-</u>	<u>2,680,280</u>
Revenues over (under) expenditures	<u>-</u>	<u>74,273</u>	<u>(154,077)</u>	<u>(79,804)</u>	<u>39,258</u>	<u>(40,546)</u>
Other Financing Sources						
Transfers from other funds	-	8,745	-	8,745	95,705	104,450
Total other financing sources	<u>-</u>	<u>8,745</u>	<u>-</u>	<u>8,745</u>	<u>95,705</u>	<u>104,450</u>
Net change in fund balances	-	83,018	(154,077)	(71,059)	134,963	63,904
Fund balances, beginning of year	<u>-</u>	<u>205,468</u>	<u>375,868</u>	<u>581,336</u>	<u>1,478,019</u>	<u>2,059,355</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 288,486</u>	<u>\$ 221,791</u>	<u>\$ 510,277</u>	<u>\$ 1,612,982</u>	<u>\$ 2,123,259</u>

POLK COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Fire District Fund
 For the year ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes:			
Taxes	\$ 2,068,268	\$ 2,050,223	\$ (18,045)
Penalties and interest	-	29,738	29,738
Total revenues	<u>2,068,268</u>	<u>2,079,961</u>	<u>11,693</u>
Expenditures			
Public safety:			
Sunny View Fire Department	348,000	347,103	897
Green Creek Fire Department	419,788	419,061	727
Tryon Fire Department	332,500	331,385	1,115
Saluda Fire Department	190,980	188,964	2,016
Mill Springs Fire Department	302,000	304,125	(2,125)
Columbus Fire Department	475,000	475,587	(587)
Edneyville Fire Department	-	3,902	(3,902)
Blue Ridge Fire Department	-	4,778	(4,778)
Dana Fire Department	-	5,056	(5,056)
Total expenditures	<u>2,068,268</u>	<u>2,079,961</u>	<u>(11,693)</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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Occupancy tax	\$ 231,255	\$ 289,107	\$ 57,852
Expenditures			
Economic and physical development:			
Tourism	240,000	214,834	25,166
Revenues over (under) expenditures	(8,745)	74,273	83,018
Other Financing Sources			
Transfers from other funds	8,745	8,745	-
Net change in fund balance	\$ -	83,018	\$ 83,018
Fund balance, beginning of year		205,468	
Fund balance, end of year		\$ 288,486	

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$ 232,221	\$ 231,134	\$ (1,087)
Interest earned	-	274	274
Total revenues	<u>232,221</u>	<u>231,408</u>	<u>(813)</u>
Expenditures			
Public safety:			
Telephone and furniture		122,062	
Software		100,364	
Hardware		121,451	
Training		12,366	
Functions		54,592	
Less: amounts recorded in prior period		<u>(25,350)</u>	
Total expenditures	<u>535,772</u>	<u>385,485</u>	<u>150,287</u>
Revenues over (under) expenditures	<u>(303,551)</u>	<u>(154,077)</u>	<u>149,474</u>
Other Financing Sources			
Appropriated fund balance	<u>303,551</u>	<u>-</u>	<u>(303,551)</u>
Net change in fund balance	<u>\$ -</u>	<u>(154,077)</u>	<u>\$ (154,077)</u>
Fund balance, beginning of year		<u>375,868</u>	
Fund balance, end of year		<u>\$ 221,791</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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 190	\$ 190
Other Financing Sources (Uses)			
Proceeds from sale of assets	-	6,861	6,861
Transfers from other funds	206,944	161,726	(45,218)
Transfers to other funds	(206,944)	-	206,944
Total other financing sources (uses)	-	168,587	168,587
Net change in fund balance	\$ -	168,777	\$ 168,777
Fund balance, beginning of year		1,045,507	
Fund balance, end of year		\$ 1,214,284	

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 39,258	\$ 39,258
Expenditures			
Debt service:			
Principal retirement *	95,706	-	95,706
Revenues over (under) expenditures	(95,706)	39,258	134,964
Other Financing Sources			
Transfers from other funds	95,706	95,705	(1)
Net change in fund balance	\$ -	134,963	\$ 134,963
Fund balance, beginning of year		1,478,019	
Fund balance, end of year		\$ 1,612,982	

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

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.
-

POLK COUNTY, NORTH CAROLINA

*Combining Statement of Changes in Fiduciary Assets and Liabilities**Agency Funds*

For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 93,474	\$ 111,060	\$ 104,904	\$ 99,630
Liabilities:				
Due to others	\$ 93,474	\$ 111,060	\$ 104,904	\$ 99,630
Property Tax Fund:				
Assets:				
Cash and cash equivalents	\$ 24,991	\$ 1,857,267	\$ 1,852,162	\$ 30,096
Liabilities:				
Due to other governments	\$ 24,991	\$ 1,857,267	\$ 1,852,162	\$ 30,096
Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	\$ 1,197	\$ 200,519	\$ 199,242	\$ 2,474
Liabilities:				
Due to Polk County Schools	\$ -	\$ 185,137	\$ 185,137	\$ -
Due to the State of North Carolina	1,197	15,382	14,105	2,474
	\$ 1,197	\$ 200,519	\$ 199,242	\$ 2,474
Other Agency Fund:				
Assets:				
Cash and cash equivalents	\$ 120,533	\$ 324,208	\$ 311,125	\$ 133,616
Liabilities:				
Due to others	\$ 120,533	\$ 324,208	\$ 311,125	\$ 133,616
Total:				
Assets:				
Cash and cash equivalents	\$ 240,195	\$ 2,493,054	\$ 2,467,433	\$ 265,816
Liabilities:				
Due to others	\$ 214,007	\$ 435,268	\$ 416,029	\$ 233,246
Due to other governments	24,991	1,857,267	1,852,162	30,096
Due to Polk County Schools	-	185,137	185,137	-
Due to the State of North Carolina	1,197	15,382	14,105	2,474
	\$ 240,195	\$ 2,493,054	\$ 2,467,433	\$ 265,816

OTHER SUPPLEMENTARY INFORMATION

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

POLK COUNTY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable
General Fund
 June 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 15,671,068	\$ 15,463,668	\$ 207,400
2017-2018	375,978	-	320,888	55,090
2016-2017	247,273	-	232,257	15,016
2015-2016	191,793	-	185,205	6,588
2014-2015	10,433	-	4,331	6,102
2013-2014	9,515	-	2,151	7,364
2012-2013	12,274	-	3,446	8,828
2011-2012	17,535	-	1,600	15,935
2010-2011	12,600	-	1,615	10,985
2009-2010	13,216	-	1,394	11,822
2008-2009	6,971	-	6,971	-
Total	<u>\$ 897,588</u>	<u>\$ 15,671,068</u>	<u>\$ 16,223,526</u>	345,130
Less allowance for uncollectible ad valorem taxes receivable				<u>(62,000)</u>
Ad valorem taxes receivable, net				<u>\$ 283,130</u>
Reconciliation with Revenues:				
Taxes - Ad valorem - General Fund				<u>\$ 16,248,394</u>
Reconciling items:				
Discounts allowed				(173,668)
Garnishment fees				8,156
Foreclosure fees				138
Taxes written off				6,971
Penalties and interest				190,162
Other adjustments				<u>(56,627)</u>
Total reconciling items				<u>(24,868)</u>
Total collections and credits				<u>\$ 16,223,526</u>

