

Comprehensive Annual Financial Report  
Of  
**Polk County,**  
**North Carolina**

Columbus, North Carolina  
For the Fiscal Year Ended June 30, 2009



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



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Ryan D. Whitson  
County Manager  
Thomas N. Hix  
County Attorney  
Anne Britton  
Assistant County Manager  
Clerk to the Board



Cindy Walker  
Chair  
Warren D. Watson  
Vice-Chair  
Ray D. Gasperson  
Commissioner  
Renée McDermott  
Commissioner  
Tommy W. Melton  
Commissioner

October 31, 2009

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, 2009. 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 unqualified 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 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, 2009, 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 unqualified opinion that Polk County’s financial statements for the year ended June 30, 2009 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; however, the labor force has actually increased 19% from 2003 to 2009. The present unemployment rate is 8.8% compared to 11% for the State. Per capita income is higher than the State average. Transportation options include two major highways. Interstate 26 and US 74 give direct routes to main cities, such as Charlotte, NC and Spartanburg, SC.

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 Western Highlands Regional Mental Health and Rutherford-Polk Health Department.

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



## FACTORS AFFECTING FINANCIAL CONDITION

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

**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.

**Cash and Investments Management Policies and Practices.** 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.

**Risk Management.** The County is a member of the North Carolina Association of County Commissioners Risk Management Pools for property, general liability, automobile liability, public officials and law enforcement officers' professional liability and workers compensation insurance coverage. The risk manager and safety officer for the County works with departments and employees to control losses. Training, accident investigation and avoidance are some of the methods looked at to reduce costs.

Employee health insurance is a self-funded plan that assumes a \$35,000 per person maximum loss and a maximum plan cost of \$1,069,098 in total. Cost saving features are put in place and evaluated annually in an attempt to hold down health care costs.

**Pension Plans.** Permanent County employees regularly scheduled to work 20 hours or more each week are required to participate in the North Carolina Local Governmental Employee's Retirement System. Six percent of the employee's gross pay is withheld and is matched with 4.95 percent by the County. The employee is vested after five years of service. Also, other optional/supplemental retirement plans are available to employees and the required supplemental retirement plan for law enforcement officers, as discussed in the notes.

## 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, 2008. This marks the thirteenth 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 for their technical assistance.

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

Respectfully submitted,

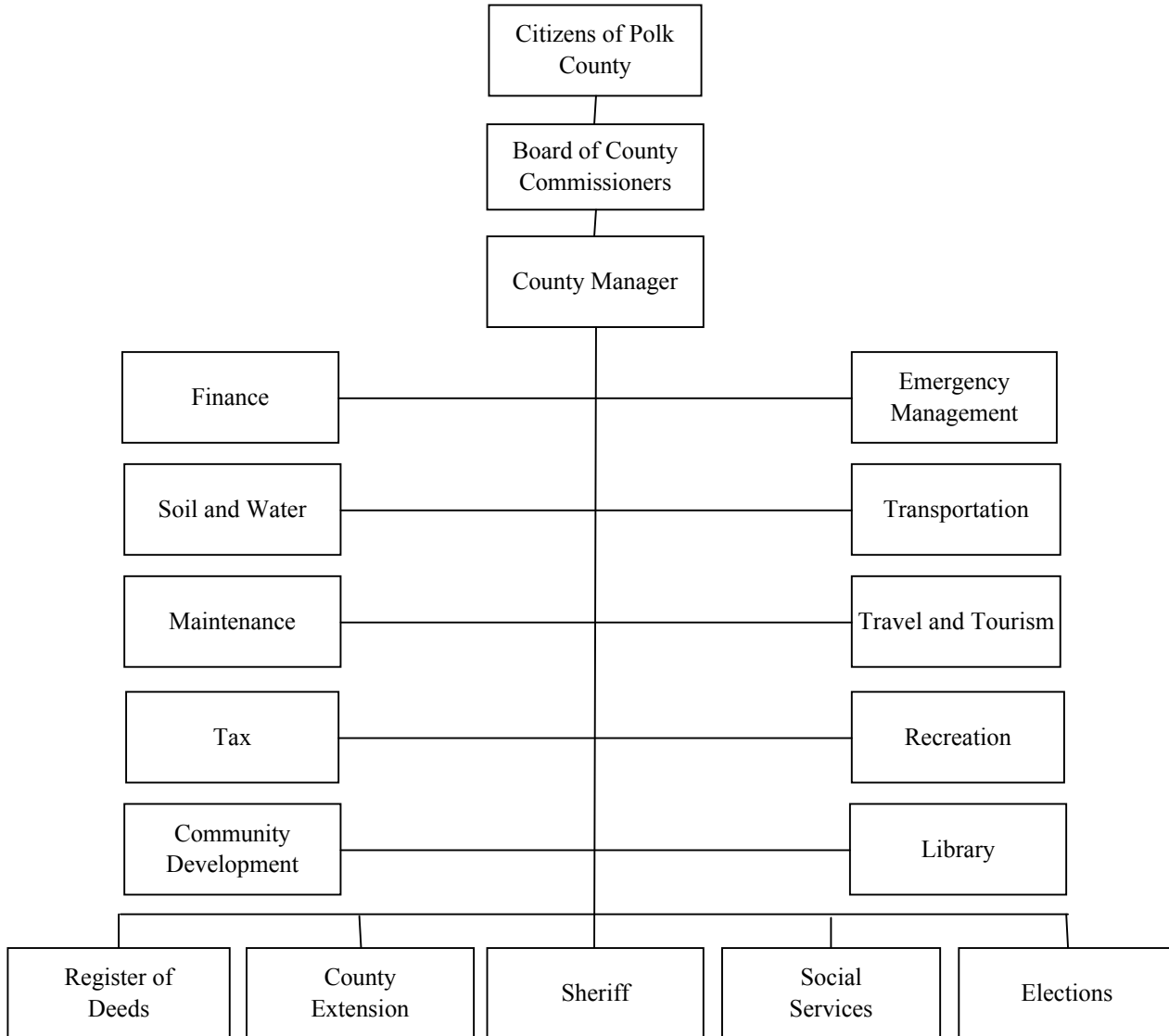
Ryan Whitson  
County Manager

Sandra Hughes  
Finance Director

# POLK COUNTY, NORTH CAROLINA

## Organization Chart

June 30, 2009



# **POLK COUNTY, NORTH CAROLINA**

List of Principal Officials

June 30, 2009

## **BOARD OF COUNTY COMMISSIONERS**

Cindy Walker, Chairman  
Warren Watson, Vice-Chairman  
Ray Gasperson  
Renee McDermott  
Tommy Melton

## **COUNTY OFFICIALS**

Ryan Whitson	County Manager
Tom Hix	County Attorney
Sue E. Rhodes	Social Services Director
Sandra Hughes	Finance Director
Shiela Whitmire	Register of Deeds
Donald Hill	Sheriff
Dale Edwards	Director, Election Board
Melissa Bowlin	Tax Collector
John Bridgers	Tax Assessor
Patty Aldred	Director, Parks and Recreation
Charlene Owens	Clerk of Court
Marche Pittman	MIS Director
Cathy Ruth	Planning
John Vining	Cooperative Extension
Daniel Laudermelt	Forest Ranger
Mark E. Pumphrey	County Librarian
Darrell Moore	Veterans Service Officer
Sandra Halford	Emergency Preparedness/EMS Director
Steve Jones	Community Development Director
Jewell Carswell	Transportation Director
Melinda Young	Director of Tourism
Dianne Rickman	Communications Director
Mickey Edwards	Ground and Building Maintenance Director

# 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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "K. L. R. +".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

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# *Gould Killian CPA Group, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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November 9, 2009

To the Commissioners of Polk County  
Polk County, North Carolina

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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Polk County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 the Polk County, North Carolina, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009, 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 that 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required scheduled for the Law Enforcement Officers' Special Separation Allowance are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The introductory section, combining and individual nonmajor

fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Polk County, North Carolina. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 9, 2009



# POLK COUNTY, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2009

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, 2009. 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 exceeded its liabilities by \$18,690,181 (net assets).
- The County's net assets increased \$4,883,477 this year due to an increase in capital assets net of depreciation of approximately \$4.5 million due to the completion of capital projects and a decrease in long-term liabilities of approximately \$1.0 million.

Fund level:

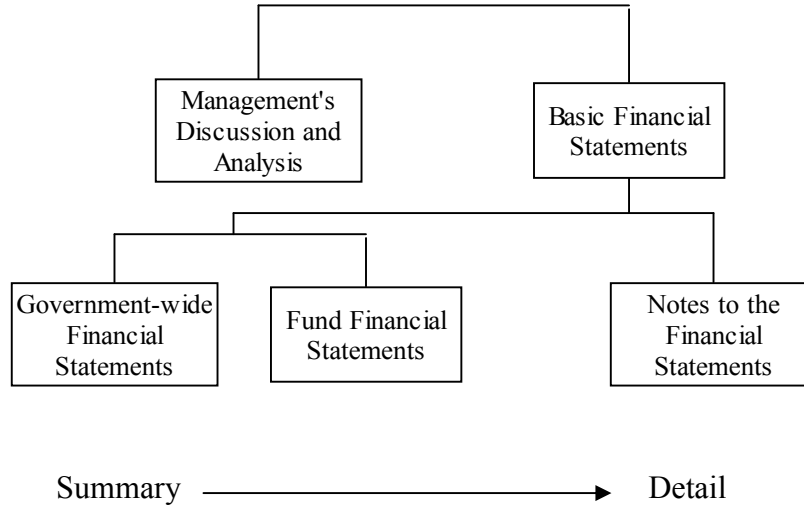
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,403,477; of which, \$1,380,764 is restricted and \$8,022,713 is unreserved.
- The County's governmental funds ending fund balances decreased \$1,652,485 this year due to transfers to fund the construction of waterlines and related assets.
- The County's main operating fund (General Fund) reported an ending fund balance of \$7,054,492; of which, \$947,259 is restricted and \$6,107,233 was unreserved or available for appropriation. Unreserved fund balance, as a percentage of expenditures and transfers, is 25.4 percent.

### Overview of the Financial Statements

This discussion and analysis are 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. After the notes, supplemental information is provided to show details about the County's non-major 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.

Following the notes is the required supplemental information. This section contains funding information about the County's Law Enforcement Officers' Special Separation Allowance.

### **Government-Wide Financial Statements**

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

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 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 two categories: governmental funds and proprietary funds.

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

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

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

- *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Polk County uses enterprise funds to account for its solid waste transfer station operations and its water operations. These funds are the same as the separate activities shown in the business-type activities in the Statement of Net Assets 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 agency funds as detailed in the note on page 24.

**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 46 of this report.

**Government-Wide Financial Analysis**

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

**Polk County's Net Assets**  
**June 30, 2009 and 2008**  
 Figure 2

	2009			2008		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government-wide</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government-wide</u>
Assets:						
Current and other assets	\$ 12,274,057	\$ 1,578,664	\$ 13,852,721	\$ 13,654,902	\$ 428,239	\$ 14,083,141
Capital assets	<u>19,589,107</u>	<u>7,236,168</u>	<u>26,825,275</u>	<u>20,420,761</u>	<u>1,896,376</u>	<u>22,317,137</u>
Total assets	<u>31,863,164</u>	<u>8,814,832</u>	<u>40,677,996</u>	<u>34,075,663</u>	<u>2,324,615</u>	<u>36,400,278</u>
Liabilities:						
Long-term liabilities outstanding	20,218,748	197,720	20,416,468	21,136,778	201,550	21,338,328
Other liabilities	<u>1,410,520</u>	<u>160,827</u>	<u>1,571,347</u>	<u>1,179,421</u>	<u>75,824</u>	<u>1,255,245</u>
Total liabilities	<u>21,629,268</u>	<u>358,547</u>	<u>21,987,815</u>	<u>22,316,199</u>	<u>330,133</u>	<u>22,593,573</u>
Net assets:						
Invested in capital assets, net of related debt	12,807,648	7,038,448	19,846,096	7,381,034	1,694,826	9,075,860
Restricted for:						
Debt service	897,428	-	897,428	-	-	-
Unrestricted	<u>(3,471,180)</u>	<u>1,417,837</u>	<u>(2,053,343)</u>	<u>4,378,430</u>	<u>352,415</u>	<u>4,730,845</u>
Total net assets	<u>\$ 10,233,896</u>	<u>\$ 8,456,285</u>	<u>\$ 18,690,181</u>	<u>\$ 11,759,464</u>	<u>\$ 2,047,241</u>	<u>\$ 13,806,705</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Polk County exceeded liabilities by \$18,690,181 as of June 30, 2009. The County's net assets increased by \$4,883,477 for the fiscal year ended June 30, 2009, of which a decrease of \$1,525,569 was for governmental activities and an increase of \$6,409,046 was for business-type activities. The decrease in governmental activities was due to transfers to fund the construction of waterlines and related assets. The significant transfer to the water fund from the general fund will be used for the purchase of Lake Adger and the construction of waterlines for the future County-wide water system with the closing date of the purchase of the lake expected to be in November 2009. The increase in capital has no related debt.

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

**Polk County Changes in Net Assets  
For the Years Ending June 30, 2009 and 2008**

Figure 3

	2009			2008		
	Govern- mental Activities	Business- type Activities	Total Government- wide	Govern- mental Activities	Business- type Activities	Total Government- wide
Revenues:						
Program revenues:						
Charges for services	\$ 1,985,721	\$ 1,204,418	\$ 2,865,591	\$ 2,413,365	\$ 1,307,658	\$ 3,721,023
Operating grants and contributions	3,029,342	-	3,029,342	2,888,791	-	2,888,791
Capital grants and contributions	956,449	4,030,000	4,986,449	71,008	-	71,008
General revenues:						
Property taxes	14,799,647	-	14,799,647	14,110,975	-	14,110,975
Other taxes	3,370,874	-	3,370,874	4,109,561	-	4,109,561
Other	721,542	-	721,542	1,500,669	-	1,500,669
Total revenues	<u>24,863,575</u>	<u>5,234,418</u>	<u>29,773,445</u>	<u>25,094,369</u>	<u>1,307,658</u>	<u>26,569,610</u>
Expenses:						
Governmental activities:						
General government	2,897,048	-	2,572,500	2,603,109	-	2,603,109
Public safety	5,000,699	-	5,000,699	4,703,673	-	4,703,673
Economic and physical development	733,884	-	733,884	669,407	-	669,407
Human services	4,687,695	-	4,687,695	4,772,975	-	4,772,975
Cultural and recreation	1,712,737	-	1,712,737	1,395,294	-	1,395,294
Education	7,957,032	-	7,957,032	4,933,837	-	4,933,837
Interest on long-term debt	754,146	-	754,146	839,020	-	839,020
Business-type activities:						
Solid waste	-	1,367,129	1,367,129	-	1,395,303	1,395,303
Water	-	104,146	104,416	-	-	-
Total expenses	<u>23,743,241</u>	<u>1,471,275</u>	<u>24,889,968</u>	<u>19,917,315</u>	<u>1,395,303</u>	<u>21,312,618</u>
Change in net assets before transfers	1,120,334	3,763,143	4,883,477	5,146,190	(87,645)	5,058,545
Transfers	<u>(2,645,903)</u>	<u>2,645,903</u>	<u>-</u>	<u>(15,432)</u>	<u>15,432</u>	<u>-</u>
Change in net assets	(1,525,569)	6,409,046	4,883,477	5,161,622	(72,213)	5,089,409
Net assets, July 1	11,759,465	2,047,239	13,806,704	6,397,842	2,119,454	8,517,286
Prior period adjustment	-	-	-	200,000	-	200,000
Net assets, July 1 as restated	<u>11,759,465</u>	<u>2,047,239</u>	<u>13,806,704</u>	<u>6,597,842</u>	<u>2,119,454</u>	<u>8,717,286</u>
Net assets, June 30	<u>\$ 10,233,896</u>	<u>\$ 8,456,285</u>	<u>\$ 18,690,181</u>	<u>\$ 11,759,464</u>	<u>\$ 2,047,241</u>	<u>\$ 13,806,705</u>

**Governmental Activities** - Property tax revenue is the County's largest source of revenue, accounting for 60 percent of total revenue. Current year property tax base was approximately \$2.06 billion at a rate of .68 per \$100. The tax rate did not increase or decrease. Property tax revenue increased approximately 5 percent due primarily to the growth of the tax base. The County collected approximately 97 percent of this year's levy. The revenues in the governmental activities have decreased from the prior year 2.2 percent. Charges for services are down 31 percent and other taxes, which include sales taxes, are down 18 percent due primarily to the economic slow-down. Capital grants were up due the School Public Building Fund revenues and lottery revenues that were approved for school additions and improvements. The increase in governmental activities general government expenditures is due primarily to an increase in the amount spent in the capital project fund related to school additions, construction and improvements.