POLK COUNTY, NORTH CAROLINA

*Analysis of Current Year County-Wide Tax Levy
June 30, 2019*

	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	\$ 2,962,370,042	0.5294	\$ 15,682,787	\$ 14,546,515	\$ 1,136,272
Penalties	-		12,323	12,323	-
Total	<u>2,962,370,042</u>		<u>15,695,110</u>	<u>14,558,838</u>	<u>1,136,272</u>
Discoveries:					
Current year taxes	1,393,350	0.5294	7,376	7,376	-
Prior year taxes	-		22,144	22,144	-
Abatements:					
Current year taxes	(9,903,665)	0.5294	(52,430)	(52,430)	-
Prior year taxes	<u>-</u>	0.5175	<u>(1,132)</u>	<u>(1,132)</u>	<u>-</u>
Total property valuation	<u>\$ 2,953,859,727</u>				
Net levy			15,671,068	14,534,796	1,136,272
Uncollected taxes at June 30, 2019			<u>207,400</u>	<u>207,400</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 15,463,668</u>	<u>\$ 14,327,396</u>	<u>\$ 1,136,272</u>
Current Levy Collection %			<u>98.68%</u>	<u>98.57%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed Valuation					
Assessment Ratio ⁽¹⁾				100.00%	
Real Property				\$ 2,554,576,086	
Personal Property				79,316,372	
Public Service Companies ⁽²⁾				110,492,256	
Registered Motor Vehicles				<u>209,475,013</u>	
Total Assessed Valuation				2,953,859,727	
Tax Rate per \$100				<u>0.5294</u>	
Levy (includes discoveries, releases and abatements) ⁽³⁾				<u>\$ 15,671,068</u>	
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				\$ 144,337	
School Districts				82,162	
Towns				1,185,969	
Fire Protection Districts				<u>1,785,095</u>	
Total				<u>\$ 3,197,563</u>	

⁽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>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>
Governmental activities:							
Net investment in capital assets	\$ 19,242,095	\$	16,076,619	\$	17,491,725	\$	16,924,056
Restricted	514,929		3,359,835		2,343,502		2,357,260
Unrestricted	(5,965,030)		(1,239,021)		445,749		1,488,679
Total governmental activities net position	<u>\$ 13,791,994</u>	<u>\$</u>	<u>18,197,433</u>	<u>\$</u>	<u>20,280,976</u>	<u>\$</u>	<u>20,769,995</u>
Business-type activities:							
Net investment in capital assets	\$ 8,945,463	\$	9,027,773	\$	9,283,387	\$	9,708,668
Unrestricted	172,796		673,949		842,565		2,043,592
Total business-type activities net position	<u>\$ 9,118,259</u>	<u>\$</u>	<u>9,701,722</u>	<u>\$</u>	<u>10,125,952</u>	<u>\$</u>	<u>11,752,260</u>
Primary government:							
Net investment in capital assets	\$ 28,187,558	\$	25,104,392	\$	26,775,112	\$	26,632,724
Restricted	514,929		3,359,835		2,343,502		2,357,260
Unrestricted	(5,792,234)		(565,072)		1,288,314		3,532,271
Total primary government net position	<u>\$ 22,910,253</u>	<u>\$</u>	<u>27,899,155</u>	<u>\$</u>	<u>30,406,928</u>	<u>\$</u>	<u>32,522,255</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

2014 ⁽²⁾		2015		2016		2017		2018		2019	
\$	16,823,252	\$	16,778,656	\$	17,116,720	\$	19,222,539	\$	19,705,853	\$	21,497,816
	2,513,727		3,408,680		3,418,452		3,320,069		4,183,324		4,309,526
	2,508,175		2,189,288		2,718,297		3,643,334		5,251,178		7,006,374
\$	21,845,154	\$	22,376,624	\$	23,253,469	\$	26,185,942	\$	29,140,355	\$	32,813,716
\$	10,958,504	\$	12,699,586	\$	13,477,068	\$	13,391,365	\$	13,335,905	\$	13,209,319
	649,402		784,618		1,068,528		1,261,377		1,384,089		1,495,833
\$	11,607,906	\$	13,484,204	\$	14,545,596	\$	14,652,742	\$	14,719,994	\$	14,705,152
\$	27,781,756	\$	29,478,242	\$	30,593,788	\$	32,613,904	\$	33,041,758	\$	34,707,135
	2,513,727		3,408,680		3,418,452		3,320,069		4,183,324		4,309,526
	3,157,577		2,973,906		3,786,825		4,904,711		6,635,267		8,502,207
\$	33,453,060	\$	35,860,828	\$	37,799,065	\$	40,838,684	\$	43,860,349	\$	47,518,868

POLK COUNTY, NORTH CAROLINA

Revenues, Expenses, and Changes in Net Position

Last Ten Fiscal Years

	2010	2011	2012	2013
Governmental activities				
Program revenues:				
Charges for services:				
General government	\$ 832,957	\$ 1,180,459	\$ 369,453	\$ 370,476
Public safety	746,571	655,485	688,868	429,208
Human services	250,656	230,731	272,605	265,407
Cultural and recreational	131,766	104,203	118,711	114,765
Operating grants and contributions	3,250,918	3,210,156	3,003,690	2,952,339
Capital grants and contributions	25,000	1,395,348	232,219	181,457
Total program revenues	<u>5,237,868</u>	<u>6,776,382</u>	<u>4,685,546</u>	<u>4,313,652</u>
Expenses:				
General government	2,597,039	2,564,394	2,758,095	2,773,817
Public safety	5,130,053	5,400,531	5,899,783	5,704,927
Economic and physical development	1,016,720	919,265	760,672	811,129
Human services	4,259,428	4,366,981	4,604,527	4,873,307
Cultural and recreational	922,727	1,414,145	1,814,164	1,524,910
Education	4,663,770	4,759,096	5,079,611	5,238,727
Interest on long-term debt	663,762	526,997	540,693	381,823
Total program expenses	<u>19,253,499</u>	<u>19,951,409</u>	<u>21,457,545</u>	<u>21,308,640</u>
Net expenses	<u>(14,015,631)</u>	<u>(13,175,027)</u>	<u>(16,771,999)</u>	<u>(16,994,988)</u>
General revenues and transfers:				
Taxes:				
Property taxes	15,371,932	15,293,427	15,698,882	15,603,425
Local option sales tax	2,207,319	2,050,123	3,220,416	3,247,594
Other taxes	298,009	294,499	270,301	287,912
Investment earnings, unrestricted	56,921	42,466	36,751	39,917
Miscellaneous, unrestricted	263,917	152,021	343,726	125,016
Transfers	(624,369)	(252,070)	(714,534)	(1,819,857)
Total general revenues and transfers	<u>17,573,729</u>	<u>17,580,466</u>	<u>18,855,542</u>	<u>17,484,007</u>
Change in net position	<u>3,558,098</u>	<u>4,405,439</u>	<u>2,083,543</u>	<u>489,019</u>