**Business-type Activities** - Net assets increased due to the addition of a water fund. A \$4 million waterline was built through the County and contributed to the County by Inman Campobello Water District located in Inman South, Carolina. Transfers from governmental activities to business-type activities were for the purchase of a lake, waterline construction and related assets.

### **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, unreserved 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 \$9,403,477, a decrease of \$1,652,485 in comparison with the prior year. The decrease in total fund balance is due primarily to the transfers made by the General Fund to the Water Fund for the future County-wide water project.

The general fund is the chief operating fund of Polk County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,107,233 while total fund balance reached \$7,054,492. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total General Fund expenditures. Unreserved fund balance represents 25.4 percent of total General Fund expenditures and transfers.

**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 \$626,895, or 2.9 percent of the original budget. The increase in the final budgeted revenues is due primarily to various grants and the sale of assets. Other financing sources, appropriation of fund balance, increased \$1,617,004 for the purpose of construction of waterlines and related assets that work toward the future County-wide water system.

**Capital Asset and Debt Administration**

**Capital Assets** - Polk County's capital assets for its governmental type activities as of June 30, 2009, totals \$19,589,107 (net of accumulated depreciation), a decrease of \$831,654 as compared to the previous year. The following major capital projects were completed at June 30, 2009:

- Senior Recreation Center
- General building repair projects
- Completion of School Capital Projects

Polk County's capital assets for its business-type activities as of June 30, 2009, totals \$7,236,168 (net of accumulated depreciation), an increase of \$5,429,792 as compared to the previous year. Waterlines under construction and contributed constructed waterlines were the major additions.

**Polk County's Capital Assets  
June 30, 2009 and 2008**

Figure 4

	<b>2009</b>			<b>2008</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total Government- wide</b>	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total Government- wide</b>
Land	\$ 3,588,993	\$ 409,131	\$ 3,998,124	\$ 3,158,825	\$ 399,580	\$ 3,558,405
Construction in progress	600,885	1,205,749	1,806,634	4,070,971	-	4,070,971
Buildings and improvements	12,565,797	1,255,494	13,821,291	10,322,458	1,289,877	11,612,335
Waterlines and related assets	-	4,143,227	4,143,227	-	-	-
Equipment	1,902,975	218,900	2,121,875	1,968,049	206,919	2,174,968
Vehicles and motor equipment	<u>930,457</u>	<u>3,667</u>	<u>934,124</u>	<u>900,458</u>	<u>-</u>	<u>900,458</u>
Total	<u>\$ 19,589,107</u>	<u>\$ 7,236,168</u>	<u>\$ 26,825,275</u>	<u>\$ 20,420,761</u>	<u>\$ 1,896,376</u>	<u>\$ 22,317,137</u>

Additional information regarding Polk County's capital assets can be found in the notes to the financial statements on Pages 28, 34 and 35.



**Long-Term Debt** - As of June 30, 2009, Polk County had total general obligation bonded debt outstanding of \$1,395,000, which was issued for school construction and is backed by the full faith and credit of the County. As of June 30, 2009, Polk County's outstanding balance on installment purchase contracts was \$17,923,998. Overall, the County's total debt decreased \$218,355. The scheduled debt payments were offset by proceeds from a new installment obligation of \$1.7 million that was used to purchase a senior recreation center.

**Polk County's Long-Term Debt**  
**June 30, 2009 and 2008**  
 Figure 5

	2009			2008		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government-wide</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government-wide</u>
General obligation bonds	\$ 1,395,000	\$ -	\$ 1,395,000	\$ 2,110,000	\$ -	\$ 2,110,000
Installment purchase contracts	<u>17,923,998</u>	<u>197,920</u>	<u>18,121,918</u>	<u>18,142,353</u>	<u>201,550</u>	<u>18,343,903</u>
Total	<u>\$ 19,318,998</u>	<u>\$ 197,920</u>	<u>\$ 19,516,918</u>	<u>\$ 20,252,353</u>	<u>\$ 201,550</u>	<u>\$ 20,453,903</u>

Polk County received an upgrade to an "A+" from an "A" rating from Standard and Poor's Corporation based on the fiscal year ended June 30, 2008. This bond rating is a good indication of the sound financial condition of a small county such as Polk County.

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 \$140,834,180.

Additional information regarding Polk County's long-term debt can be found in the notes to the financial statements on pages 39 - 42 of this audited financial report.

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

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

- The County has a lower unemployment rate of 8.8 percent than the state average of 11 percent;
- Overall revenues remain relatively constant;
- The property tax base increased 7.8 percent and is expected to remain flat in 2010 due to County revaluation and the desire to remain revenue neutral with no growth rate factored into the budget.
- Water is a key issue facing our County as we have struggled with extreme drought. The County signed a contract to buy Lake Adger in fiscal year 2008 and appropriated fund balance of \$1.44 million in fiscal year 2009 to complete the purchase of Lake Adger for \$1.6 million that is expected to be finalized in fiscal year 2010. The County funded over \$1 million in waterlines and is committed to keeping County-wide water a priority.

**Budget Highlights for the Fiscal Year Ending June 30, 2010**

**Governmental Activities** - Property taxes are budgeted with no tax rate increase and no growth rate due to revaluation of County property. This was the County's first revaluation in eight years; the longest allowed by State Statute. Revenues from permits and fees as well as sales taxes are expected to continue to decrease based on economic projections. Overall, total budgeted revenue is expected to decrease approximately 4.5 percent based without the consideration of appropriated fund balance. Fund balance was not used to balance the fiscal year 2010 budget.

The County's largest expenditures are for salaries which are budgeted with no increase. Overall, budgeted expenditures in the General Fund are expected to decrease approximately 4.5 percent consistent with the decrease in expected revenues.

**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 Assets

June 30, 2009

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 9,779,726	\$ 1,350,094	\$ 11,129,820
Cash - restricted	897,428	-	897,428
Receivables (net)	1,589,990	228,570	1,818,560
Accrued interest receivable	6,913	-	6,913
<b>Capital assets:</b>			
Land and construction in progress	4,189,878	1,614,880	5,804,758
Other capital assets, net of depreciation	15,399,229	5,621,288	21,020,517
Total capital assets	<u>19,589,107</u>	<u>7,236,168</u>	<u>26,825,275</u>
Total assets	<u>31,863,164</u>	<u>8,814,832</u>	<u>40,677,996</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	1,248,914	159,288	1,408,202
Accrued interest payable	98,727	-	98,727
Unearned revenue	62,879	1,539	64,418
<b>Long-term liabilities:</b>			
Due within one year	2,721,700	3,642	2,725,342
Due in more than one year	17,497,048	194,078	17,691,126
Total liabilities	<u>21,629,268</u>	<u>358,547</u>	<u>21,987,815</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	12,807,648	7,038,448	19,846,096
<b>Restricted for:</b>			
Debt service	897,428	-	897,428
Unrestricted (deficit)	(3,471,180)	1,417,837	(2,053,343)
Total net assets	<u>\$ 10,233,896</u>	<u>\$ 8,456,285</u>	<u>\$ 18,690,181</u>

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

# POLK COUNTY, NORTH CAROLINA

## Statement of Activities

For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 2,897,048	\$ 864,488	\$ -	\$ -
Public safety	5,000,699	763,734	47,783	-
Economic and physical development	733,884	9,194	38,210	-
Human services	4,687,695	255,638	2,835,714	75,000
Cultural and recreational	1,712,737	92,667	107,635	-
Education	7,957,032	-	-	881,449
Interest on long-term debt	754,146	-	-	-
Total Governmental Activities	<u>23,743,241</u>	<u>1,985,721</u>	<u>3,029,342</u>	<u>956,449</u>
<b>Business-type activities:</b>				
Solid waste	1,367,129	1,185,218	-	-
Water	104,146	19,200	-	4,030,000
Total Business-type Activities	<u>1,471,275</u>	<u>1,204,418</u>	<u>-</u>	<u>4,030,000</u>
Total government-wide	<u>\$ 25,214,516</u>	<u>\$ 3,190,139</u>	<u>\$ 3,029,342</u>	<u>\$ 4,986,449</u>

**General revenues:**

**Taxes:**

Property taxes, levied for general purpose

Local option sales tax

Other taxes

Investment earnings, unrestricted

Miscellaneous, unrestricted

**Transfers**

Total general revenues and transfers

Changes in net assets

Net assets--beginning

Net assets--ending

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Total</u>	<u>Total</u>	
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (2,032,560)	\$ -	\$ (2,032,560)
(4,189,182)	-	(4,189,182)
(686,480)	-	(686,480)
(1,521,343)	-	(1,521,343)
(1,512,435)	-	(1,512,435)
(7,075,583)	-	(7,075,583)
<u>(754,146)</u>	<u>-</u>	<u>(754,146)</u>
(17,771,729)	-	(17,771,729)
-	(181,911)	(181,911)
-	3,945,054	-
<u>-</u>	<u>3,763,143</u>	<u>(181,911)</u>
<u>(17,771,729)</u>	<u>3,763,143</u>	<u>(17,953,640)</u>
14,799,647	-	14,799,647
3,064,046	-	3,064,046
306,828	-	306,828
287,194	-	287,194
434,348	-	434,348
<u>(2,645,903)</u>	<u>2,645,903</u>	<u>-</u>
<u>16,246,160</u>	<u>2,645,903</u>	<u>18,892,063</u>
<u>(1,525,569)</u>	<u>6,409,046</u>	<u>4,883,477</u>
<u>11,759,465</u>	<u>2,047,239</u>	<u>13,806,704</u>
<u>\$ 10,233,896</u>	<u>\$ 8,456,285</u>	<u>\$ 18,690,181</u>

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

## POLK COUNTY, NORTH CAROLINA

### Balance Sheet Governmental Funds

June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 7,420,148	\$ 439,355	\$ 1,013,002	\$ 8,872,505
Cash - restricted	-	490,796	406,632	897,428
Receivables, net	1,493,256	-	83,708	1,576,964
Total assets	<u>\$ 8,913,404</u>	<u>\$ 930,151</u>	<u>\$ 1,503,342</u>	<u>\$ 11,346,897</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,164,491	\$ 15,549	\$ 8,850	\$ 1,188,890
Unearned revenue	59,605	-	3,274	62,879
Deferred revenue	634,816	-	56,835	691,651
Total liabilities	<u>1,858,912</u>	<u>15,549</u>	<u>68,959</u>	<u>1,943,420</u>
Fund balances:				
Reserved for:				
State statute	858,440	-	26,873	885,313
Debt service	-	-	406,632	406,632
Encumbrances	88,819	-	-	88,819
Unreserved, designated for subsequent year's expenditures	-	-	187,325	187,325
Unreserved, reported in:				
General fund	6,107,233	-	-	6,107,233
Special revenue funds	-	-	813,553	813,553
Capital projects funds	-	914,602	-	914,602
Total fund balances	<u>7,054,492</u>	<u>914,602</u>	<u>1,434,383</u>	<u>9,403,477</u>
Total liabilities and fund balances	<u>\$ 8,913,404</u>	<u>\$ 930,151</u>	<u>\$ 1,503,342</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (total capital assets on government-wide statement in governmental activities column)	27,791,720
Less accumulated depreciation	<u>(8,202,613)</u>
Net capital assets	19,589,107
Accrued interest receivable less the amount claimed as unearned revenue in the government wide statements as these funds are not available and therefore deferred in the fund statements	6,913
Liabilities for the revenue deferred but earned and therefore reported in the fund statements but not the government-wide	691,651
Allocation of the permanent accounts of the internal service fund to the government-wide statement of net assets	860,223
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:	
Bonds, installment financing, and capital leases	(19,551,051)
Compensated absences and pension obligation	(667,697)
Accrued interest payable	<u>(98,727)</u>
Net assets of governmental activities	<u>\$ 10,233,896</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, 2009

	General	County Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Ad valorem taxes	\$ 13,837,868	\$ -	\$ 1,044,909	\$ 14,882,777
Local option sales taxes	3,064,046	-	-	3,064,046
Other taxes	-	-	306,828	306,828
Unrestricted intergovernmental	415,750	-	-	415,750
Restricted intergovernmental	3,144,733	825,000	16,059	3,985,792
Permits and fees	321,011	-	-	321,011
Sales and services	1,248,960	-	-	1,248,960
Investment earnings	272,974	393	13,827	287,194
Miscellaneous	418,052	16,296	-	434,348
Total revenues	22,723,394	841,689	1,381,623	24,946,706
<b>EXPENDITURES</b>				
Current:				
General government	2,284,780	-	123,864	2,408,644
Public safety	3,868,206	-	1,175,296	5,043,502
Economic and physical development	596,967	-	141,948	738,915
Human services	4,766,281	-	-	4,766,281
Cultural and recreational	1,566,221	-	-	1,566,221
Intergovernmental:				
Education	4,702,018	1,350,070	-	6,052,088
Capital outlay	-	1,687,648	-	1,687,648
Debt service:				
Principal	2,633,357	-	-	2,633,357
Interest and fees	756,632	-	-	756,632
Total expenditures	21,174,462	3,037,718	1,441,108	25,653,288
Revenues over (under) expenditures	1,548,932	(2,196,029)	(59,485)	(706,582)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	18,431	392,900	317,786	729,117
Transfers to other funds	(3,202,623)	(153,966)	(18,431)	(3,375,020)
Installment purchase obligations issued	-	1,700,000	-	1,700,000
Total other financing sources (uses)	(3,184,192)	1,938,934	299,355	(945,903)
Net changes in fund balances	(1,635,260)	(257,095)	239,870	(1,652,485)
Fund balances, beginning of year	8,689,752	1,171,697	1,194,513	11,055,962
Fund balances, end of year	\$ 7,054,492	\$ 914,602	\$ 1,434,383	\$ 9,403,477

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

(continued)

**POLK COUNTY, NORTH CAROLINA**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the Year Ended June 30, 2009

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

Net change in fund balances--total governmental funds	\$ (1,652,485)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	2,089,467
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(693,105)
Cost of disposed capital assets not recorded in fund statements	(2,227,686)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net assets in the government-wide statements	2,697,605
New debt issuance is recorded as other proceeds on the fund statements but affect only the statement of net assets in the government-wide statements	(1,700,000)
Allocation of internal service fund profit	109,409
Expenses reported in the statment of activities that do not require the use of 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)	14,260
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(69,575)
Pension benefit obligations are accrued in the government wide statements but not in the fund statements because they do not use current resources	(10,329)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Recording of tax receipts deferred in the fund statements as of 6/30/09	691,651
Decrease in accrued taxes receivable for year ended 6/30/09	(20,816)
Reversal of deferred tax revenue recorded at 7/1/08	<u>(753,965)</u>
Change in net assets, governmental activities	<u><u>\$ (1,525,569)</u></u>



## POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Positive (Negative)</u>
REVENUES:				
Ad valorem taxes	\$ 13,217,861	\$ 13,217,861	\$ 13,837,868	\$ 620,007
Local option sales taxes	3,033,715	3,033,715	3,064,046	30,331
Unrestricted intergovernmental	480,489	480,489	415,750	(64,739)
Restricted intergovernmental	2,875,251	3,189,117	3,144,733	(44,384)
Permits and fees	431,687	431,687	321,011	(110,676)
Sales and services	1,033,542	1,051,607	1,248,960	197,353
Investment earnings	282,692	282,692	272,974	(9,718)
Miscellaneous	114,915	409,879	418,052	8,173
Total revenues	<u>21,470,152</u>	<u>22,097,047</u>	<u>22,723,394</u>	<u>626,347</u>
EXPENDITURES:				
Current:				
General government	2,620,911	2,510,066	2,284,780	225,286
Public safety	4,053,892	4,126,943	3,868,206	258,737
Economic and physical development	804,553	818,020	596,967	221,053
Human services	4,730,773	4,953,324	4,766,281	187,043
Cultural and recreational	1,317,371	1,632,693	1,566,221	66,472
Intergovernmental:				
Education	4,573,905	4,705,354	4,702,018	3,336
Debt service:				
Principal retirement	2,211,910	2,633,360	2,633,357	3
Interest and other charges	752,016	756,633	756,632	1
Total expenditures	<u>21,065,331</u>	<u>22,136,393</u>	<u>21,174,462</u>	<u>961,931</u>
Revenues over (under) expenditures	<u>404,821</u>	<u>(39,346)</u>	<u>1,548,932</u>	<u>1,588,278</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,551,900	1,605,900	18,431	(1,587,469)
Transfers to other funds	(3,568,721)	(4,795,558)	(3,202,623)	1,592,935
Appropriated fund balance	1,612,000	3,229,004	-	(3,229,004)
Total other financing sources (uses)	<u>(404,821)</u>	<u>39,346</u>	<u>(3,184,192)</u>	<u>(3,223,538)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,635,260)</u>	<u>\$ (1,635,260)</u>
Fund balance, beginning of year			<u>8,689,752</u>	
Fund balance, end of year			<u>\$ 7,054,492</u>	

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

## POLK COUNTY, NORTH CAROLINA

### Statement of Net Assets Proprietary Funds

June 30, 2009

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Solid Waste Fund</b>	<b>Water Fund</b>	<b>Total</b>	<b>Self- Insurance Fund</b>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 117,276	\$ 1,233,018	\$ 1,350,294	\$ 907,220
Receivables (net)	126,341	102,229	228,570	13,027
Total current assets	<u>243,617</u>	<u>1,335,247</u>	<u>1,578,864</u>	<u>920,247</u>
<b>Capital assets:</b>				
Land and construction in progress	399,580	1,215,300	1,614,880	-
Other capital assets, net of depreciation	1,480,149	4,141,139	5,621,288	-
Total capital assets	<u>1,879,729</u>	<u>5,356,439</u>	<u>7,236,168</u>	<u>-</u>
Total assets	<u>2,123,346</u>	<u>6,691,686</u>	<u>8,815,032</u>	<u>920,247</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	58,559	100,729	159,288	60,024
Unearned revenue	1,539	-	1,539	-
Long term debt, current portion	3,642	-	3,642	-
Total current liabilities	<u>63,740</u>	<u>100,729</u>	<u>164,469</u>	<u>60,024</u>
<b>Noncurrent liabilities:</b>				
Long-term debt, net of current portion	194,278	-	194,278	-
Total liabilities	<u>258,018</u>	<u>100,729</u>	<u>358,747</u>	<u>60,024</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	1,681,809	5,356,439	7,038,248	-
Unrestricted	183,519	1,234,518	1,418,037	860,223
Total net assets	<u>\$ 1,865,328</u>	<u>\$ 6,590,957</u>	<u>\$ 8,456,285</u>	<u>\$ 860,223</u>

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

## POLK COUNTY, NORTH CAROLINA

### Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds

For the Year Ended June 30, 2009

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Solid Waste Fund</b>	<b>Water Fund</b>	<b>Total</b>	<b>Self - Insurance Fund</b>
Operating Revenues:				
Charges for services	\$ 1,185,218	\$ 19,200	\$ 1,204,418	\$ -
Employee contributions	-	-	-	896,953
Total operating revenues	<u>1,185,218</u>	<u>19,200</u>	<u>1,204,418</u>	<u>896,953</u>
Operating Expenses:				
Claims expense	-	-	-	621,755
Administration fees	198,892	-	198,892	165,789
Transfer station operations	1,047,853	-	1,047,853	-
Closure and postclosure care	46,517	-	46,517	-
Depreciation	62,067	102,224	164,291	-
Total operating expenses	<u>1,355,329</u>	<u>102,224</u>	<u>1,457,553</u>	<u>787,544</u>
Operating income (loss)	<u>(170,111)</u>	<u>(83,024)</u>	<u>(253,135)</u>	<u>109,409</u>
Non-operating expenses:				
Loss on sale of assets	-	(1,922)	(1,922)	-
Interest expense	(11,800)	-	(11,800)	-
Income (loss) before transfers	(181,911)	(84,946)	(266,857)	109,409
Donated capital	-	4,030,000	4,030,000	-
Transfer from other funds	-	2,645,903	2,645,903	-
Change in net assets	(181,911)	6,590,957	6,409,046	109,409
Net assets, beginning of year	<u>2,047,239</u>	<u>-</u>	<u>2,047,239</u>	<u>750,814</u>
Net assets, end of year	<u>\$ 1,865,328</u>	<u>\$ 6,590,957</u>	<u>\$ 8,456,285</u>	<u>\$ 860,223</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, 2009

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Self- Insurance Fund</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,203,961	\$ 19,200	\$ 1,223,161	\$ 922,175
Cash paid for goods and services	(1,312,760)	-	(1,312,760)	(756,006)
Net cash provided (used) by operating activities	<u>(108,799)</u>	<u>19,200</u>	<u>(89,599)</u>	<u>166,169</u>
Cash flows from non-capital financing activities:				
Transfers from other funds	-	2,645,903	2,645,903	-
Net cash from non-capital financing activities	<u>-</u>	<u>2,645,903</u>	<u>6,675,903</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(45,420)	(1,432,085)	(1,477,505)	-
Principal paid on debt	(3,630)	-	(3,630)	-
Interest paid on debt	(11,800)	-	(11,800)	-
Net cash used by capital and related financing activities	<u>(60,850)</u>	<u>(1,432,085)</u>	<u>(1,492,935)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(169,649)	1,233,018	1,063,369	166,169
Cash and cash equivalents, beginning	286,925	-	286,925	741,051
Cash and cash equivalents, ending	<u>\$ 117,276</u>	<u>\$ 1,233,018</u>	<u>\$ 1,350,294</u>	<u>\$ 907,220</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (170,111)	\$ (83,024)	\$ (253,135)	\$ 109,409
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation	62,067	102,224	164,291	-
Changes in assets and liabilities:				
Decrease (increase) in receivables	14,974	(100,729)	(85,755)	25,222
Increase (decrease) in accounts payable and accrued expenses	(15,729)	100,729	85,000	31,538
Net cash provided (used) by operating activities	<u>\$ (108,799)</u>	<u>\$ 19,200</u>	<u>\$ (89,599)</u>	<u>\$ 166,169</u>
Non-cash transactions:				
Donated Capital - water line	\$ -	\$ 4,030,000	\$ 4,030,000	\$ -

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

## POLK COUNTY, NORTH CAROLINA

### Statement of Fiduciary Net Assets

June 30, 2009

	<b>Agency Funds</b> <hr style="border-top: 3px double black;"/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 115,162 <hr style="border-top: 3px double black;"/>
<b>LIABILITIES</b>	
Due to others	99,059
Due to other governments	15,299
Due to State of North Carolina	804
	<hr style="border-top: 3px double black;"/> \$ 115,162 <hr style="border-top: 3px double black;"/>

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

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# POLK COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2009

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of Polk 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, 2009.

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

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

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

*Capital Projects Fund.* The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds). The County has one Capital Projects Fund.

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:

*Special Revenue Funds.* Special Revenue Funds are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains six special revenue funds: the Capital Reserve Fund, the Revaluation Fund, the Fire District Fund, the Tourism Development Fund, the Communications Fund, and the Grant Projects Fund.

*Debt Service Fund.* This fund accumulates resources to pay principal on the "Qualified Zone Academy Bond" (QZAB) agreement.

*Internal Service Fund.* The self-insurance fund is used to account for the accumulation and allocation of costs associated with employees' health care.

*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 moneys 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 and the three percent interest on the first month of delinquent vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and 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.

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

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

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



accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, 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 those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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.

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

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 Water Capital Projects Fund, which is consolidated with the Water Fund for reporting purposes, and the Solid Waste Capital Projects Fund, which is consolidated with the Solid Waste Operating Fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for multi-year budgets. Board approval is required for all amendments exceeding \$5,000 within any department and \$5,000 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 with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

(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**

Unexpended debt proceeds in the County's Capital Projects Fund are classified as restricted assets within governmental activities because their use is restricted to the purpose for which the debt was issued.

(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; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008. 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) **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization 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
Infrastructure	40
Improvements	20
Furniture and equipment	5-10
Vehicles	8

(7) **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.

(8) **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. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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.

(9) **Net Assets/Fund Balances**

**Net Assets**

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

**Fund Balances**

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

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

The governmental fund types classify fund balances as follows:

**Reserved**

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

**Reserved for encumbrances** – portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

**Reserved for debt service** – portion of fund balances reserved for the future principal payments of the QZAB debt.

**Unreserved**

**Designated for subsequent year's expenditures** – portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

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

(E) **Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$830,419 consists of several elements as follows:

**Description**

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in the governmental activities column)	\$ 27,791,720
Less accumulated depreciation	<u>(8,202,613)</u>
Net capital assets	19,589,107
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	6,913
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	691,651
Net assets of the internal service fund is reported with governmental funds	860,223

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:

Bonds, leases and installment financing	(19,551,051)
Compensated absences and pension	(667,697)
Accrued interest payable	<u>(98,727)</u>

Total Adjustment	<u>\$ 830,419</u>
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- (2) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities. The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$126,916 as follows:

**Description**

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 2,089,467
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(693,105)
Loss of disposed capital assets in the fund financial statements	(2,227,686)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	2,697,605
New debt issuance is recorded as other proceeds on the fund statements but again affect only the statement of net assets in the government-wide statements	(1,700,000)
Internal service funds are used by management to charge the costs self-insurance. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets	109,409
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	14,260
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(69,575)
Pension obligations are accrued in the government-wide statements but not in the fund statements they do not use current resources	(10,329)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Recording of tax receipts deferred in the fund statements as of June 30, 2009	691,651
Increase in deferred tax revenue for year ended June 30, 2009	(20,816)
Reversal of deferred tax revenue recorded at July 1, 2008	<u>(753,965)</u>
Total adjustment	<u>\$ 126,916</u>

## 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 those units' names. 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 entities' names. 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 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 County does not have a policy regarding custodial credit risk for deposits.

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.

At June 30, 2009, the County's deposits had a carrying amount of \$1,259,589 and a bank balance of \$2,019,583. Of the bank balance, \$1,001,156 was covered by federal depository insurance, and \$548,219 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2009 of \$975.

**(B) Investments**

At June 30, 2009, the County had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than Six Months</u>
NC Capital Management Trust- Cash Portfolio	\$ 10,448,657	\$ 10,448,657
Commercial paper	406,632	406,632
Total	<u>\$ 10,885,289</u>	<u>\$10,885,289</u>

*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.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (INRSROs). 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, 2009, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings and A1 by Mood's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2009.

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

**(C) 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 date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 413,333	\$ 169,385	\$ 582,718
2007	407,488	125,303	532,791
2008	408,763	83,769	492,532
2009	<u>444,602</u>	<u>95,572</u>	<u>490,174</u>
Total	<u>\$ 1,674,186</u>	<u>\$ 424,029</u>	<u>\$ 2,098,215</u>



- (D) **Receivables** – Receivables at the fund and government-wide level at June 30, 2009 were as follows:

	<u>Governmental Funds</u>					Business- Type Activities
	General	Capital Projects	Other	Accrual Adjustment	Governmental Activities	
Receivables:						
Accounts	\$ 991,006	\$ -	\$ 7,552	\$ 13,026	\$ 1,011,584	\$ 208,897
Taxes	706,136	-	76,156	-	782,292	19,969
Less: Allowance	(203,886)	-	-	-	(203,886)	(297)
Receivables (net)	<u>\$ 1,493,256</u>	<u>\$ -</u>	<u>\$ 83,708</u>	<u>\$ 13,026</u>	<u>\$ 1,589,990</u>	<u>\$ 228,570</u>

(E) **Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,158,825	\$ 430,168	\$ -	\$ 3,588,993
Construction in progress	4,070,971	1,687,678	(5,157,764)	600,885
Total capital assets not being depreciated	<u>7,229,796</u>	<u>2,117,846</u>	<u>(5,157,764)</u>	<u>4,189,878</u>
Capital assets being depreciated:				
Buildings and improvements	15,960,055	2,795,386	(291,529)	18,463,912
Equipment	3,316,849	194,494	(123,043)	3,388,300
Vehicles and motor equipment	1,734,414	236,358	(221,142)	1,749,630
Total capital assets being depreciated	<u>21,011,318</u>	<u>3,226,238</u>	<u>(635,714)</u>	<u>23,601,842</u>
Less accumulated depreciation for:				
Buildings and improvements	5,637,597	281,411	(20,893)	5,898,115
Equipment	1,348,800	240,958	(104,433)	1,485,325
Vehicles and motor equipment	833,956	170,736	(185,519)	819,173
Total accumulated depreciation	<u>7,820,353</u>	<u>693,105</u>	<u>(310,845)</u>	<u>8,202,613</u>
Total capital assets being depreciated, net	<u>13,190,965</u>			<u>15,399,229</u>
Governmental activities capital assets, net	<u>\$ 20,420,761</u>			<u>\$ 19,589,107</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 399,580	\$ 9,551	\$ -	\$ 409,131
Construction in progress	-	1,430,585	(224,836)	1,205,749
Total capital assets not being depreciated	<u>399,580</u>	<u>1,440,136</u>	<u>(224,836)</u>	<u>1,614,880</u>
Capital assets being depreciated:				
Buildings and improvements	1,378,316	-	(2,088)	1,376,228
Water lines and related assets	-	4,245,286	-	4,245,286
Equipment	299,279	41,420	-	340,699
Vehicles and motor equipment	-	4,000	-	4,000
Total capital assets being depreciated	<u>1,677,595</u>	<u>4,290,706</u>	<u>(2,088)</u>	<u>5,966,213</u>
Less accumulated depreciation for:				
Buildings and improvements	88,439	32,460	(165)	120,734
Water lines and related assets	-	102,059	-	102,059
Equipment	92,360	29,439	-	121,799
Vehicles and motor equipment	-	333	-	333
Total accumulated depreciation	<u>180,799</u>	<u>164,291</u>	<u>(165)</u>	<u>344,925</u>
Total capital assets being depreciated, net	<u>1,496,796</u>			<u>5,621,288</u>
Business-type activity capital assets, net	<u>\$ 1,896,376</u>			<u>\$ 7,236,168</u>

Depreciation expense was charged to functions/programs as follows:

General Government	\$ 207,361
Public Safety	202,918
Economic and physical development	4,878
Human services	92,790
Cultural and recreational	<u>185,158</u>
Total depreciation expense	<u>\$ 693,105</u>

The government has several active construction projects as of June 30, 2009. At year-end, the government's commitments with contractors are approximately \$565,379 for governmental activities.