2014 ⁽²⁾	2015	2016	2017	2018	2019
\$ 418,126	\$ 489,951	\$ 295,730	\$ 352,739	\$ 359,290	\$ 369,492
709,506	767,946	1,017,988	1,092,754	1,184,666	1,263,867
245,308	246,271	144,715	165,618	145,281	98,719
118,479	136,669	201,323	199,738	135,678	121,817
3,377,349	3,354,029	3,550,592	3,713,449	3,428,648	4,505,063
531,932	632,886	95,705	244,527	145,705	1,104,185
5,400,700	5,627,752	5,306,053	5,768,825	5,399,268	7,463,143
2,944,270	2,742,665	3,108,920	4,402,630	3,127,258	4,124,498
6,233,081	6,696,025	7,200,671	6,297,154	7,952,358	9,445,809
1,577,119	1,092,014	762,832	647,755	851,477	1,006,404
4,445,455	4,539,628	4,406,543	4,927,167	4,282,258	4,243,382
1,559,705	1,573,950	1,773,442	1,758,546	1,780,219	1,965,129
5,937,254	5,786,491	5,539,826	5,765,217	5,685,884	6,202,220
337,287	305,706	122,188	323,545	409,921	342,910
23,034,171	22,736,479	22,914,422	24,122,014	24,089,375	27,330,352
(17,633,471)	(17,108,727)	(17,608,369)	(18,353,189)	(18,690,107)	(19,867,209)
15,888,653	15,806,434	15,949,683	16,772,188	16,840,050	17,721,888
3,232,234	3,344,092	3,211,303	4,090,672	4,332,174	4,973,439
280,937	317,665	149,841	201,098	245,521	289,107
34,432	36,268	62,988	125,981	246,235	389,495
124,889	127,758	140,720	198,271	75,540	261,641
(135,490)	(1,992,020)	(1,083,315)	(76,190)	(95,000)	(95,000)
19,425,655	17,640,197	18,431,220	21,312,020	21,644,520	23,540,570
1,792,184	531,470	822,851	2,958,831	2,954,413	3,673,361

continued on next page

POLK COUNTY, NORTH CAROLINA

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Business-type activities				
Program revenues:				
Charges for services:				
Solid waste	\$ 1,166,548	\$ 1,185,595	\$ 1,252,841	\$ 1,261,698
Water	255,825	59,545	30,521	34,857
Water capital projects	-	135,753	-	-
Operating grants and contributions	-	-	-	15,458
Capital grants and contributions	21,667	267,995	-	-
Total program revenues	<u>1,444,040</u>	<u>1,648,888</u>	<u>1,283,362</u>	<u>1,312,013</u>
Expenses:				
Solid waste	1,194,725	1,172,556	1,253,339	1,359,559
Water	211,710	144,939	320,327	221,170
Total program expenses	<u>1,406,435</u>	<u>1,317,495</u>	<u>1,573,666</u>	<u>1,580,729</u>
Net revenues (expenses)	<u>37,605</u>	<u>331,393</u>	<u>(290,304)</u>	<u>(268,716)</u>
General revenues and transfers:				
Other taxes	-	-	-	44,138
Miscellaneous, unrestricted	-	-	-	31,029
Transfers	624,369	252,070	714,534	1,819,857
	<u>624,369</u>	<u>252,070</u>	<u>714,534</u>	<u>1,895,024</u>
Change in net position	<u>661,974</u>	<u>583,463</u>	<u>424,230</u>	<u>1,626,308</u>
Primary government				
Program revenues	6,681,908	8,425,270	5,968,908	5,625,665
Expenses	<u>20,659,934</u>	<u>21,268,904</u>	<u>23,031,211</u>	<u>22,889,369</u>
Net expenses	<u>(13,978,026)</u>	<u>(12,843,634)</u>	<u>(17,062,303)</u>	<u>(17,263,704)</u>
General revenues and transfers	<u>18,198,098</u>	<u>17,832,536</u>	<u>19,570,076</u>	<u>19,379,031</u>
Change in net position	<u>\$ 4,220,072</u>	<u>\$ 4,988,902</u>	<u>\$ 2,507,773</u>	<u>\$ 2,115,327</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

2014 ⁽²⁾	2015	2016	2017	2018	2019
\$ 1,323,063	\$ 1,411,327	\$ 1,393,764	\$ 1,471,321	\$ 1,557,156	\$ 1,668,510
17,858	4,500	5,099	9,000	85,500	1,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,340,921	1,415,827	1,398,863	1,480,321	1,642,656	1,670,010
1,416,362	1,370,127	1,220,455	1,273,902	1,447,256	1,560,499
249,315	207,665	250,737	227,571	274,585	276,241
1,665,677	1,577,792	1,471,192	1,501,473	1,721,841	1,836,740
(324,756)	(161,965)	(72,329)	(21,152)	(79,185)	(166,730)
44,912	46,243	50,406	52,108	51,437	56,888
-	-	-	-	-	-
135,490	1,992,020	1,083,315	76,190	95,000	95,000
180,402	2,038,263	1,133,721	128,298	146,437	151,888
(144,354)	1,876,298	1,061,392	107,146	67,252	(14,842)
6,741,621	7,043,579	6,704,916	7,249,146	7,041,924	9,133,153
24,699,848	24,314,271	24,385,614	25,623,487	25,811,216	29,167,092
(17,958,227)	(17,270,692)	(17,680,698)	(18,374,341)	(18,769,292)	(20,033,939)
19,606,057	19,678,460	19,564,941	21,440,318	21,790,957	23,692,458
\$ 1,647,830	\$ 2,407,768	\$ 1,884,243	\$ 3,065,977	\$ 3,021,665	\$ 3,658,519