### Note 3 - Liabilities

#### (A) Payables

Payables at the fund and government-wide level at June 30, 2009, were as follows:

	<u>Governmental Funds</u>					Business- Type Activities
	General	Capital Projects	Other	Accrual Adjustment	Governmental Activities	
Accounts payable	\$ 1,062,197	\$ 15,549	\$ 7,422	\$ -	\$ 1,085,168	\$ 159,288
Accrued wages	102,294	-	1,428	-	103,722	-
Claims payable	-	-	-	60,024	60,024	-
Total payables	<u>\$ 1,164,491</u>	<u>\$ 15,549</u>	<u>\$ 8,850</u>	<u>\$ 60,024</u>	<u>\$ 1,248,914</u>	<u>\$ 159,288</u>

#### (B) Claims Payable

Claims incurred include an estimate for health claims incurred but not reported (IBNR), which is based on claims data provided by the third-party administrator. The following is a summary of changes in claims payable:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
6/30/08	\$ 104,114	\$ 527,120	\$ 602,747	\$ 28,487
6/30/09	28,487	653,293	621,756	60,024

#### (C) Pension Plan Obligations

##### North Carolina Local Governmental Employees' Retirement System

*Plan Description:* The County contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental 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, or by calling (919) 981-5454.

*Funding Policy:* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers 4.80% and 5.27%, respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$269,419, \$248,036 and \$236,499 respectively.

*Law Enforcement Officers Special Separation Allowance*

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

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>28</u>
Total	<u>29</u>

*Summary of Significant Accounting Policies:*

- a. *Basis of Accounting:* Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.
- b. *Method Used to Value Investments:* Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

*Contributions:* The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using market value of investments. The

unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

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

Annual required contribution	\$ 14,455
Interest on net pension obligation	9,553
Adjustment to annual required contribution	<u>(8,327)</u>
Annual pension cost	15,681
Employer contribution made	<u>5,352</u>
Increase (decrease) in net pension obligation	10,329
Net pension obligation beginning of year	<u>131,761</u>
Net pension obligation end of year	<u><u>\$ 142,090</u></u>

### Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$ 18,831	36.56%	\$ 117,964
6/30/08	22,213	37.89	131,761
6/30/09	15,681	34.13	142,090

*Funded Status and Funding Progress:* As of December 31, 2008, the most recent actuarial valuation date, the plan was 100% unfunded. The actuarial accrued liability for benefits was \$77,684 and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UUAL) of \$77,684. The covered payroll (annual payroll of active employees covered by the plan) was \$758,188, and the ratio of UAAL to the covered payroll was 10.25%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

#### 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 401k) 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. Contributions for the year ended June 30, 2009 were \$121,081, which consisted of \$39,414 from the County and \$81,667 from the law enforcement officers.

*Registers of Deeds' Supplemental Pension Fund*

*Plan Description:* The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), which is a non-contributory defined contribution plan administered by the North Carolina Department of the State Treasurer. The Fund 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. 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, or by calling (919) 981-5454.

*Funding Policy:* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund.

For the year ended June 30, 2009, the County's required and actual contributions were \$3,063.

(D) **Deferred / Unearned Revenues**

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Governmental Funds</u>			<u>Government- Wide</u>
	<u>General</u>	<u>Other</u>	<u>Accrual Adjustment</u>	
Taxes receivable	\$ 634,816	\$ 56,835	\$ (691,651)	\$ -
Prepaid taxes	44,316	3,274	-	47,590
Other	15,289	-	-	15,289
Deferred/unearned revenue	<u>\$ 694,421</u>	<u>\$ 60,109</u>	<u>\$ (691,651)</u>	<u>\$ 62,879</u>

(E) **Risk Management**

The County is exposed to various risks of losses 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 Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, and 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. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

The County is self-insured for health but carries stop-loss insurance coverage to protect itself from catastrophic claims. Cover provisions provide for a specific stop-loss of \$35,000 per employee and \$1,069,098 in aggregate.

No county property is located in the 100-year Flood Zone as designated by the Federal Emergency Management Agency and is covered 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 \$510,000, the Register of Deeds for \$20,000, 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.

**Note 4 - Long-Term Obligations**

(A) Capital Leases

The County has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following leases are included in Long-Term Debt:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Serviced by the General Fund:</u>				
Vehicle and equipment lease purchase agreement, monthly payments of \$5,502, including interest at 2.68% through May, 2013	\$ 286,302	\$ -	\$ 54,250	\$ 232,052

For Polk County, future minimum payments as of June 30, 2009, including interest are:

<u>Year</u> <u>Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 56,700	\$ 9,281
2011	59,349	6,674
2012	62,075	3,948
2013	53,928	1,118
Total	<u>\$ 232,052</u>	<u>\$ 21,021</u>

(B) Installment Purchase

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County financed various property acquisitions, construction and improvements for use by Polk County, Polk County Board of Education and Isothermal Community College during the fiscal year ended June 30, 2009 by installment purchase.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental activities:				
2003 \$1.05 million installment purchase contract for court facilities, 30 semi-annual payments ranging from \$64,886 to \$36,113, including interest at 4.10% through June 2015.	\$ 491,688	\$ -	\$ 491,688	\$ -
2003 \$4.00 million installment purchase contract for county building projects, 30 semi-annual payments ranging from \$133,333 to \$213,933, including interest at 4.03% through December 2018.	2,799,999	-	266,667	2,533,332
2004 \$7.40 million installment purchase contract for county building projects, 30 semi-annual payments ranging from \$340,050 to \$534,833, including interest at 4.03% through March 2019.	7,333,332	-	666,667	6,666,665
2004 \$10.00 million installment purchase contract for middle school construction, 30 semi-annual payments ranging from \$251,736 to \$402,480 including interest at 4.41% through November 2019.	5,673,334	-	493,333	5,180,001
2009 \$1.70 million installment purchase contract for senior recreation center, 30 semi-annual payments ranging from \$57,775 to \$89,902 including interest at 3.91% through February 2024.	-	1,700,000	-	1,700,000
2005 \$1.84 million QZAB, non-interest bearing installment financing agreement for school renovations, 15 annual payments of \$95,705 into escrow with a balloon payment in June 2020.	<u>1,844,000</u>	<u>-</u>	<u>-</u>	<u>1,844,000</u>
Total governmental activities	<u>\$18,142,353</u>	<u>\$ 1,700,000</u>	<u>\$ 1,918,355</u>	<u>\$ 17,923,998</u>
Business-type activities:				
Installment purchase contract, 360 monthly payments of \$1,286, including interest at 6% through January 2034.	<u>\$ 201,550</u>	<u>\$ -</u>	<u>\$ 3,630</u>	<u>\$ 197,920</u>

For Polk County, the future minimum payments as of June 30, 2009, including interest are:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 1,540,000	\$ 621,114	\$ 3,642	\$ 11,788
2011	1,540,000	558,794	3,867	11,563
2012	1,540,000	496,463	4,105	11,325
2013	1,540,000	434,152	4,359	11,072
2014	1,540,000	371,832	4,627	10,803
2015-2019	7,566,665	924,350	27,787	49,366
2020-2024	2,657,333	66,001	37,480	39,671
2025-2029	-	-	50,555	26,600
2030-2034	-	-	61,498	9,025
<b>Total</b>	<b>\$ 17,923,998</b>	<b>\$ 3,472,706</b>	<b>\$ 197,920</b>	<b>\$ 181,213</b>

(C) General Obligation Indebtedness

The general obligation bonds are issued to finance the construction of County facilities. All bonds are collateralized by the faith, credit and taxing power of the County. These bonds are being serviced by the Debt Service Fund.

The County's general obligation bonds payable at June 30, 2009 are comprised of the following individual issues:

General obligation bonds:

School bonds, refunding, annual principal payments due on May 1 and interest due semi-annually on May 1 and November 1 through 2011 at 4.75% \$ 1,395,000

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2010	\$ 725,000	\$ 69,750
2011	670,000	34,500
<b>Total</b>	<b>\$ 1,395,000</b>	<b>\$ 104,250</b>

The County paid off the above general obligation bonds on September 30, 2009.

At June 30, 2009 Polk County had a legal debt margin of \$140,834,180.



(D) 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, 2009:

	<b>Long-Term Debt</b>			<b>Long-Term Debt</b>	<b>Current Portion of Balance</b>
	<b>June 30, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2009</b>	
<b>Governmental Activities</b>					
By type of debt:					
General obligation debt	\$2,110,000	\$ -	\$ 715,000	\$ 1,395,000	\$ 725,000
Installment purchase contracts	18,142,353	1,700,000	1,918,355	17,923,998	1,540,000
Capital leases	286,302	-	54,250	232,052	56,700
Compensated absences	466,361	470,730	411,483	525,608	400,000
Pension benefit obligations	131,761	10,329	-	142,090	-
Total governmental activities	<u>\$21,136,777</u>	<u>\$ 2,181,059</u>	<u>\$ 3,099,088</u>	<u>\$ 20,218,748</u>	<u>\$ 2,721,700</u>
<b>Business-type activities</b>					
Installment purchase contracts	<u>\$ 201,550</u>	<u>\$ -</u>	<u>\$ 3,630</u>	<u>\$ 197,920</u>	<u>\$ 3,642</u>

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

**Net Assets**

The portion of net assets invested in capital assets, net of related debt, consists of the following:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets, net of depreciation	\$ 19,589,107	\$ 7,236,168
Less:		
General obligation bonds	1,395,000	-
Installment purchase contracts	17,923,998	197,720
Capital leases	232,052	-
Adjustments:		
School related debt	11,859,465	-
Solid waste debt	<u>910,126</u>	<u>-</u>
Invested in capital assets, net of related debt	<u>\$12,807,648</u>	<u>\$ 7,038,448</u>

**Note 5 - Interfund Balances and Activities**

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfers to General Fund from:	
Non-major Governmental Funds	\$ <u>18,431</u>
Transfers to Capital Projects Fund from:	
General Fund	\$ <u>392,900</u>
Transfers to Non-major Governmental Funds from:	
General Fund	\$ <u>317,786</u>
Transfers to Water Fund from:	
General Fund	\$ 2,491,937
Capital Projects Fund	<u>153,966</u>
	<u>\$ 2,645,903</u>

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

**Note 6 - 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 7 - Joint Ventures****(A) Mental Health**

Following extensive study and debate, the 2001 North Carolina General Assembly passed the Mental Health System Reform Bill (House Bill 381). Three Area Programs were organized into an eight county Local Management Entity (LME) and, as a result, the Rutherford Polk Area Authority was dissolved on June 30, 2005. Rutherford and Polk Counties joined six other counties (Henderson, Transylvania, Buncombe, Mitchell, Madison, and Yancey) which represented two other area authorities (Trend and Blue Ridge) to form Western Highlands LME.

A budgetary surplus available from Rutherford Polk Area Authority upon dissolution was distributed to the two counties on the same pro rata basis that the counties appropriated and contributed funds to the authority's budget during the current fiscal year (59.7% Rutherford/ 40.3% Polk). In June 2005, Polk County received \$313,198 that was accounted for in a special revenue fund with funds designated for mental health expenditures. In September 2006, these funds were sent to the Western Highlands LME to fund mental health programs and the special revenue fund was dissolved.

The eight counties participating in the Western Highlands LME are represented by either the county

manager, assistant county manager or county commissioner and one at large position that fits certain criteria as outlined in the Reform Bill. Within available resources, the County has an ongoing financial responsibility for the LME because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest in the LME, so no equity interest has been reflected in the financial statements at June 30, 2009. The County contributed \$74,991 to the LME to fund operations during fiscal year June 30, 2009. Complete financial statements for the LME may be obtained from the LME's offices at 356 Biltmore Avenue, Asheville, NC 28801.

(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, 2009. The County paid operating appropriations of \$113,471 to the District during fiscal year June 30, 2009. The County also paid the District \$149,238 for administration of the transfer station out of the Solid Waste Fund. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

(C) Community College

The County, in conjunction the State of North Carolina and the Polk County Board of Education, participates in a joint venture to operate the Isothermal Community College. Each of the three participants appoints four 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 \$119,535 to the community college for operating purposes during the fiscal year ended June 30, 2009. 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, 2009. Complete financial statements for the community college may be obtained from the community college's administrative offices at Highway 108 East, Columbus, North Carolina, 28722.

(D) 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 \$4,391 to the Commission during the fiscal year ended

June 30, 2009.

(E) Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary assistance to needy families	\$ 106,786	\$ -
Medicaid –Title XIX	15,214,133	5,948,116
Low Income Home Energy Assistance		
State/County Special Assistance for Adults	-	196,938
Foster Care	107,532	16,483
Adoption Assistance	95,990	9,478
CWS Adoption Subsidy and vendor	-	90,902
Food Stamp	2,364,369	-
Adult Daycare	1,875	2,894
Links Independent Living	<u>1,634</u>	<u>409</u>
Total	<u>\$ 17,892,319</u>	<u>\$ 6,265,220</u>

**Note 8 - 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 9 - Contingent Liabilities**

At June 30, 2009, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

**Note 10 - Subsequent Events**

On September 30, 2009, the County paid all outstanding balances of the General Obligation Bonds.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance:

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
  - Schedule of Employer Contributions for the Enforcement Officers' Special Separation Allowance
  - Notes to the Required Schedules for the Enforcement Officers' Special Separation Allowance
-

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## POLK COUNTY, NORTH CAROLINA

### Law Enforcement Officers' Special Separation Allowance Required Supplementary Information -- Schedule of Funding Progress

June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2003	N/A	N/A	N/A	N/A	N/A	N/A
12/31/2004	-	\$ 111,076	\$ 111,076	0%	\$ 767,090	14%
12/31/2005	-	103,326	103,326	0%	852,244	12%
12/31/2006	-	137,237	137,237	0%	984,981	14%
12/31/2007	-	91,515	91,515	0%	745,145	12%
12/31/2008	-	77,684	77,684	0%	758,188	10%

# POLK COUNTY, NORTH CAROLINA

## Law Enforcement Officers' Special Separation Allowance Schedule of Employer Contributions

June 30, 2009

<u>Year Ending June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	N/A	N/A
2005	\$ 18,677	2.39%
2006	17,489	1.98%
2007	20,910	2.05%
2008	14,455	1.94%
2009	13,460	1.78%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as a part of the actuarial valuations at the dates indicated. Additional information was not performed prior to 2002. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5 - 12.3%
*Includes inflation at	3.75%
Cost of living adjustments	N/A



## **GENERAL FUND**

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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.

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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, 2009

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 13,740,851	
Penalties and interest		97,017	
Total	\$ 13,217,861	13,837,868	\$ 620,007
Other Taxes:			
Local Option Sales Taxes	3,033,715	3,064,046	30,331
Unrestricted Intergovernmental:			
Payment in lieu of taxes, outside sources	480,489	415,750	(64,739)
Restricted Intergovernmental:			
Lottery revenue		131,449	
Federal grants		2,631,588	
State grants		357,772	
Local grants		23,924	
Total	3,189,117	3,144,733	(44,384)
Licenses and Permits:			
Register of Deeds fees		191,596	
Building, other permit, inspection fees		129,415	
Total	431,687	321,011	(110,676)
Sales and Services:			
Rents, concessions, and fees		66,764	
Jail fees		18,204	
EMS fees		724,714	
Transportation fees		255,638	
Recreation department		83,138	
Water and sewer fee		9,194	
Court costs, fees, and charges		60,963	
Other charges for services		30,345	
Total	1,051,607	1,248,960	197,353

(continued)

# POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Investment Earnings	\$ 282,692	\$ 272,974	\$ (9,718)
Miscellaneous	409,879	418,052	8,173
Total revenues	22,097,047	22,723,394	428,994
Expenditures:			
General Government:			
Governing Body		111,760	
Manager		219,958	
Board of elections		159,091	
Personnel		39,037	
Finance		235,848	
Tax collections		180,427	
Tax assessor		240,757	
Legal		23,383	
Register of Deeds		164,477	
Public buildings		536,943	
Court facilities		7,761	
Non-departmental		365,338	
Total general government	2,510,066	2,284,780	225,286
Public Safety:			
Sheriff's department		1,480,705	
Jail		551,989	
Emergency medical services		1,003,495	
Emergency management		40,560	
Rescue squad		38,905	
Communications		411,420	
Building inspections		254,585	
Animal Control		86,547	
Total public safety	4,126,943	3,868,206	258,737

(continued)

# POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Expenditures, continued:			
Economic and physical development:			
Cooperative extension		\$ 131,884	
Planning and zoning		166,501	
Soil and water conservation		90,042	
Agriculture		76,323	
Forestry		36,936	
Economic development		95,281	
Total economic and physical development	\$ 818,020	596,967	\$ 221,053
Human Services:			
Health		113,471	
Mental health		78,211	
Veteran's administration		27,223	
Social services administration		1,352,643	
Social services programs		2,436,598	
Public transportation		684,364	
Community based alternatives		73,771	
Total human services	4,953,324	4,766,281	187,043
Cultural and recreational:			
Recreation		349,723	
Library		601,136	
Senior centers		313,362	
Other		302,000	
Total cultural and recreational	1,632,693	1,566,221	66,472
Education:			
Public schools--current		4,234,788	
Public schools--capital outlay		216,561	
Public schools--special appropriation		131,134	
Community colleges--current		110,086	
Community colleges--capital outlay		9,449	
Total education	4,705,354	4,702,018	3,336

(continued)

# POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Expenditures, continued:			
Debt Service:			
Principal retirement		\$ 2,633,357	
Interest and fees		756,632	
Total debt service	\$ 3,389,993	3,389,989	\$ 4
Total expenditures	22,136,393	21,174,462	961,931
Revenues over (under) expenditures	(39,346)	1,548,932	1,588,278
Other financing sources (uses):			
Appropriated fund balance	3,229,004	-	(3,229,004)
Transfers to other funds	(4,795,558)	(3,202,623)	1,592,935
Transfers from other funds	1,605,900	18,431	(1,587,469)
Total other financing sources (uses)	39,346	(3,184,192)	(3,223,538)
Net change in fund balance	\$ -	(1,635,260)	\$ (1,635,260)
Fund balance - Beginning of year		8,689,752	
Fund balance - End of year		\$ 7,054,492	

## **CAPITAL PROJECTS FUND**

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The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities of the County.

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## POLK COUNTY, NORTH CAROLINA

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

From Inception and For the Year Ended June 30, 2009

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Restricted intergovernmental:					
Grant revenue	\$ 612,979	\$ -	\$ 612,979	\$ 612,979	\$ -
Lottery revenue	137,021	-	137,021	137,021	-
Capital grant	75,000	-	75,000	75,000	-
Investment earnings	160,272	332,638	393	333,031	172,759
Other revenue	1,552,267	1,444,867	16,296	1,461,163	(91,104)
Closed projects	250,000	250,000	-	250,000	-
Total revenues	<u>2,787,539</u>	<u>2,027,505</u>	<u>841,689</u>	<u>2,869,194</u>	<u>81,655</u>
<b>Expenditures</b>					
General Government:					
Public buildings	294,323	89,107	200,608	289,715	4,608
GIS	261,120	256,449	-	256,449	4,671
Community Campus/school	15,818,816	15,774,659	-	15,774,659	44,157
Courts	1,562,943	1,469,790	90,305	1,560,095	2,848
Fiber optic access	40,000	-	37,100	37,100	2,900
Public safety:					
Communications	317,770	135,891	5,447	141,338	176,432
Engineering study	626,772	493,556	-	493,556	133,216
Cultural and recreational:					
Library	131,564	122,553	8,534	131,087	477
Recreation	4,383,337	2,601,700	1,250,001	3,851,701	531,636
Education:					
School buildings	4,765,933	3,295,923	1,350,070	4,645,993	119,940
Human services:					
Land purchase	95,000	-	95,653	95,653	(653)
Closed projects	715,757	53,042	-	53,042	662,715
Total expenditures	<u>29,013,335</u>	<u>24,292,670</u>	<u>3,037,718</u>	<u>27,330,388</u>	<u>1,682,947</u>
Revenues over (under) expenditures	<u>(26,225,796)</u>	<u>(22,265,165)</u>	<u>(2,196,029)</u>	<u>(24,461,194)</u>	<u>1,764,602</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	4,438,780	4,045,880	392,900	4,438,780	-
Transfers to other funds	(1,564,484)	(1,410,518)	(153,966)	(1,564,484)	-
Installment purchase obligations issued	23,351,500	20,801,500	1,700,000	22,501,500	(850,000)
Total other financing sources	<u>26,225,796</u>	<u>23,436,862</u>	<u>1,938,934</u>	<u>25,375,796</u>	<u>(850,000)</u>
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,171,697</u>	<u>(257,095)</u>	<u>\$ 914,602</u>	<u>\$ 914,602</u>
Fund balance, beginning of year			<u>1,171,697</u>		
Fund balance, end of year			<u>\$ 914,602</u>		

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## **MAJOR PROPRIETARY FUNDS ENTERPRISE FUNDS**

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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 enterprise fund:

### *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 and Expenditures - Budget and Actual (Non-GAAP) Solid Waste Fund

For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services	\$ 1,358,000	\$ 1,185,218	\$ 172,782
Expenditures:			
Administration		198,892	
Transfer station operations		1,047,853	
Closure and postclosure care		46,517	
Capital outlay		45,420	
Principal payments on debt		3,630	
Interest and debt service charges		11,800	
Total expenditures	<u>1,612,424</u>	<u>1,354,112</u>	<u>304,829</u>
Revenues under expenditures	<u>(254,424)</u>	<u>(168,894)</u>	<u>85,530</u>
OTHER FINANCING SOURCES:			
Fund balance appropriated	<u>254,424</u>	<u>-</u>	<u>(254,424)</u>
Total other financing sources	<u>254,424</u>	<u>-</u>	<u>(254,424)</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>(168,894)</u>	<u>\$ (168,894)</u>
Reconciliation from modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(62,067)	
Principal payment on debt		3,630	
Capital outlay		<u>45,420</u>	
Change in net assets		<u>\$ (181,911)</u>	

## POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 386,889	\$ 19,200	\$ (367,689)
Expenditures:			
Capital Outlay	3,032,792	-	3,032,792
Revenues over (under) expenditures	(2,645,903)	19,200	2,665,103
OTHER FINANCING SOURCES:			
Transfers from other funds	2,645,903	2,645,903	-
Total other financing sources	2,645,903	2,645,903	-
Revenues and other sources over expenditures	\$ -	2,665,103	\$ 2,665,103
Reconciliation from modified accrual to full accrual basis:			
Reconciling items:			
Donated capital		4,030,000	
Depreciation		(102,224)	
Loss on sale of assets		(1,922)	
Change in net assets		\$ 6,590,957	

## **NON-MAJOR GOVERNMENTAL FUNDS**

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### *Special Revenue Funds*

- Capital Reserve Fund – This fund is established to set aside funding to finance County-wide building improvements.
- Revaluation Fund – This fund is established to set aside funding to finance the County-wide real property revaluation.
- 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 motels in the County.
- Communications Fund – This fund is established to account for the accumulation of funds used to operated the 911 Emergency Service operation.
- Grants Projects Fund – This fund is established to account for the expenditure of grant funds related to community projects.

### *Debt Service Fund*

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

### *Internal Service Fund*

- Self Insurance Fund – This fund is used to account for the accumulation and allocation of costs associated with employees’ health care.
-

# POLK COUNTY, NORTH CAROLINA

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2009

	Capital Reserve Fund	Revaluation Fund	Fire District Fund
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 193,428	\$ 395,911	\$ 10,209
Cash with fiscal agent	-	-	-
Taxes receivable, net	-	-	56,835
Accounts receivable	-	-	-
Total assets	\$ 193,428	\$ 395,911	\$ 67,044
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 352	\$ 6,935
Unearned revenues	-	-	3,274
Deferred revenues	-	-	56,835
Total liabilities	-	352	67,044
<b>FUND BALANCES:</b>			
<b>Reserved:</b>			
State statute	-	-	-
Debt service	-	-	-
<b>Unreserved:</b>			
Designated for subsequent years' budget	-	187,325	-
Undesignated	193,428	208,234	-
Total fund balances	193,428	395,559	-
Total liabilities and fund balance	\$ 193,428	\$ 395,911	\$ 67,044



**Special Revenue Funds**

Tourism Development Fund	Communications Fund	Grant Projects	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 11,368	\$ 402,086	\$ -	\$ 1,013,002	\$ -	\$ 1,013,002
-	-	-	-	406,632	406,632
-	19,321	-	76,156	-	76,156
7,552	-	-	7,552	-	7,552
<u>\$ 18,920</u>	<u>\$ 421,407</u>	<u>\$ -</u>	<u>\$ 1,096,710</u>	<u>\$ 406,632</u>	<u>\$ 1,503,342</u>
\$ 1,563	\$ -	\$ -	\$ 8,850	\$ -	\$ 8,850
-	-	-	3,274	-	3,274
-	-	-	56,835	-	56,835
<u>1,563</u>	<u>-</u>	<u>-</u>	<u>68,959</u>	<u>-</u>	<u>68,959</u>
7,552	19,321	-	26,873	-	26,873
-	-	-	-	406,632	406,632
-	-	-	187,325	-	187,325
9,805	402,086	-	813,553	-	813,553
<u>17,357</u>	<u>421,407</u>	<u>-</u>	<u>1,027,751</u>	<u>406,632</u>	<u>1,434,383</u>
<u>\$ 18,920</u>	<u>\$ 421,407</u>	<u>\$ -</u>	<u>\$ 1,096,710</u>	<u>\$ 406,632</u>	<u>\$ 1,503,342</u>

## POLK COUNTY, NORTH CAROLINA

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended June 30, 2009

	<b>Capital Reserve Fund</b>	<b>Revaluation Fund</b>	<b>Fire District Fund</b>
REVENUES:			
Ad valorem taxes	\$ -	\$ -	\$ 1,044,909
Other taxes	-	-	-
Restricted intergovernmental	-	-	-
Investment earnings	148	2,601	-
	148	2,601	1,044,909
Total revenues			
EXPENDITURES:			
General government	-	123,864	-
Public safety	-	-	1,044,909
Economic and physical development	-	-	-
	-	123,864	1,044,909
Total expenditures			
Revenues over (under) expenditures	148	(121,263)	-
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	162,300	-
Transfers to other funds	(18,431)	-	-
Total other financing sources (uses)	(18,431)	162,300	-
Net change in fund balances	(18,283)	41,037	-
Fund balances, beginning of year	211,711	354,522	-
Fund balances, end of year	\$ 193,428	\$ 395,559	\$ -

**Special Revenue Funds**

<b>Tourism Development Fund</b>	<b>Communications Fund</b>	<b>Grant Projects</b>	<b>Total Nonmajor Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 1,044,909	\$ -	\$ 1,044,909
66,108	240,720	-	306,828	-	306,828
-	-	16,059	16,059	-	16,059
-	-	-	2,749	11,078	13,827
66,108	240,720	16,059	1,370,545	11,078	1,381,623
-	-	-	123,864	-	123,864
-	130,387	-	1,175,296	-	1,175,296
125,889	-	16,059	141,948	-	141,948
125,889	130,387	16,059	1,441,108	-	1,441,108
(59,781)	110,333	-	(70,563)	11,078	(59,485)
59,781	-	-	222,081	95,705	317,786
-	-	-	(18,431)	-	(18,431)
59,781	-	-	203,650	95,705	299,355
-	110,333	-	133,087	106,783	239,870
17,357	311,074	-	894,664	299,849	1,194,513
\$ 17,357	\$ 421,407	\$ -	\$ 1,027,751	\$ 406,632	\$ 1,434,383

## 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, 2009

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
REVENUES:			
Investment earnings	\$ 300	\$ 148	\$ (152)
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	50,000	-	(50,000)
Capital reserve escrow	(300)	-	300
Transfers to other funds	(50,000)	(18,431)	31,569
Total other financing sources (uses)	(300)	(18,431)	(18,131)
Net change in fund balance	\$ -	\$ (18,283)	\$ (18,283)
Fund balance, beginning of year		211,711	
Fund balance, end of year		\$ 193,428	

## POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
REVENUES:			
Investment earnings	\$ 1,500	\$ 2,601	\$ 1,101
EXPENDITURES:			
General government	313,501	123,864	189,637
Revenues under expenditures	(312,001)	(121,263)	190,738
OTHER FINANCING SOURCES :			
Transfers from other funds	-	162,300	162,300
Appropriated fund balance	149,701	-	(149,701)
Total other financing sources	149,701	162,300	12,599
Net change in fund balance	\$ (162,300)	\$ 41,037	\$ 203,337
Fund balance, beginning of year		354,522	
Fund balance, end of year		\$ 395,559	

# 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, 2009

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>			
Ad valorem taxes:			
Taxes	\$ 1,050,327	\$ 1,039,949	\$ 10,378
Penalties and interest	-	4,960	(4,960)
Total revenues	1,050,327	1,044,909	(5,418)
<b>EXPENDITURES:</b>			
Public safety:			
Sunny View Fire Department		262,031	
Green Creek Fire Department		156,904	
Tryon Fire Department		137,372	
Saluda Fire Department		124,037	
Mill Springs Fire Department		130,111	
Columbus Fire Department		234,454	
Total expenditures	1,050,327	1,044,909	5,418
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, end of year		\$ -	

## POLK COUNTY, NORTH CAROLINA

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Tourism Development Fund

For the Year Ended June 30, 2009

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
REVENUES:			
Occupancy tax	\$ 64,000	\$ 66,108	\$ 2,108
EXPENDITURES:			
Current:			
Economic and physical development:			
Travel		2,952	
Contracted services		3,131	
Administration		119,806	
Total expenditures	129,246	125,889	3,357
Revenues under expenditures	(65,246)	(59,781)	(1,249)
OTHER FINANCING SOURCES:			
Transfers from other funds	65,246	59,781	(5,465)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning of year		17,357	
Fund balance, end of year		\$ 17,357	

## POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Other Taxes	\$ 191,480	\$ 240,720	\$ 49,240
EXPENDITURES:			
Current:			
Public safety	191,480	130,387	61,093
Revenues over expenditures	-	110,333	(11,853)
Net change in fund balance	<u>\$ -</u>	110,333	<u>\$ 110,333</u>
Fund balance, beginning of year		<u>311,074</u>	
Fund balance, end of year		<u>\$ 421,407</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, 2009

	<b>Project Authorization</b>	<b>Reported in Prior Years</b>	<b>Current Year</b>	<b>Total</b>	<b>Variance Positive (Negative)</b>
REVENUES:					
Restricted intergovernmental	\$ 821,237	\$ 415,910	\$ 16,059	\$ 431,969	\$ (389,268)
EXPENDITURES:					
Economic and physical development:					
Scattered Sites	821,237	415,910	16,059	431,969	389,268
Total expenditures	821,237	415,910	16,059	431,969	389,268
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year			-		
Fund balance, end of year			\$ -		

## POLK COUNTY, NORTH CAROLINA

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Debt Service Fund

For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Investment earnings	<u>\$ -</u>	<u>\$ 11,078</u>	<u>\$ 11,078</u>
EXPENDITURES:			
Debt Service - principal	<u>95,706</u>	<u>-</u>	<u>95,706</u>
Revenues over (under) expenditures	<u>(95,706)</u>	<u>11,078</u>	<u>106,784</u>
OTHER FINANCING SOURCES:			
Transfers from other funds	<u>95,706</u>	<u>95,705</u>	<u>(1)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>106,783</u>	<u><u>\$ 106,783</u></u>
Fund balance, beginning of year		<u>299,849</u>	
Fund balance, end of year		<u><u>\$ 406,632</u></u>	

## POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2009

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
REVENUES:			
Employee contributions	\$ 851,345	\$ 896,953	\$ 45,608
EXPENDITURES:			
Claims	664,460	621,755	42,705
Administration fees	251,610	165,789	85,821
Total expenditures	916,070	787,544	128,526
Revenues over (under) expenditures	(64,725)	109,409	174,134
OTHER FINANCING SOURCES:			
Appropriated fund balance	64,725	-	(64,725)
Revenues and other sources over expenditures	\$ -	\$ 109,409	\$ 109,409

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## **AGENCY FUNDS**

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Agency Funds are used to account for the assets held by the County as an agent for individuals, private organizations, and/or other governmental entities. The County's Agency Funds are used to account for funds deposited with the Social Services Fund, the Property Tax Fund, the Fines and Forfeitures Fund and Other Agency Funds.