POLK COUNTY, NORTH CAROLINA

Fund Balances - Governmental Funds
Last Ten Fiscal Years

	2010	2011	2012	2013
General fund:				
Reserved	\$ 727,136	N/A	N/A	N/A
Unreserved	7,058,899	N/A	N/A	N/A
Nonspendable:				
Prepays	N/A	\$ -	\$ -	\$ -
Restricted:				
Stabilization by State Statute	N/A	1,137,887	1,075,768	785,210
Public safety	N/A	-	-	-
Committed:				
Tax Revaluation	N/A	682,465	838,533	973,254
Assigned:				
Subsequent year's expenditure	N/A	79,820	-	445,542
Unassigned	N/A	6,044,488	6,011,199	5,738,575
Total General Fund	\$ 7,786,035	\$ 7,944,660	\$ 7,925,500	\$ 7,942,581
Other governmental funds:				
Reserved	\$ 548,126	N/A	N/A	N/A
Unreserved, reported in:				
Special revenue funds	1,148,062	N/A	N/A	N/A
Capital projects fund	331,799	N/A	N/A	N/A
Nonspendable:				
Prepays	N/A	\$ -	\$ -	\$ -
Restricted:				
Stabilization by State Statute	N/A	395,670	25,460	-
Public safety	N/A	414,260	376,989	437,439
Construction of new buildings	N/A	775,150	107,665	134,921
Tourism	N/A	10,496	17,926	24,372
Economic and physical development	N/A	-	-	118,852
School debt service	N/A	626,372	739,694	856,466
Committed:				
Dam repair	N/A	210,000	-	-
Vehicles	N/A	54,000	-	-
Communications	N/A	112,713	-	-
Waterline extension	N/A	-	852,206	-
Assigned:				
Subsequent year's expenditures	N/A	192,301	-	-
Capital projects	N/A	-	-	1,099,551
Public safety	N/A	-	-	-
Unassigned (deficit)	N/A	(369,488)	-	-
Total other funds	\$ 2,027,987	\$ 2,421,474	\$ 2,119,940	\$ 2,671,601

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

Source: Polk County Financial Statements

2014	2015	2016	2017	2018	2019
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ 170,561	\$ 168,196	\$ 182,215	\$ 188,873
1,047,125	1,163,570	1,633,744	1,552,457	2,005,617	2,100,974
-	-	-	16,461	16,657	17,011
938,082	919,154	708,468	515,224	490,638	468,810
474,719	888,900	-	546,676	408,240	323,925
7,047,387	5,906,286	6,534,837	6,225,687	6,710,905	8,530,347
\$ 9,507,313	\$ 8,877,910	\$ 9,047,610	\$ 9,024,701	\$ 9,814,272	\$ 11,629,940
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ 3,266	\$ 479	\$ 1,047	\$ 1,984
-	-	44,120	46,260	102,091	82,820
431,493	445,577	400,698	8,787,238	1,662,015	516,157
-	-	-	-	-	-
43,373	99,671	88,809	107,185	160,079	256,846
15,227	25,691	27,690	27,486	-	-
976,509	1,099,051	1,223,391	1,350,067	1,478,019	1,612,982
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
634,512	1,251,150	777,107	1,477,203	1,568,815	2,019,315
-	-	-	-	-	12,729
-	-	(8,543)	-	(8,485)	-
\$ 2,101,114	\$ 2,921,140	\$ 2,556,538	\$ 11,795,918	\$ 4,963,581	\$ 4,502,833

POLK COUNTY, NORTH CAROLINA

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

	2010	2011	2012	2013
Revenues:				
Property taxes	\$ 15,124,648	\$ 15,392,862	\$ 15,437,492	\$ 15,530,011
Local option sales taxes	2,207,319	2,050,123	3,220,416	3,247,594
Other taxes	298,009	294,499	67,713	69,564
Unrestricted intergovernmental	458,065	821,630	-	-
Restricted intergovernmental	3,275,917	4,605,504	3,438,497	3,353,992
Restricted contributions	-	-	-	-
Permits and fees	275,786	248,561	309,603	297,483
Sales and services	1,228,099	1,100,687	1,178,919	1,165,089
Investment earnings	56,921	42,466	36,751	39,917
Miscellaneous	263,917	152,021	343,726	125,016
Total revenues	23,188,681	24,708,353	24,033,117	23,828,666
Expenditures:				
Current:				
General government	2,322,946	2,307,926	2,238,737	2,261,154
Public safety	5,021,443	5,413,393	5,641,523	5,636,335
Economic and physical development	1,026,375	919,971	748,902	806,231
Human services	4,098,286	4,599,715	4,238,766	4,305,639
Cultural and recreational	1,256,085	2,475,080	1,471,813	1,190,189
Intergovernmental:				
Education	4,736,505	4,759,096	5,079,611	5,238,727
Capital outlay	576,650	1,209,750	895,780	589,734
Debt service:				
Principal	2,945,425	3,540,000	2,818,743	1,345,878
Interest	663,610	529,240	515,402	392,790
Total expenditures	22,647,325	25,754,171	23,649,277	21,766,677
Other financing sources (uses):				
Proceeds from sales of assets	-	-	-	54,579
Proceeds from capital lease	-	-	-	282,031
Proceeds from installment purchase contracts	-	1,850,000	-	-
Transfers from other funds	410,261	514,194	339,706	495,878
Transfers to other funds	(541,074)	(766,264)	(1,054,240)	(2,315,735)
Total other financing sources (uses):	(130,813)	1,597,930	(714,534)	(1,483,247)
Net change in fund balances	\$ 410,543	\$ 552,112	\$ (330,694)	\$ 578,742
Debt service as a percentage of non-capital expenditures	16.4%	16.6%	14.7%	8.2%

Source: Polk County Financial Statements

	2014	2015	2016	2017	2018	2019
\$	15,876,129	\$ 15,671,820	\$ 16,150,390	\$ 16,686,794	\$ 16,614,744	\$ 18,328,355
	3,232,234	3,344,092	3,513,262	4,090,672	4,332,174	4,973,439
	76,154	117,868	149,841	201,098	245,521	289,107
	-	-	-	-	-	-
	4,020,364	3,399,130	3,646,295	3,957,976	3,551,533	4,879,248
	93,725	787,857	-	-	22,800	730,000
	340,563	406,966	365,658	439,525	603,219	475,199
	1,158,433	1,301,164	1,294,100	1,371,324	1,221,716	1,378,696
	34,432	36,268	62,988	125,981	246,235	389,495
	124,889	127,758	140,720	198,271	75,540	261,641
	24,956,923	25,192,923	25,323,254	27,071,641	26,913,482	31,705,180
	2,595,845	2,489,437	2,832,665	4,060,235	2,825,501	3,841,536
	5,849,037	6,410,486	6,848,449	5,893,817	7,368,662	8,690,664
	1,562,525	1,097,371	763,494	644,324	838,107	997,507
	4,248,054	4,461,551	4,258,143	4,758,052	4,050,988	4,001,694
	1,293,759	1,301,417	1,487,901	1,501,409	1,511,277	1,704,075
	5,937,254	5,786,491	5,539,826	5,765,217	5,685,884	6,202,220
	656,314	628,586	1,163,108	6,658,814	8,029,631	2,342,214
	1,336,449	1,338,613	1,395,210	1,768,942	2,142,457	2,114,551
	348,255	296,328	156,377	246,192	421,540	376,583
	23,827,492	23,810,280	24,445,173	31,297,002	32,874,047	30,271,044
	304	-	6,425	18,022	9,173	11,907
	-	-	-	-	-	-
	-	800,000	-	13,500,000	-	-
	233,089	208,281	290,781	366,221	273,156	104,450
	(368,579)	(2,200,301)	(1,374,096)	(442,411)	(364,530)	(195,573)
	(135,186)	(1,192,020)	(1,076,890)	13,441,832	(82,201)	(79,216)
\$	994,245	\$ 190,623	\$ (198,809)	\$ 9,216,471	\$ (6,042,766)	\$ 1,354,920
	7.3%	7.1%	6.7%	8.2%	10.3%	8.9%