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**POLK COUNTY, NORTH CAROLINA**

Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2009

	<u>Social Services Fund</u>	<u>Property Tax Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Other Agency Fund</u>	<u>Total Agency Funds</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 46,395	\$ 15,299	\$ 804	\$ 52,664	\$ 115,162
<b><u>Liabilities</u></b>					
Due to others	\$ 46,395	\$ -	\$ -	\$ 52,664	\$ 99,059
Due to other governments	-	15,299	-	-	15,299
Due to the State of North Carolina	-	-	804	-	804
	<u>\$ 46,395</u>	<u>\$ 15,299</u>	<u>\$ 804</u>	<u>\$ 52,664</u>	<u>\$ 115,162</u>

# POLK COUNTY, NORTH CAROLINA

## Schedule of Changes in Fiduciary Assets and Liabilities Agency Funds

For the Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<b>Social Services Fund:</b>				
Cash and cash equivalents	\$ 61,538	\$ 79,092	\$ 94,235	\$ 46,395
Due to others	\$ 61,538	\$ 79,092	\$ 94,235	\$ 46,395
<b>Property Tax Fund:</b>				
Cash and cash equivalents	\$ 13,015	\$ 953,702	\$ 951,418	\$ 15,299
Due to other governments	\$ 13,015	\$ 953,702	\$ 951,418	\$ 15,299
<b>Fines and Forfeitures Fund:</b>				
Cash and cash equivalents	\$ 718	\$ 182,290	\$ 182,204	\$ 804
Due to Polk County Schools	\$ -	\$ 171,935	\$ 171,935	\$ -
Due to the State of North Carolina	718	10,355	10,269	804
	<u>\$ 718</u>	<u>\$ 182,290</u>	<u>\$ 182,204</u>	<u>\$ 804</u>
<b>Other Agency Fund:</b>				
Cash and cash equivalents	\$ 42,392	\$ 89,687	\$ 79,415	\$ 52,664
Due to others	\$ 42,392	\$ 89,687	\$ 79,415	\$ 52,664
<b>Total:</b>				
Cash and cash equivalents	<u>\$ 117,663</u>	<u>\$ 1,304,771</u>	<u>\$ 1,307,272</u>	<u>\$ 115,162</u>
Due to others	\$ 103,930	\$ 168,779	\$ 173,650	\$ 99,059
Due to other governments	13,015	953,702	951,418	15,299
Due to Polk County Schools	-	171,935	171,935	-
Due to the State of North Carolina	718	10,355	10,269	804
	<u>\$ 117,663</u>	<u>\$ 1,304,771</u>	<u>\$ 1,307,272</u>	<u>\$ 115,162</u>



## **OTHER SUPPLEMENTARY INFORMATION**

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The other supplementary information section is used to present various other data not included in other sections of the comprehensive annual financial report.

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# POLK COUNTY, NORTH CAROLINA

## Schedule of Ad Valorem Taxes Receivable General Fund

June 30, 2009

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008-2009	\$ -	\$ 13,713,304	\$ 13,283,726	\$ 429,578
2007-2008	351,460	-	182,729	168,731
2006-2007	212,989	-	174,054	38,935
2005-2006	92,458	-	67,914	24,544
2004-2005	88,446	-	65,369	23,077
2003-2004	8,170	-	396	7,774
2002-2003	3,584	-	623	2,961
2001-2002	3,335	-	692	2,643
2000-2001	4,332	-	94	4,238
1999-2000	4,006	-	349	3,657
1998-1999	3,291	-	3,291	-
	<u>\$ 772,071</u>	<u>\$ 13,713,304</u>	<u>\$ 13,779,237</u>	<u>706,138</u>
Total				
Less allowance for uncollectible ad valorem taxes receivable				<u>(80,000)</u>
Ad valorem taxes receivable, net				<u>\$ 626,138</u>
Reconciliation with Revenues:				
Taxes - Ad valorem - General Fund				\$ 13,837,868
Reconciling items:				
Discounts allowed				126,174
Taxes written off				3,291
Interest collected				(90,443)
Releases and adjustments				(97,653)
Total reconciling items				<u>(58,631)</u>
Total collections and credits				<u>\$ 13,779,237</u>

## POLK COUNTY, NORTH CAROLINA

### Analysis of Current Year County-Wide Tax Levy

For the Year Ended June 30, 2009

	<u>County Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxes at current year's rate	\$ 1,929,106,539	\$ 0.68	\$ 13,117,924	\$ 11,829,586	\$ 1,288,338
Utilities at current year's rate	42,824,850	0.68	291,209	291,209	-
Penalties	-		100,207	90,443	9,764
Total	<u>1,971,931,389</u>		<u>13,509,340</u>	<u>12,211,238</u>	<u>1,298,102</u>
Discoveries:					
Current year taxes	30,130,632	0.68	204,888	201,017	3,871
Prior year taxes	61,423,618		377,510	377,510	-
Total	<u>91,554,250</u>		<u>582,398</u>	<u>578,527</u>	<u>3,871</u>
Abatements	<u>(58,670,270)</u>		<u>(378,434)</u>	<u>(242,254)</u>	<u>(136,180)</u>
Net Levy	<u>\$ 2,004,815,369</u>		13,713,304	12,547,511	1,165,793
Uncollected Taxes at 6/30/09			<u>429,578</u>	<u>298,058</u>	<u>131,520</u>
Current Year's Taxes Collected			<u>\$ 13,283,726</u>	<u>\$ 12,249,453</u>	<u>\$ 1,034,273</u>
Current Levy Collection %			<u>96.87%</u>	<u>97.62%</u>	<u>88.72%</u>

## STATISTICAL SECTION

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This part of Polk County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the County's overall financial condition. The schedules included in this section can be categorized as follows:

### 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 Assets by Category

Last Ten Fiscal Years

Year	Governmental Activities			Business-type activities			Primary government					
	Invested in Capital assets net of related debt	Restricted	Unrestricted	Total	Invested in Capital assets net of related debt	Unrestricted	Restricted	Total	Invested in Capital assets net of related debt	Restricted	Unrestricted	Total
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	\$ 4,193,542	\$ 37,534	\$ 641,126	\$ 4,872,202	\$ -	\$ -	\$ -	\$ -	\$ 4,193,542	\$ 37,534	\$ 641,126	\$ 4,872,202
2004	6,199,283	-	1,981,866	8,181,149	-	-	-	-	6,199,283	-	1,981,866	8,181,149
2005	7,596,271	-	(4,615,492) <sup>(1)</sup>	2,980,779	918,876	249,109	1,167,985	1,167,985	8,515,147	-	(4,366,383)	4,148,764
2006	9,968,179	96,740	(7,266,125)	2,798,794	1,537,093	330,790	1,867,883	1,867,883	11,505,272	96,740	(6,935,335)	4,666,677
2007	11,205,743	196,009	(5,003,910)	6,397,842	1,648,808	470,646	2,119,454	2,119,454	12,854,551	196,009	(4,533,264)	8,517,296
2008	14,896,379	299,847	(3,436,761)	11,759,465	1,694,826	352,413	2,047,239	2,047,239	16,591,205	299,847	(3,084,348)	13,806,704
2009	12,807,648	897,428	(3,471,180)	10,233,896	7,035,005	1,421,280	8,456,285 <sup>(2)</sup>	8,456,285	19,842,653	897,428	(2,049,900)	18,690,181

Source: Polk County Financial Statements

N/A - Information not available for phase 2 governments prior to the implementation of GASB 34.

<sup>(1)</sup> Decrease caused by various construction projects for the benefit of other organizations

<sup>(2)</sup> Increase due to the investment in county-owned water lines.

POLK COUNTY, NORTH CAROLINA

Revenues - Primary Government

Last Ten Fiscal Years

Year	Governmental Activities							Business-type activities				Total Primary Government
	Sales and Services	Permits and Fees	Operating grants and contributions	Capital grants and contributions	Property taxes	Other taxes	Grants and Contributions not restricted to specific programs	Other	Charges for Services	Other	Total	
2000	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	\$ 1,288,591	\$ 614,234	\$ 4,082,698	\$ 214,857	\$ 9,372,206	\$ 2,778,279	\$ -	\$ 116,767	\$ -	\$ -	\$ 18,467,632	
2004	1,012,904	584,426	3,904,284	715,000	10,543,238	3,912,693	589,788	177,371	-	-	21,439,704	
2005	397,794	747,943	3,177,132	1,033,332	10,719,927	4,429,038	742,918	435,420	813,396 <sup>(2)</sup>	-	22,496,900	
2006	1,068,093	681,463	7,069,648 <sup>(1)</sup>	176,460	12,678,758	4,345,652	385,050	759,411	1,069,770	-	28,234,305	
2007	1,101,903	705,528	2,814,944	538,727	13,568,221	4,557,941	362,634	1,367,035	1,246,368	-	26,263,301	
2008	1,196,650	529,134	2,888,791	71,008	14,110,976	4,109,561	687,581	1,500,667	1,307,658	-	26,402,026	
2009	1,248,960	321,011	3,029,342	956,449	14,799,647	3,370,874	415,750	721,542	1,204,418	4,030,000	30,097,993	

Source: Polk County Financial Statements

N/A - Information not available for phase 2 governments prior to the implementation of GASB 34.

<sup>(1)</sup> Increase due to Emergency Watershed Protection Grant Project.

<sup>(2)</sup> Initial year of operation for the solid waste activities



POLK COUNTY, NORTH CAROLINA

Expenses - Primary Government

Last Ten Fiscal Years

Year	Governmental Activities										Business-type activities			Total Primary Government
	General government	Public safety	Economic and physical development	Environmental protection	Human services	Culture and recreation	Education	Interest on long-term debt	Solid waste	Water				
2000	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
2001	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
2002	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
2003	\$ 1,725,494	\$ 3,558,116	\$ 553,997	\$ 531,290	\$ 3,525,963	\$ 875,958	\$ 5,647,619	\$ 391,105	\$ -	\$ -	\$ -	\$ 16,809,542		
2004	2,211,282	3,932,861	994,463	410,687	3,919,443	977,001	6,704,858	505,891	-	-	-	19,656,486		
2005	9,950,237 <sup>(1)</sup>	4,525,259	569,652	-	4,371,574	1,057,652	4,455,323	1,014,287	585,301	-	-	26,529,285		
2006	6,346,819 <sup>(1)</sup>	4,768,308	3,024,079 <sup>(2)</sup>	-	5,134,463	1,190,696	5,326,731	1,036,483	888,813	-	-	27,716,392		
2007	2,532,464	4,926,153	785,382	-	5,108,467	1,531,015	5,733,765	940,279	1,161,466	-	-	22,718,991		
2008	2,603,109	4,703,673	669,407	-	4,772,975	1,395,294	4,933,837	839,020	1,395,303	-	-	21,312,618		
2009	2,897,048	5,000,699	733,884	-	4,687,695	1,712,737	7,957,032	754,146	1,367,129	104,146	-	25,214,516		

Source: Polk County Financial Statements

N/A - Information not available for phase 2 governments prior to the implementation of GASB 34.

<sup>(1)</sup> Variance caused by construction activity on the Community Campus project.

<sup>(2)</sup> Increase due to Emergency Watershed Protection Grant project.

POLK COUNTY, NORTH CAROLINA

Changes in Net Assets

Last Ten Fiscal Years

Year	Governmental Activities					Business-type activities					Primary government		
	Total revenues	Total expenses	Total net expense	Transfers in (out)	Net change	Total revenues	Total expenses	Transfers in (out)	Net change	Total revenues	Total expenses	Net change	
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
2003	\$ 18,467,632	\$ 16,809,542	\$ 1,658,090	\$ -	\$ 1,658,090	\$ -	\$ -	\$ -	\$ -	\$ 18,467,632	\$ 16,809,542	\$ 1,658,090	
2004	21,439,704	19,656,486	1,783,218	-	1,783,218	-	-	-	-	21,439,704	19,656,486	1,783,218	
2005	21,683,504	25,943,984	(4,260,480)	(939,890)	(5,200,370) <sup>(1)</sup>	813,396	585,301	939,890	1,167,985	22,496,900	26,529,285	(4,032,385)	
2006	27,164,535	26,827,579	336,956	(518,941)	(181,985)	1,069,770	888,813	518,941	699,898	28,234,305	27,716,392	517,913	
2007	25,016,933	21,557,525	3,459,408	(166,669)	3,292,739	1,246,368	1,161,466	166,669	251,571	26,263,301	22,718,991	3,544,310	
2008	25,094,368	19,917,315	5,177,053	(15,430)	5,161,623	1,307,658	1,395,303	15,430	(72,215)	26,402,026	21,312,618	5,089,408	
2009	24,863,575	23,743,241	1,120,334	(2,645,903)	(1,525,569)	5,234,418	1,471,275	2,645,903	6,409,046	30,097,993	25,214,516	4,883,477	

Source: Polk County Financial Statements

N/A - Information not available for phase 3 governments prior to the implementation of GASB 34.