POLK COUNTY, NORTH CAROLINA

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands)

	2010	2011	2012	2013
Real property	\$ 2,691,983	\$ 2,731,694	\$ 2,732,468	\$ 2,723,284
Personal property	161,911	155,922	172,627	171,863
Public service companies	71,821	64,304	65,814	76,478
Less tax exempt property	(189,654)	(216,414)	(215,794)	(220,313)
Total taxable assessed value	<u>\$ 2,736,061</u>	<u>\$ 2,735,506</u>	<u>\$ 2,755,115</u>	<u>\$ 2,751,312</u>
Total direct tax rate	<u>0.5200</u>	<u>0.5200</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

2014	2015	2016	2017	2018	2019
\$ 2,582,280	\$ 2,694,037	\$ 2,722,705	\$ 2,778,171	\$ 2,838,747	\$ 2,895,896
363,642	227,145	237,507	265,243	275,372	288,791
82,533	80,835	78,842	72,695	86,418	110,492
(223,908)	(228,599)	(230,862)	(233,111)	(316,061)	(341,320)
<hr/>					
\$ 2,804,547	\$ 2,773,418	\$ 2,808,192	\$ 2,882,998	\$ 2,884,476	\$ 2,953,859
<hr/>					
0.5175	0.5175	0.5175	0.5375	0.5294	0.5294
<hr/>					

POLK COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years (rate per \$100 of assessed value)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
County direct rate:										
General Fund	0.5200	0.5200	0.5200	0.5200	0.5175	0.5175	0.5175	0.5375	0.5294	0.5294
Harmon Field rate	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0334	0.0334
City/town rates:										
Saluda	0.5050	0.5050	0.5050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450
Columbus	0.3900	0.3900	0.3900	0.4000	0.4000	0.4000	0.4150	0.4200	0.4246	0.4446
Tryon	0.5258	0.5258	0.5258	0.5258	0.5508	0.5508	0.5708	0.5708	0.5663	0.6088
Fire district rates:										
Saluda	0.0650	0.0650	0.0650	0.0650	0.0750	0.0750	0.0850	0.0950	0.0940	0.1050
Sunnyview	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0759	0.0759
Mill Spring	0.0500	0.0500	0.0500	0.0500	0.0650	0.0650	0.0650	0.0700	0.0663	0.0813
Green Creek	0.0410	0.0410	0.0410	0.0410	0.0410	0.0410	0.0410	0.0560	0.0446	0.0646
Tryon	0.0480	0.0480	0.0480	0.0480	0.0480	0.0480	0.0680	0.0680	0.0635	0.1035
Columbus	0.0400	0.0400	0.0400	0.0500	0.0500	0.0650	0.0650	0.0700	0.0746	0.0746
Edneyville	-	-	-	-	-	-	-	-	0.1050	0.1050
Blue Ridge	-	-	-	-	-	-	-	-	0.1200	0.1200
Dana	-	-	-	-	-	-	-	-	0.1300	0.1300
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>2.3098</u>	<u>2.3098</u>	<u>2.3098</u>	<u>2.4298</u>	<u>2.4773</u>	<u>2.4923</u>	<u>2.5573</u>	<u>2.6173</u>	<u>2.9626</u>	<u>3.1511</u>

POLK COUNTY, NORTH CAROLINA

Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	2019			2010		
	<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 ⁽¹⁾	\$ 78,638,023	1	26.62%	\$ 11,341,634	6	4.15%
Adult Communities Total						
Services	43,777,210	2	14.82%	49,056,958	2	17.93%
Tryon Showgrounds	42,623,620	3	14.43%	N/A		
Public Service Co., of NC	23,919,354	4	8.10%	8,394,688	9	3.07%
Duke Energy	23,766,087	5	8.05%	29,982,042	3	10.96%
Mill Spring Resort	17,124,901	6	5.80%	55,370,571	1	20.24%
Rutherford Electric Membership Corporation	16,990,713	7	5.75%	22,463,468	4	8.21%
Clary Hood Inc	13,262,135	8	4.49%	N/A		
Travis Oates LLC	12,233,780	9	4.14%	N/A		
Green River Farm LLC	11,408,196	10	3.86%	N/A		
Tryon Investment Properties				10,982,022	7	4.01%
Chesnut Oak Development				8,350,600	10	3.05%
Windstream NC Inc.				16,135,918	5	5.90%
Tryon/Columbus Retirement				9,262,964	8	3.39%
Total	<u><u>\$ 283,744,019</u></u>		<u><u>96.06%</u></u>	<u><u>\$ 221,340,865</u></u>		<u><u>80.90%</u></u>

⁽¹⁾ Previously White Oak Development
Source: Polk County Tax Department

POLK COUNTY, NORTH CAROLINA

Property Tax Levies and Collections

Last Ten Fiscal Years

(In thousands)

	2010	2011	2012	2013
Taxes levied for the year	\$ 14,225	\$ 14,234	\$ 14,327	\$ 14,307
Collected within the fiscal year of the levy:				
Amount	13,700	13,759	13,849	13,875
Percentage	96%	97%	97%	97%
Current uncollected balance	12	11	16	9
Collection in subsequent years	513	464	462	423
Total collections to date:				
Amount	14,213	14,223	14,311	14,298
Percentage	99.92%	99.92%	99.89%	99.94%

Source: Polk County Financial Statements

2014	2015	2016	2017	2018	2019
\$ 14,514	\$ 14,352	\$ 14,538	\$ 15,501	\$ 15,283	\$ 15,671
14,145 97%	13,886 97%	14,149 97%	15,115 98%	14,907 98%	15,464 99%
7 362	6 460	7 382	15 371	55 321	207 -
14,507 99.95%	14,346 99.96%	14,531 99.95%	15,486 99.90%	15,228 99.64%	15,464 98.68%

POLK COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Direct placement installment purchases	16,383,998	14,694,000	11,937,334	10,654,001
Capital leases	175,310	115,961	53,884	273,370
Total governmental activities	<u>16,559,308</u>	<u>14,809,961</u>	<u>11,991,218</u>	<u>10,927,371</u>
Business-type activities:				
Direct placement installment purchases	<u>194,290</u>	<u>190,661</u>	<u>186,556</u>	<u>182,197</u>
Total government-wide	<u>\$ 16,753,598</u>	<u>\$ 15,000,622</u>	<u>\$ 12,177,774</u>	<u>\$ 11,109,568</u>
Total debt as a percent of personal income	2.33%	2.07%	1.61%	1.45%
Total debt per capita	\$ 866	\$ 729	\$ 596	\$ 544
Percentage of bonded debt to estimated actual property value	0.00%	0.00%	0.00%	0.00%
Bonded debt per capita	\$ -	\$ -	\$ -	\$ -