<sup>(1)</sup> Decrease in net change is caused by various construction projects for the benefit of other organizations

**POLK COUNTY, NORTH CAROLINA**

Fund Balances - Governmental Funds

Last Ten Fiscal Years

Year	General Fund			Other Governmental Funds				
	Reserved	Unreserved	Total	Reserved	Unreserved in special revenue funds	Unreserved reported in capital project funds	Total	Total
2000	\$ 955,988	\$ 90,598	\$ 1,046,586	\$ 12,354	\$ 336,283	\$ 1,053,623	\$ 1,402,260	
2001	958,534	1,995,781	2,954,315	31,996	317,430	13,639	363,065	
2002	1,067,851	2,997,824	4,065,675	31,563	673,945	-	705,508	
2003	1,174,845	4,283,142	5,457,987	31,290	421,895	-	453,185	
2004	895,840	4,755,017	5,650,857	23,339	1,577,507	11,362,943	12,963,789	
2005	941,597	5,558,675	6,500,272	29,849	1,005,369	9,525,666	10,560,884	
2006	1,022,204	6,244,808	7,267,012	142,344	1,264,791	1,377,977	2,785,112	
2007	995,302	7,276,793	8,272,095	248,692	1,151,573	975,451	2,375,716	
2008	1,010,102	7,679,650	8,689,752	344,628	865,333	1,156,247	2,366,208	
2009	947,259	6,107,233	7,054,492	433,505	1,000,878	914,602	2,348,985	

Source: Polk County Financial Statements

POLK COUNTY, NORTH CAROLINA

Revenues - Governmental Funds

Last Ten Fiscal Years

Year	Property taxes	Other taxes	Unrestricted Inter-governmental Revenue	Restricted Inter-governmental Revenue	Permits and Fees	Sales and services	Investment earnings	Miscellaneous	Total
2000	\$ 6,703,915	\$ 3,349,318	\$ -	\$ 3,142,845	\$ 319,720	\$ 877,228	\$ 134,191	\$ 159,394	\$ 14,686,611
2001	7,552,212	3,393,116	-	4,148,930	381,059	1,086,112	255,131	251,993	17,068,553
2002	9,167,629	3,544,366	-	2,217,229	461,119	1,069,049	135,176	1,112	16,595,680
2003	9,279,261	2,734,103	-	4,161,345	614,234	1,151,927	94,477	309,163	18,344,510
2004	10,707,374	3,167,330	589,788	4,414,605	584,426	1,125,112	82,895	257,258	20,928,788
2005	10,711,057	3,581,773	742,918	3,223,590	747,943	720,685	383,640	487,222	20,598,828
2006	12,724,098	3,643,853	385,050	5,834,283	681,463	846,101	576,181	1,781,877 <sup>(1)</sup>	26,472,906
2007	13,594,600	3,943,952	362,634	3,174,901	705,528	1,101,903	705,771	904,674	24,493,963
2008	13,957,504	4,109,561	687,581	2,959,799	529,134	1,196,650	690,768	809,899	24,940,896
2009	14,882,777	3,370,874	415,750	3,985,792	321,011	1,248,960	287,194	434,348	24,946,706

Source: Polk County Financial Statements

<sup>(1)</sup> Increase due to contributions received in the Capital Projects Fund for the library construction project.

**POLK COUNTY, NORTH CAROLINA**

Expenditures - Governmental Funds

Last Ten Fiscal Years

Year	General government	Public safety	Economic and				Human services	Culture and recreation	Education	Capital Projects	Debt service		Total	Debt service as a % of non-capital expenditures
			physical development	Environmental protection	development	protection					Principal	Interest		
2000	\$ 1,295,567	\$ 3,167,136	\$ 734,461	\$ 533,457	\$ 2,853,989	\$ 603,045	\$ 3,527,546	\$ 963,183	\$ 1,370,713	\$ -	\$ 15,049,097	10.8		
2001	1,580,388	2,600,049	1,978,766	479,826	3,032,347	607,727	3,159,153	1,361,047	1,403,284	-	16,202,587	10.4		
2002	1,648,347	3,093,151	336,867	491,537	3,766,044	501,472	3,735,895	-	1,407,796	-	14,981,109	10.4		
2003	1,539,137	3,353,499	549,220	523,249	3,458,189	845,256	5,647,619	51,642	1,408,913	-	17,376,724	8.9		
2004	1,870,111	3,921,187	1,019,284	491,569	3,819,693	992,450	5,318,027	3,408,014	1,575,494	-	22,415,829	9.0		
2005	2,317,990	4,256,003	492,543	-	4,094,634	969,104	4,455,323	10,705,119	3,219,543	-	30,510,259	19.4		
2006	2,270,502	4,464,257	3,144,470	-	4,870,201	1,078,858	4,074,431	9,681,846	3,378,432	-	32,962,997	17.0		
2007	2,238,115	4,892,700	739,736	-	4,804,274	1,333,518	4,214,508	2,136,091	2,419,773	952,892	23,731,607	18.5		
2008	2,448,377	4,807,317	675,773	-	4,701,856	1,530,732	4,933,837	2,347,900	2,222,443	849,082	24,517,317	16.1		
2009	2,408,644	5,043,502	738,915	-	4,766,281	1,566,221	6,052,088	1,687,648	2,633,357	756,632	25,653,288	16.5		

Source: Polk County Financial Statements

**POLK COUNTY, NORTH CAROLINA**

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

<b>Year</b>	<b>Total revenues</b>	<b>Total expenditures</b>	<b>Other financing sources (uses)</b>	<b>Net Change</b>
2000	\$ 14,686,611	\$ 15,049,097	\$ 1,706,722	\$ 1,344,236
2001	17,068,553	16,202,587	-	865,966
2002	16,595,680	14,981,109	116,484	1,731,055
2003	18,344,510	17,376,724	(110,313)	857,473
2004	20,928,788	22,415,829	14,190,515 <sup>(1)</sup>	12,703,474
2005	20,598,828	30,510,259	8,357,941 <sup>(1)</sup>	(1,553,490)
2006	26,472,906	32,962,997	(518,941)	(7,009,032)
2007	24,493,963	23,731,607	(166,669)	595,687
2008	24,940,896	24,517,317	(15,430)	408,149
2009	24,946,706	25,653,288	(945,903)	(1,652,485)

Source: Polk County Financial Statements

<sup>(1)</sup> Increase due to issuance of debt to finance the aforementioned construction projects.

**POLK COUNTY, NORTH CAROLINA**

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years  
(in thousands)

Year	Real property	Personal property	Public service companies	Less: tax exempt property	Total taxable assessed value	Total direct tax rate	Estimated actual value (3)	Assessed value as a percentage of actual value
2000	\$ 870,233 (2)	\$ 158,604	\$ 39,295	N/A	\$ 1,068,132	0.5633	1,241,094	86%
2001	891,930 (2)	171,298	32,292	N/A	1,095,520	0.6563	1,272,794	86%
2002	1,049,504 (2)	199,906	37,101	N/A	1,286,511	0.5376	1,286,511	100%
2003	1,525,241	219,396	49,525	206,139	1,588,023	0.5376	1,976,153	80%
2004	1,588,160	210,181	49,591	189,504	1,658,428	0.5876	1,929,610	86%
2005	1,611,091	210,307	49,552	180,755	1,690,195	0.5876	2,133,498	79%
2006	1,667,509	217,259	39,916	178,733	1,745,951	0.6800	2,226,455	78%
2007	1,700,426	254,994	46,072	143,697	1,857,795	0.6800	2,360,231	79%
2008	1,740,118	301,994	47,030	144,517	1,944,625	0.6800	2,459,607	79%
2009	1,931,780	180,435	42,825	150,225	2,004,815	0.6800	2,579,814	78%

NOTE: Assessee valuations are established by the Board of County Commissioners at 100% of estimated market value. A revaluation of real property is required by the NC General Statutes at least every eight years. The last revaluation was completed in 2001.

Source: Polk County Financial Statements

- (1) The increase in 2002 is due to the revaluation completed in 2001.
  - (2) Prior to 2003, the exempt values were netted against the real property values.
- N/A Information not available

**POLK COUNTY, NORTH CAROLINA**

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years (rate per \$1,000 of assessed value)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
County direct rates:										
General	0.5633	0.6563	0.5376	0.5376	0.5876	0.5876	0.6800	0.6800	0.6800	0.6800
Harmon Field	0.0276	0.0276	0.0276	0.0276	0.0376	0.0376	0.0426	0.0426	0.0426	0.0426
City and town rates										
Saluda	0.5200	0.5200	0.5000	0.5000	0.5000	0.5000	0.5400	0.5400	0.6200	0.6200
Columbus	0.4000	0.4000	0.2800	0.3400	0.3500	0.4000	0.4500	0.4500	0.4500	0.3900
Tryon	0.6400	0.6400	0.5800	0.6375	0.6375	0.6275	0.6175	0.6175	0.6175	0.6175
Fire district rates										
Saluda	0.0700	0.0700	0.0700	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900
Sunnyview	0.0900	0.0900	0.0800	0.0800	0.0875	0.0875	0.0875	0.0875	0.0875	0.0875
Mill Spring	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0700	0.0700
Green Creek	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527
Tryon	0.0600	0.0600	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575
Columbus	0.0500	0.0500	0.0400	0.0420	0.0420	0.0420	0.0420	0.0420	0.0420	0.0420
School district rates										
Saluda	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300

Source: Polk County Tax Department



**POLK COUNTY, NORTH CAROLINA**

Principal Property Tax Payers

Current Year and Nine Years Ago

Taxpayer	2009			2000		
	Taxable assessed value	Rank	Percentage of total county taxable assessed value	Taxable assessed value	Rank	Percentage of total county taxable assessed value
Bright's Creek Holdings	\$ 63,539,288	1	3.17%	\$ -	-	-
Adult Communities Total Services	49,056,958	2	2.45%	32,051,624	1	2.94%
Duke Power	27,742,148	3	1.38%	-	-	-
Rutherford Electric Membership Corp.	14,040,604	4	0.70%	13,598,196	2	1.25%
Windstream NC Inc	12,200,637	5	0.61%	-	-	-
White Oak Development	11,637,058	6	0.58%	-	-	-
Tryon Investment Properties	11,111,994	7	0.55%	6,856,833	5	0.63%
Tryon/Columbus Retirement Associates, LLC	7,905,565	8	0.39%	-	-	-
Public Service Co. of NC	9,508,327	9	0.47%	-	-	-
Chestnut Oak Development	7,459,654	10	0.37%	-	-	-
Hatch Mill, Division of Milliken	-	-	-	11,376,964	3	1.04%
Alltel Carolina Inc	-	-	-	9,232,348	4	0.85%
Champion International	-	-	-	3,559,769	6	0.33%
White Oak Manor Inc.	-	-	-	5,155,857	7	0.47%
Home Realty and Insurance Co.	-	-	-	3,570,639	8	0.33%
Lake Adger Developers	-	-	-	2,578,929	9	0.24%
Story, Jack and Louise	-	-	-	2,422,517	10	0.22%
<b>Total</b>	<b>\$ 214,202,233</b>		<b>10.68%</b>	<b>\$ 90,403,676</b>		<b>8.28%</b>

Source: Polk County Tax Department

**POLK COUNTY, NORTH CAROLINA**

Property Tax Levies and Collections

Last Ten Fiscal Years  
(In Thousands)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year		Collected within the Fiscal year of the levy		Current Uncollected Balance	Collection in subsequent Years	Total collections to date	
	Amount	Percentage of levy	Amount	Percentage of levy			Amount	Percentage of levy
2000	\$ 6,149	96%	\$ 5,881	96%	\$ 4	264	\$ 6,145	99.94%
2001	6,310	97%	6,125	97%	4	181	6,306	99.93%
2002	7,592	97%	7,344	97%	3	245	7,589	99.97%
2003	8,682	94%	8,196	94%	3	483	8,679	99.97%
2004	9,723	96%	9,332	96%	78	313	9,645	99.20%
2005	9,953	96%	9,512	96%	23	418	9,930	99.77%
2006	11,898	97%	11,514	97%	25	359	11,873	99.79%
2007	12,669	98%	12,376	98%	39	254	12,630	99.69%
2008	13,350	97%	12,999	97%	169	182	13,181	98.74%
2009	13,713	97%	13,284	97%	430	-	13,284	96.87%

Source: Polk County Financial Statements

**POLK COUNTY, NORTH CAROLINA**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years  
(In Thousands)

Fiscal year	Governmental Activities		Business-Type Activities		Total primary government	Total debt as a percent of personal income	Total debt per capita	Percentage of bonded debt to estimated actual property value	Bonded debt per capita
	General obligation bonds	Installment purchases	Capital Leases	Installment purchases					
2000	\$ 8,170,000	\$ 1,839,581	\$ -	\$ -	\$ 10,009,581	1.77%	544	0.66%	444
2001	7,390,000	1,590,619	-	-	8,980,619	1.54%	479	0.58%	394
2002	6,610,000	1,725,935	-	-	8,335,935	1.42%	443	0.51%	351
2003	5,835,000	1,329,962	-	-	7,164,962	1.23%	380	0.30%	309
2004	5,070,000	15,122,951	-	-	20,192,951	3.30%	1,068	0.26%	268
2005	4,315,000	22,904,951	-	278,971	27,498,922	3.95%	1,447	0.20%	227
2006	3,570,000	21,324,035	-	242,797	25,136,832	3.50%	1,309	0.16%	186
2007	2,835,000	19,639,262	-	204,781	22,679,043	N/A	1,178	0.12%	147
2008	2,110,000	18,142,353	286,302	201,550	20,740,205	N/A	1,069	0.09%	109
2009	1,395,000	17,923,998	232,052	197,920	19,748,970	N/A	1,038	0.05%	73

Source: Polk County Financial Statements.

N/A Information not available

**POLK COUNTY, NORTH CAROLINA**

Legal Debt Margin Information

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Debt limit</u>	<u>Total debt applicable to limit</u>	<u>Legal debt margin</u>	<u>Total debt applicable to the limit as a percentage of debt limit</u>
2000	\$ 87,327,364	\$ 8,170,000	\$ 79,157,364	9.36%
2001	87,641,580	7,390,000	80,251,580	8.43%
2002	(1) 102,920,889	6,610,000	94,832,147	6.42%
2003	128,550,843	5,835,000	122,715,843	4.54%
2004	131,265,520	5,070,000	126,195,520	3.86%
2005	135,215,628	4,315,000	130,900,628	3.19%
2006	139,676,069	3,750,000	135,926,069	2.68%
2007	148,623,578	2,835,000	145,788,578	1.91%
2008	155,569,990	2,110,000	153,459,990	1.36%
2009	160,385,230	1,395,000	140,834,180	0.87%

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed value	\$	2,004,815,369
Debt limit (8% of assessed value)		160,385,230
Debt applicable to limit:		
Less: General obligation bonds		1,395,000
Other non bonded debt		18,156,050
Legal debt margin	\$	<u>140,834,180</u>

Source: Polk County Financial Statements

(1) Increase due to revaluation completed in 2001.