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,370,668	8,887,335	7,549,657	19,340,591	17,245,700	15,131,149
220,254	164,974	107,442	47,566	-	-
9,590,922	9,052,309	7,657,099	19,388,157	17,245,700	15,131,149
177,570	172,657	167,441	161,903	156,024	149,782
\$ 9,768,492	\$ 9,224,966	\$ 7,824,540	\$ 19,550,060	\$ 17,401,724	\$ 15,280,931
1.20%	1.09%	0.90%	2.20%	N/A	N/A
\$ 474	\$ 444	\$ 376	\$ 930	\$ 818	\$ 707
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, 2019

Governmental Unit:	Debt Outstanding ⁽¹⁾	Estimated Percentage Applicable	Applicable to Primary Government
Town of Columbus ⁽¹⁾	\$ 193,540	100%	\$ 193,540
Town of Tryon ⁽¹⁾	3,124,415	100%	3,124,415
City of Saluda ⁽¹⁾	682,192	100%	682,192
	Subtotal, overlapping debt		4,000,147
	Polk County direct debt		15,131,149
	Total direct and overlapping debt		\$ 19,131,296

⁽¹⁾ Municipalities' information provided by the individual municipalities within Polk County.

POLK COUNTY, NORTH CAROLINA

Legal Debt Margin Information
Last Ten Fiscal Years

	2010	2011	2012	2013
Debt limit	\$ 218,884,896	\$ 219,751,408	\$ 220,409,169	\$ 220,105,015
Total debt applicable to limit	16,559,308	14,809,961	11,991,218	10,927,371
Legal debt margin	<u>\$ 202,325,588</u>	<u>\$ 204,941,447</u>	<u>\$ 208,417,951</u>	<u>\$ 209,177,644</u>
Total debt applicable to the limit as a percentage of debt limit	7.57%	6.74%	5.44%	4.96%

Source: Polk County Financial Statements

2014	2015	2016	2017	2018	2019
\$ 224,363,764	\$ 221,873,438	\$ 224,655,361	\$ 230,639,810	\$ 230,758,117	\$ 236,308,778
9,590,922	9,052,309	7,824,540	19,550,060	17,401,724	15,280,931
\$ 214,772,842	\$ 212,821,129	\$ 216,830,821	\$ 211,089,750	\$ 213,356,393	\$ 221,027,847
4.27%	4.08%	3.48%	8.48%	7.54%	6.47%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$ 2,953,859,727
Debt limit (8% of assessed value)	\$ 236,308,778
Debt applicable to limit:	
Installment purchase contracts	15,280,931
Legal debt margin	\$ 221,027,847

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>
2010	19,355	719,194	35,174	47.08	2,385	8.1%
2011	20,588	724,077	35,683	47.17	2,355	7.7%
2012	20,433	755,522	37,312	49.58	2,293	8.0%
2013	20,422	764,328	37,485	49.68	2,294	6.9%
2014	20,603	816,016	40,125	50.01	2,246	4.7%
2015	20,755	844,715	41,477	50.36	2,276	5.7%
2016	20,828	866,459	42,611	51.06	2,167	4.9%
2017	21,020	889,704	43,278	51.29	2,147	4.0%
2018	21,275	N/A	N/A	51.80	2,098	4.1%
2019	21,614	N/A	N/A	52.10	2,099	4.5%

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>2019</u>			<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Polk County Public Schools	250-499	1	2.8% - 5.6%	450	1	4.66%
St. Luke's Hospital Inc	250-499	2	2.8% - 5.6%	344	2	3.56%
Acts Inc	250-499	3	2.8% - 5.6%	250	3	2.59%
Polk County Government	250-499	4	1.1% - 2.8%	218	4	2.26%
Cooper Riis Inc	100-249	5	1.1% - 2.8%	N/A	N/A	0.00%
Tryon International Equestrian Ctr	100-249	6	1.1% - 2.8%	N/A	N/A	0.00%
White Oak Management Inc	100-249	7	1.1% - 2.8%	137	5	1.42%
Pavillon International (A Corp)	100-249	8	1.1% - 2.8%	N/A	N/A	0.00%
Polk Vocational Services	50-99	9	.06% - 1%	80	7	0.83%
Pure Country	50-99	10	.06% - 1%	N/A	N/A	0.00%
Community Choices Inc	50-99	11	.06% - 1%	N/A	N/A	0.00%
Autumn Corporation	50-99	12	.06% - 1%	120	6	1.24%
Milliken & Co Inc	50-99	13	.06% - 1%	N/A	N/A	0.00%
Food Lion	50-99	14	.06% - 1%	N/A	N/A	0.00%
Carolina Yarn Processors	N/A		0.00%	60	9	0.62%
Quality Textiles	N/A		0.00%	63	8	0.65%
Hatch Plant	N/A		0.00%	50	11	0.52%
Laurel Hurst	N/A		0.00%	55	10	0.57%
Total Workforce & % of:	<u>9,301</u>		<u>14.3% - 37.8%</u>	<u>9,651</u>		<u>18.92%</u>

NOTE: Percent range for 2019 & as shown for 2010

N/A Information not available.

Source: d4ncommerce.com for 2019 & Local Business Survey for 2010

POLK COUNTY, NORTH CAROLINA

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government:										
Governing Body	-	-	-	-	-	-	1.0	1.0	0.5	0.5
Administration - Co Mgr	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.5	4.0	3.5
Finance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.5	4.0	4.0
Tax - collections	8.3	7.3	8.0	7.5	8.0	7.0	8.0	8.0	8.0	8.0
Tag Office						1.5	1.4	2.4	2.4	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	2.8	2.8	2.8	2.8	2.8	2.8
Public buildings	3.4	3.4	3.0	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Management info systems	3.0	3.0	3.0	2.5	2.8	3.0	2.5	2.5	2.5	2.5
Public safety:										
Sheriff's department	22.5	23.5	27.0	30.0	32.0	33.0	33.0	34.0	34.0	36.0
Jail	10.5	10.0	10.5	10.5	11.0	10.0	11.0	11.0	24.0	24.5
Communications	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Emergency management	-	-	-	-	-	1.0	1.0	1.0	1.0	1.5
Animal control	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.8
Community development	3.0	3.0	3.0	3.0	3.0	4.0	4.0	5.0	6.0	6.0
Emergency medical services	18.5	17.0	17.0	18.0	18.0	17.0	18.0	19.0	20.0	20.0
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	5.3	5.5	4.5	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Soil and water conservation	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Economic and development	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human services:										
Public transportation	15.0	15.0	16.0	17.5	17.5	17.5	17.5	15.0	17.0	14.5
Social service administration	31.5	32.0	30.0	30.0	30.0	31.0	32.0	33.0	34.5	38.1
Veteran's administration	0.6	0.8	0.8	0.8	0.8	0.85	0.9	1.0	1.0	1.0
Cultural and recreational:										
Senior Centers	5.7	5.7	6.3	6.3	6.3	6.9	6.9	6.9	6.9	6.9
Library	10.5	9.5	9.5	9.5	9.5	10.7	10.7	10.7	10.7	10.7
Recreation	4.0	5.0	5.2	5.2	5.2	6.2	6.2	6.2	6.2	6.2
Total	<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>194.1</u>	<u>195.7</u>	<u>213.7</u>	<u>218.1</u>

Source: Various County Departments.