**POLK COUNTY, NORTH CAROLINA**

Demographic and Economic Statistics

Last Ten Fiscal Years

<b>Year</b>	<b>Population (1)</b>	<b>Personal income (2) (thousands of dollars)</b>	<b>Per Capita personal income (2)</b>	<b>Median Age (1)</b>	<b>School enrollment (3)</b>	<b>Unemployment rate (4)</b>
2000	18,394	\$ 566,456	\$ 30,767	46.50	2,290	1.6%
2001	18,750	582,690	31,252	44.93	2,389	2.8%
2002	18,832	585,942	31,151	44.70	2,430	3.9%
2003	18,865	581,398	30,955	45.20	2,366	3.5%
2004	18,905	612,421	32,309	45.39	2,392	3.3%
2005	19,006	696,299	35,063	45.58	2,431	4.2%
2006	19,207	717,878	37,873	45.80	2,472	3.5%
2007	19,247	N/A	N/A	46.03	2,425	3.8%
2008	19,402	N/A	N/A	46.23	2,477	4.5%
2009	19,018	N/A	N/A	45.22	2,444	8.8%

Sources:

- (1) N.C. State Data Center
  - (2) Bureau of Economic Analysis, U. S. Department of Commerce
  - (3) N.C. Department of Public Instruction, First Month Average Daily Membership
  - (4) N. C. Employment Security Commission, June
- N/A - Information not available

POLK COUNTY, NORTH CAROLINA

Principal Employers

Current Year and Three Years Ago

	2009			2006		
	Employees	Rank	Percentage of total County employment	Employees	Rank	Percentage of total County employment
St. Luke's Hospital	360	1	3.62%	398	1	4.42%
Polk County Schools	390 *	2	3.92%	366	2	4.06%
Tryon Estates	260	3	2.62%	250	3	2.78%
Polk County Government	174 *	4	1.75%	155	4	1.72%
White Oak Manor	132	5	1.33%	N/A	N/A	N/A
Woodland Mills	80	6	0.80%	100	6	1.11%
Autumn Care	110	7	1.11%	N/A	N/A	N/A
Hatch Plant	50	8	0.50%	-	3	0.00%
Polk Vocational	85	9	0.86%	N/A	N/A	N/A
Bright's Creek	-	10	0.00%	N/A	N/A	N/A
Laurel Hurst	55	11	0.55%	57	8	0.63%
Carolina Yarn Processors	58	12	0.58%	-	7	0.00%
Tincken Inc.	32	13	0.32%	50	9	0.56%
Wayne Wire Company	33	14	0.33%	43	10	0.48%
Larkins Restaurant	20	15	0.20%	N/A	N/A	N/A
Quality Textiles	20	16	0.20%	105	5	1.17%
Totals	1,859		18.70%	1,524		16.46%

Notes:

Employer data not available for 9 years prior. 2006 is the oldest available history. Percentages based on a work force of 9,940 and 9,006 for 2009 and 2006, respectively.

Source:

Local Business Survey

\* Indicates full time employees, all others are total employees  
N/A Information not available.

POLK COUNTY, NORTH CAROLINA

Full-time Equivalent County Government Employees by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>General Government</u>	N/A	N/A	N/A	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Administration - Co Mgr	N/A	N/A	N/A	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	N/A	N/A	N/A	5.6	6.0	6.0	6.5	7.5	7.5	8.0
Tax - Collections	N/A	N/A	N/A	1.5	1.5	2.0	2.0	2.0	2.0	2.0
Board of Elections	N/A	N/A	N/A	2.0	2.2	2.7	2.9	2.9	2.9	2.9
Register of Deeds	N/A	N/A	N/A	3.2	3.2	3.7	3.7	3.7	3.7	4.7
Public Buildings	N/A	N/A	N/A	1.7	2.0	3.0	3.0	3.0	3.0	3.0
Management Info Systems										
<u>Public safety</u>										
Sheriff's department	N/A	N/A	N/A	20.0	22.8	25.0	26.4	28.3	28.0	24.4
Jail	N/A	N/A	N/A	6.0	7.5	7.4	7.4	8.0	10.0	10.5
Communications	N/A	N/A	N/A	7.5	8.3	9.0	10.0	7.3	9.5	9.5
Emergency Management	N/A	N/A	N/A	-	1.0	-	-	-	-	-
Animal Control	N/A	N/A	N/A	1.5	1.0	1.0	2.0	2.0	1.0	1.0
Community Development	N/A	N/A	N/A	3.0	3.2	5.0	5.0	4.0	5.0	4.0
Emergency Medical Services	N/A	N/A	N/A	13.3	13.0	12.7	15.7	16.0	18.5	18.5
<u>Economic and physical development</u>										
Planning and zoning	N/A	N/A	N/A	1.0	2.0	-	-	1.0	2.0	2.0
Cooperative extension	N/A	N/A	N/A	6.0	7.0	5.4	4.2	5.1	5.1	5.3
Soil and water conservation	N/A	N/A	N/A	1.5	1.8	1.8	1.8	1.8	1.8	1.8
Economic and Development	N/A	N/A	N/A	-	-	-	1.0	1.0	1.0	2.0
<u>Human Services</u>										
Public transportation	N/A	N/A	N/A	10.0	10.5	12.6	12.6	13.5	14.5	15.5
Social service administration	N/A	N/A	N/A	24.0	24.0	26.0	26.0	26.5	29.5	31.5
Veteran's Administration	N/A	N/A	N/A	0.5	0.5	0.5	0.6	0.6	0.6	0.6
<u>Cultural and recreational</u>										
Senior Centers	N/A	N/A	N/A	6.4	5.7	4.7	5.7	5.7	5.7	5.7
Library	N/A	N/A	N/A	7.5	8.5	7.4	9.3	9.3	10.5	10.5
Recreation	N/A	N/A	N/A	2.0	2.0	2.0	2.0	4.3	4.0	4.0
Total				130.2	140.7	144.9	154.8	160.5	172.8	174.4

Source: Various County Departments.

N/A Information not available prior to 2003.

**POLK COUNTY, NORTH CAROLINA**

Operating Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>General Government</u>										
Percentage of registered voters participating in General Election	56%	N/A	45%	N/A	69%	N/A	56%	N/A	71%	N/A
<u>Public Safety</u>										
Number of inmates processed	N/A	N/A	N/A	N/A	N/A	640	648	N/A	561	761
Number of building permits issued	153	157	205	189	197	166	211	180	127	60
Number of EMS calls dispatched	1,964	1,982	1,882	1,933	2,071	2,062	2,329	2,404	2,661	2,783
<u>Human Services</u>										
Public transportation total route miles	N/A	N/A	N/A	232,213	301,100	317,213	352,996	335,044	386,082	394,279
Public transportation passengers	N/A	N/A	N/A	43,679	41,774	44,818	44,034	48,857	50,385	52,883
Number of Children in Foster Care	N/A	20	32	28	47	48	64	64	25	31
<u>Economic &amp; Physical Development</u>										
Number of plats recorded	N/A	N/A	N/A	292	256	249	322	337	305	192
<u>Culture and Recreation - Library</u>										
Volumes in collection	N/A	N/A	N/A	57,277	61,037	60,592	62,497	59,355	55,761	59,800
Circulation	N/A	N/A	N/A	90,901	93,901	103,223	93,586	111,733	105,104	101,374
<u>Education</u>										
Current expense per ADM	\$ 1,291	\$ 1,289	\$ 1,381	\$ 1,447	\$ 1,488	\$ 1,483	\$ 1,520	\$ 1,611	\$ 1,639	\$ 1,733
<u>Enterprise Fund- Landfill</u>										
Tons of waste received	N/A	N/A	N/A	N/A	N/A	10,030	14,370	23,595	22,061	19,473

Source: Various County Departments

N/A Information not available



**POLK COUNTY, NORTH CAROLINA**

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	N/A	N/A	N/A	34	34	39	36	39	35	31
Culture and Recreation										
Libraries	2	2	2	2	2	2	2	2	2	2
Recreation acreage	N/A	N/A	N/A	14	128	145	145	145	140	140
Baseball/softball diamonds	1	1	1	1	3	3	3	3	6	6
Senior Centers	3	3	3	3	3	3	3	3	3	3
Human Services										
Transit-Vans	14	13	14	13	13	14	13	11	11	13

Source: Various County Departments

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of County Commissioners  
Polk County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Polk County, North Carolina as of and for the year ended June 30, 2009, which collectively comprises Polk County's basic financial statements, and have issued our report thereon dated November 9, 2009. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of Polk County in a separate letter dated November 9, 2009.

### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency noted as 09-1 and described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

Board of Commissioners  
Page two

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

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

This report is intended for the information of the audit committee, management, members of the Board of Commissioners, and federal and state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 9, 2009

# *Gould Killian CPA Group, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Commissioners  
Polk County, North Carolina

### Compliance

We have audited the compliance of Polk County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Polk County's management. Our responsibility is to express an opinion on Polk County's compliance based on our audit.

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

In our opinion, Polk County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

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

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

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

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

This report is intended for the information of the audit committee, management, members of the Board of Commissioners, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 9, 2009

# *Gould Killian CPA Group, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Commissioners  
Polk County, North Carolina

### Compliance

We have audited the compliance of Polk County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. Polk County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Polk County's management. Our responsibility is to express an opinion on Polk County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State 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. Our audit does not provide a legal determination on Polk County's compliance with those requirements.

In our opinion, Polk County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

### Internal Control Over Compliance

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

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

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

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

This report is intended for the information of the audit committee, management, members of the Board of Commissioners, and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 9, 2009



**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2009

**I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes       X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses \_\_\_\_\_ X \_\_\_\_\_yes      \_\_\_\_\_none reported

Noncompliance material to financial statements noted \_\_\_\_\_yes       X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_yes       X 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 federal programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 \_\_\_\_\_yes       X no

Major federal programs for Polk County for the fiscal year ended June 30, 2009 are:

<u>Program Name</u>	<u>CFDA #</u>
State Children's Insurance Program	93.767
Title XIX Medicaid	93.778

The threshold for determining Federal Type A programs for Polk County is \$596,374.

Polk County qualifies as a low risk auditee under Section .530 of Circular No. A-133.



**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2009

**II. Financial Statement Findings**

**Finding 09-1**

Criteria: The financial reporting process, including preparation of financial statements, is integral to an effective system of internal control.

Condition: The annual financial statements, footnotes, and other required disclosures are prepared by external auditors.

Recommendation: The cost of an entity's internal control should not outweigh the benefit. While the County does prepare monthly financial statements for internal purposes, it is not logical at this time for the County to dedicate the resources required to perform all of the year-end financial reporting duties. Until the time that it is feasible, we believe the added oversight provided by the external auditors in preparing the County's financial statements is beneficial to the County.

Current Status / Corrective Action plan: The County agrees with this finding.

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

None

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

None

**POLK COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the year ended June 30, 2009

**Finding 08-1**

Status: The County still engages external auditors to prepare the annual financial statements, footnotes, and other required disclosures. It is still the position of the auditor that it is not feasible for the County to dedicate the resources required to perform all of the year-end financial reporting duties. See finding 09-1.

**Finding 08-2**

Status: The County implemented controls to safeguard seized assets.

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the Year Ended June 30, 2009

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Food Stamp Cluster:</u>					
Food Stamp Program - Direct Benefit Payment	10.551		\$ 2,364,369	\$ -	\$ -
State Administrative Matching Grants for the Food Stamp Program	10.561		83,358	-	83,358
Total Food Stamp Cluster			<u>2,447,727</u>	<u>-</u>	<u>83,358</u>
<u>U.S. Dept. of Transportation</u>					
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Public Transportation for Nonurbanized Areas:					
Administration	20.509	36233.83.10.1	148,641	9,294	-
Capital	20.509	36233.83.10.3	47,919	5,990	-
Total U.S. Dept. of Transportation			<u>196,560</u>	<u>15,284</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
Emergency Management Assistance	97.006		47,783	-	-
Total U. S. Department of Homeland Security			<u>47,783</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Health &amp; Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Isothermal Planning and Development					
Special Programs for the Aging - Title III D					
Disease Prevention & Health Promotions Services	93.043		1,102	64	-
National Family Caregiver Support - Title III E	93.052		942	63	-
<u>Aging Cluster:</u> <sup>2</sup>					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		33,399	6,401	-
Special Programs for the Aging - Title III C					
Nutrition Services	93.045		94,112	5,536	-
Nutrition Services Incentive Program	93.053		14,082	-	-
Total Aging Cluster			<u>141,593</u>	<u>11,937</u>	<u>-</u>
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption</u> <sup>2</sup>					
Title IV-E Foster Care - Administration	93.658		146,897	11,506	130,229
Foster Care - Direct Benefit Payments	93.658		107,532	16,483	30,045
Adoption/Foster Care	93.658		33,673	-	401
Adoption Assistance - Direct Benefit Payments	93.659		95,990	9,478	101,724
Total Foster Care and Adoption			<u>384,092</u>	<u>37,467</u>	<u>262,399</u>

Continued on next page

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**For the Year Ended June 30, 2009**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Family Preservation	93.556		\$ 598	\$ -	\$ -
Work First /Temporary Assistance for Needy Families (TANF)	93.558		36,068	-	25,880
Work First/TANF-Direct Benefit Payments	93.558		106,786	-	63,122
TANF Incentive/Program Integrity	93.558		191,965	111	3,902
AFDC Incentive/Program Integrity	93.560		(216)	(29)	(59)
Child Support Enforcement Incentive Recovery	93.563		5,893	(21,350)	24,386
N. C. Child Support Enforcement Section	93.563		41,742	21,396	108
Low-Income Home Energy Assistance Block Grant: Administration	93.568		8,329	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568		100,586	-	-
Crisis Intervention Program	93.568		70,986	-	-
Child Welfare Services - State Grants - Permanency Planning - Families for Kids	93.645		5,395	1,386	412
Independent Living Grant	93.674		1,634	409	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667		1,122	-	160
SSBG - State Adult Day Care	93.667		1,875	2,894	681
Social Services Block Grant	93.667		79,169	6,656	23,625
Division of Child Development:					
Subsidized Child Care					
<u>Child Care Development Fund Cluster:</u> <sup>2</sup>					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		69,565	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		202,975	-	-
Child Care and Development Fund -- Mandatory	93.596		78,579	-	-
Child Care and Development Fund -- Match	93.596		72,589	61,316	-
Total Child Care Development Fund Cluster			<u>423,708</u>	<u>61,316</u>	<u>-</u>
TANF	93.558		76,837	(566)	-
Smart Start			-	54,609	-
State Appropriations			-	123,122	-
Total Subsidized Child Care			<u>500,545</u>	<u>238,481</u>	<u>-</u>
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778		15,214,133	5,948,116	432,861
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		278,432	11,333	267,099
State Children's Insurance Program - N.C. Health Choice	93.767		14,281	747	3,991
Total U.S. Dept. of Health and Human Services			<u>17,187,052</u>	<u>6,259,681</u>	<u>1,108,567</u>
Total Federal awards			<u>19,879,122</u>	<u>6,274,965</u>	<u>1,191,925</u>

Continued on next page

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**For the Year Ended June 30, 2009**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>State Awards:</b>					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
LSTA Automated System			\$ -	\$ 1,529	\$ -
Library Services			-	81,270	-
Total N.C. Dept. of Cultural Resources			-	82,799	-
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Soil and Water Conservation:					
Technical Assistance Payments			-	20,151	-
Total N.C. Dept. of Environmental and Natural Resources			-	20,151	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services					
State/County Special Assistance for Adults - DBP			-	196,938	196,938
State Foster Care Benefits Program			-	76,206	55,893
CPS Expansion Program			-	84,411	-
DCD Smart Start			-	4,300	-
State Adult Protective Service			-	23,200	-
State/County Special Assistance			-	-	5,061
State Aid to Counties			-	9,859	-
CWS Adoption Subsidy & Vendor			-	90,902	30,301
Other County Funded Programs			-	-	204,402
Total Division of Social Services			-	485,816	492,595
Total N. C. Department of Health and Human Services			-	485,816	492,595
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs			-	61,258	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund:					
Corporate Income Tax Collections			-	612,979	-
Lottery Proceeds			-	131,449	-
Total N.C. Dept. of Public Instruction			-	744,428	-
<u>N.C. Dept. of Administration</u>					
Division of Veterans:					
Veteran Affairs			-	2,000	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	52,651	-
- ROAP Rural General Public Program		DOT-16CL	-	53,435	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	5,483	-
Total ROAP			-	111,569	-
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program			-	38,905	-
Total State awards			-	1,546,926	492,595
Total Federal and State awards			\$ 19,879,122	\$ 7,821,891	\$ 1,684,520

**POLK COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**For the Year Ended June 30, 2009**

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

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1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Polk County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:  
Subsidized Child Care, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting List Services,  
and Substance Abuse Services.