POLK COUNTY, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government:				
Percentage of registered voters participating in General Election	53%	N/A	72%	N/A
Public Safety:				
Number of inmates processed	761	715	757	687
Number of inmate days	8,602	7,397	10,581	11,392
Number of building permits issued	54	34	44	44
Number of EMS calls dispatched	2,917	2,639	2,617	2,790
Human Services:				
Public transportation total route miles	403,153	410,156	414,106	371,596
Public transportation passengers	55,061	56,081	57,707	46,059
Number of children in Foster Care	22	24	20	21
Economic & Physical Development:				
Number of plats recorded	143	157	149	128
Culture and Recreation - Library:				
Volumes in collection	60,233	60,509	60,939	59,450
Circulation	101,406	103,761	104,502	110,834
Education:				
Current expense per ADM	\$ 1,866	\$ 1,862	\$ 2,021	\$ 2,086
Enterprise Fund- Landfill:				
Tons of waste received	17,892	17,775	18,808	20,894

N/A Information not available

Source: Various County Departments

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
49%	N/A	68%	N/A	58%	N/A
926	1,119	910	992	965	1,122
10,274	10,760	10,409	9,269	8,816	17,949
59	72	59	85	90	78
2,725	3,237	3,190	3,105	3,154	3,320
332,025	356,307	368,690	381,076	389,799	434,257
40,420	39,520	40,597	39,448	39,603	39,662
17	33	30	51	51	39
169	175	141	194	141	173
63,636	57,368	53,191	52,304	53,830	54,846
110,954	143,291	157,858	158,968	149,662	152,273
\$ 2,130	\$ 2,168	\$ 2,323	\$ 2,389	\$ 2,445	\$ 2,444
22,653	21,440	21,009	19,156	23,495	23,121

POLK COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function

Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	31	31	35	38	37	37	43	39	35	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	613
Baseball/softball fields	5	5	5	5	5	5	5	5	5	5
Senior Centers	3	3	3	3	3	3	3	3	3	3
Human Services:										
Transit-Vans	<u>11</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>17</u>	<u>20</u>
	193	196	200	203	203	203	209	205	203	683

Source: Various County Departments

COMPLIANCE SECTION

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



**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, 2019, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements, and have issued our report thereon dated November 30, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 30, 2019



**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, 2019. 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, 2019.

Report on Internal Control Over Compliance

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

circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and question costs as item 2019-001, that we consider to be a material weakness.

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 30, 2019



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

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

Independent Auditors' Report

Board of County Commissioners
Polk County, North Carolina

Report on Compliance for Each Major State Program

We have audited Polk County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* that could have a direct and material effect on each of Polk County, North Carolina's major state programs for the year ended June 30, 2019. Polk County, North Carolina's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Polk County, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Polk County, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Polk County, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Polk County, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing

procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County, North Carolina's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001, that we consider to be a material weakness.

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

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 30, 2019

POLK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Medicaid Cluster	93.778, 93.777, 93.775
SNAP Cluster	10.561
IV-E Foster Care	93.658

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

Polk County qualified as a low-risk auditee? ☐ yes ☒ no

POLK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

State Awards

Internal control over major State programs:

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

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

Unmodified

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

 X yes no

Identification of major State programs:

Program Name
Medicaid Cluster
IV-E Foster Care
WEG Grant – NC Dept of Agriculture

II. Financial Statement Findings

None reported.

POLK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2019

III. Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX); SNAP Cluster
CFDA # 93.778; 10.561

Finding: 2019-001 Medicaid and SNAP Second Party Reviews
MATERIAL WEAKNESS

Criteria: The Division of Medical Assistance (DMA) requires second party reviews for Medicaid cases of all counties in North Carolina. The reviews are not only a requirement, but are a necessary component in the County's system of internal control to train case workers, and detect and correct errors in eligibility determinations or documentation.

Condition: Polk County's second party review process is not detecting and correcting errors in a timely manner. There were several second party review case files that were reviewed by a supervisor that were either not accurately reviewed to identify errors or errors were noted by the reviewer but not corrected by the caseworker. The errors noted during our review were technical errors and did not have an effect on eligibility determinations.

Cause: The County does not have a formal process to track and monitor the second party reviews.

Effect: Errors can occur in determining or documenting Medicaid or SNAP eligibility and not be detected or corrected in a timely manner. Potential errors not detected in second party review process could impact an individual's eligibility determination and potential medical expenses could be inappropriately paid. The County could be responsible to pay back these claims.

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

Questioned costs: none.

Recommendation: We have recommended to management that the second party review process be standardized for all case files reviewed. Supervisors should review the case file, give the corrections to the caseworker (if any), caseworkers should make any corrections, and return to supervisor who reviews the corrections and signs off that the case file is now correct and free of any errors.

Views of responsible officials and planned corrective actions: The County agrees with finding. Please refer to the County's corrective action plan on page 116.

IV. State Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX); SNAP Cluster
CFDA # 93.778; 10.561

Finding: 2019-001 Medicaid and SNAP Second Party Reviews
MATERIAL WEAKNESS

This finding also applies to State requirements and State awards.



Polk County Consolidated Human Services Agency

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

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

For the year ended June 30, 2019

Finding 2018-001

Status: This finding was corrected in fiscal year 2019.

Finding 2018-002

Status: This finding was corrected in fiscal year 2019.

Finding 2018-003

Status: This finding was corrected in fiscal year 2019.



Polk County Consolidated Human Services Agency

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

CORRECTIVE ACTION PLAN

For the year ended June 30, 2019

Finding 2019-001

Name of Contact Person: Joshua Kennedy, Consolidated Health and Human Services Director

Corrective Action Plan: The agency has now established a standardized process per the recommendation of the auditors to track reviews and provide for a closed loop process. This process will include a sign-off process for supervisors to note when corrections have been made by workers.

Proposed completion date: October 31, 2019

Polk County, North Carolina

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2019

<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:				
<u>Division of Social Services:</u>				
<u>SNAP Cluster:</u>				
Administration:				
Food Stamp Administration	10.561	195NC406S2514	\$ 123,757	\$ -
Food Stamp Fraud	10.561	195NC406S2515	25	-
Total SNAP Cluster			<u>123,782</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>123,782</u>	<u>-</u>
<u>U.S. Department of Transportation (DOT)</u>				
<u>Federal Transit Administration:</u>				
Passed-through the N.C. Dept. of Transportation:				
<u>Rural Area Program:</u>				
Administration	20.509	36233.83.19.1, 36233.83.20.1	95,139	5,946
Capital	20.509	36233.83.19.3, 36233.83.19.4	85,184	10,648
<u>Transit Services Program Cluster:</u>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.94.3.2	<u>6,863</u>	<u>-</u>
Total Transit Services Program Cluster			<u>6,863</u>	<u>-</u>
Total DOT			<u>187,186</u>	<u>16,594</u>
<u>Institute of Museum and Library Services (IMLS)</u>				
Library Services Technology Act (LSTA)	45.310		<u>9,520</u>	<u>-</u>
Total IMLS			<u>9,520</u>	<u>-</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Administration for Community Living:</u>				
Passed-through Isothermal Planning and Development				
Commission:				
<u>Aging Cluster:</u>				
Special Programs for the Aging - Title III B - Grants for Supportive Services and Senior Centers	93.044	DOA-735	49,641	34,615
Special Programs for the Aging - Title III C - Nutrition Services	93.045	DOA-735	40,985	54,752
Nutrition Services Incentive Program	93.053	DOA-735	<u>24,591</u>	<u>3,565</u>
Total Aging Cluster			<u>115,217</u>	<u>92,932</u>
Social Service Block Grant	93.667	DOA-735	<u>4,215</u>	<u>120</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Administration for Children and Families:</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Division of Social Services:</u>				
Foster Care and Adoption (Note 3):				
Administration:				
Foster Care	93.658	1901NCFOST	26,315	-
Title IV-E CPS	93.658	1901NCFOST	33,471	9,057
Title IV-E Foster Care	93.658	1901NCFOST	(300)	-
Title IV-E Foster Care Trm	93.658	1901NCFOST	115	-
Title IV-E Foster Care/Off Trm	93.658	1901NCFOST	112,261	-
Title IV-E Adoption/Off Trm	93.659	1901NCADPT	1,354	-
Title IV-E Optional Adopt Trm 5	93.659	1901NCADPT	3,114	-
Direct Benefit Payments:				
Title IV-E Foster Care	93.658	1901NCFOST	<u>158,097</u>	<u>38,477</u>
Total Foster Care and Adoption (Note 3)			<u>334,427</u>	<u>47,534</u>
Family Preservation	93.556	G1901NCFPSS	11,515	-
Refugee Assistance Administration	93.556	G1901NCRAA	366	-

Polk County, North Carolina

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2019

<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>Division of Social Services (continued):</u>				
<u>TANF Cluster:</u>				
TANF/Work First Administration	93.558	G1901NCTANF	29,095	-
TANF/Work First Service	93.558	G1901NCTANF	90,436	-
TANF Payments & Penalties	93.558	G1901NCTANF	-	(1)
Total TANF Cluster			119,531	(1)
IV-D Offset-Fed	93.563	1904NC4006	427	-
IV-D Administration	93.563	1904NC4007	68,713	-
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568	G19B1NCLIEA	12,228	-
Crisis Intervention Program	93.568	G19B1NCLIEA	67,643	-
Low Income Energy Assistance	93.568	G19B1NCLIEA	70,339	-
Permanency Planning Svc & Admin	93.645	G1901NCCWSS	2,937	-
Adult Protective Service	93.667	G1801NCSOSR, G1901NCSOSR	11,129	-
In Home Services	93.667	G1801NCSOSR, G1901NCSOSR	8	-
CPS TANF to SSBG	93.667	G1801NCSOSR, G1901NCSOSR	55,893	-
Social Service Block Grant	93.667	G1801NCSOSR, G1901NCSOSR	94,929	-
LINKS	93.674	1901NCCILP	16,376	3,394
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Administration for Children and Families:</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Subsidized Child Care Cluster (Note 3):</u>				
Child Care Development Fund Cluster:				
<u>Division of Social Services:</u>				
Child Care Development Fund-Administration	93.596	G1901NCCCDF	47,514	-
Total Child Care Development Fund Cluster			47,514	-
Total Subsidized Child Care (Note 3)			47,514	-
Centers for Medicare and Medicaid Services:				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Medicaid Cluster:</u>				
<u>Division of Social Services:</u>				
Administration:				
Medical Assistance Program	93.778	XIX-MAP 19	509,739	2,007
Total Medicaid Cluster			509,739	2,007
<u>Division of Social Services:</u>				
Administration:				
State Children's Insurance Program:				
N.C. Health Choice	93.767	CHIP 19	22,156	-
Total DHHS			1,565,302	145,986
<u>U. S. Department of Homeland Security</u>				
Passed-through N.C. Dept. of Crime Control and Public Safety:				
<u>Division of Emergency Management:</u>				
Emergency Management Assistance	97.042	EMA-2018-EP00005	19,262	19,262
Homeland Security Grant Program	97.067	EMW2017-S01-1704	10,000	-
Total U. S. Department of Homeland Security			29,262	19,262
Total Federal awards			1,915,052	181,842
State Awards:				
<u>N.C. Dept. of Agriculture and Consumer Services</u>				
<u>Division of State Library</u>				
World Equestrian Games (WEG)		18-113-4001	-	1,000,000
Total N.C. Dept. of Cultural Resources			-	1,000,000
<u>N.C. Dept. of Cultural and Natural Resources</u>				
<u>Division of State Library</u>				
State Aid for Public Libraries			-	76,732

Polk County, North Carolina

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2019

<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>Division of Parks and Recreation</u>				
PARTF Little White Oak			-	375,000
Total N.C. Dept. of Agriculture and Consumer Services			-	451,732
<u>N.C. Dept. of Health and Human Services (NCDHHS)</u>				
Division of Aging and Adult Services:				
<u>Division of Social Services:</u>				
Administration:				
State Child Welfare/CPS			-	24,126
State Foster Care Program - Direct Benefits:				
State Foster Home			-	37,781
Foster Care At Risk Max			-	40,866
SFHF Maximization			-	84,574
Total Division of Social Services			-	187,347
Total NCDHHS			-	187,347
<u>N.C. Dept. of Juvenile Justice and Delinquency Prevention</u>				
Juvenile Crime Prevention Programs			-	66,051
Total N.C. Dept. of Juvenile Justice and Delinquency Prevention			-	66,051
<u>N.C. Dept. of Public Instruction (NCDPI)</u>				
Public School Building Capital Fund:				
Lottery Proceeds		Lottery 2019	-	379,185
Total NCDPI			-	379,185
<u>N.C. Dept. of Commerce</u>				
Rural Infrastructure Grant		2018-151-3201-2587	-	191,402
Total N.C. Dept. of Commerce			-	191,402
<u>N.C. Dept. of Transportation (NCDOT)</u>				
Rural Operating Assistance Program (ROAP):				
ROAP Elderly and Disabled Transportation Assistance				
Program		DOT-16CL	-	53,197
ROAP Rural General Public Program		DOT-16CL	-	55,702
ROAP Work First Transitional - Employment		DOT-16CL	-	6,533
Total ROAP			-	115,432
Total NCDOT			-	115,432
Total State awards			-	1,391,149
Total Federal and State awards			\$ 1,915,052	\$ 1,572,991

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, 2019. 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