

Comprehensive Annual Financial Report

of

Polk County North Carolina

Columbus, North Carolina

For the Fiscal Year Ended June 30, 2008



Prepared by Finance Department
Sandra Q. Hughes, Finance Director

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



Tommy W. Melton
Chairman
Harry L. Denton
Vice-Chairman
Ted B. Owens
Commissioner
Tom E. Pack
Commissioner
Warren D. Watson
Commissioner

October 31, 2008

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, 2008. 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, 2008, 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, 2008 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 7% from 2003 to 2008. The present unemployment rate is 4.5% compared to 6.2% for the State. Per capital 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 ten-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.

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 \$1,033,713 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, 2007. 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

List of Principal Officials

June 30, 2008

BOARD OF COUNTY COMMISSIONERS

Tommy Melton, Chairman
Harry Denton, Vice Chairman
Ted Owens
Tom E. Pack
Warren Wilson

COUNTY OFFICIALS

Ryan Whitson	County Manager	Cathy Ruth	Planning
Tom Hix	County Attorney	John Vining	Cooperative Extension
Sue E. Rhodes	Social Services Director	Daniel Laudermelt	Forest Ranger
Sandra Hughes	Finance Director	Mark E. Pumphrey	County Librarian
Sheila Whitmire	Register of Deeds	Darrell Moore	Veterans Service Officer
Chris Abril	Sheriff	Sandra Halford	Emergency Preparedness/EMS
Dale Edwards	Director, Election Board		Director
Melissa Bowlin	Tax Collector	Steve Jones	Community Development
John Bridgers	Tax Assessor		Director
Patty Aldred	Director, Parks and Recreation	Jewell Carswell	Transportation Director
Charlene Owens	Clerk of Court	Melinda Young	Director of Tourism
Marche Pittman	MIS Director	Dianne Rickman	Communications 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, 2007

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.



Charles S. Cox

President

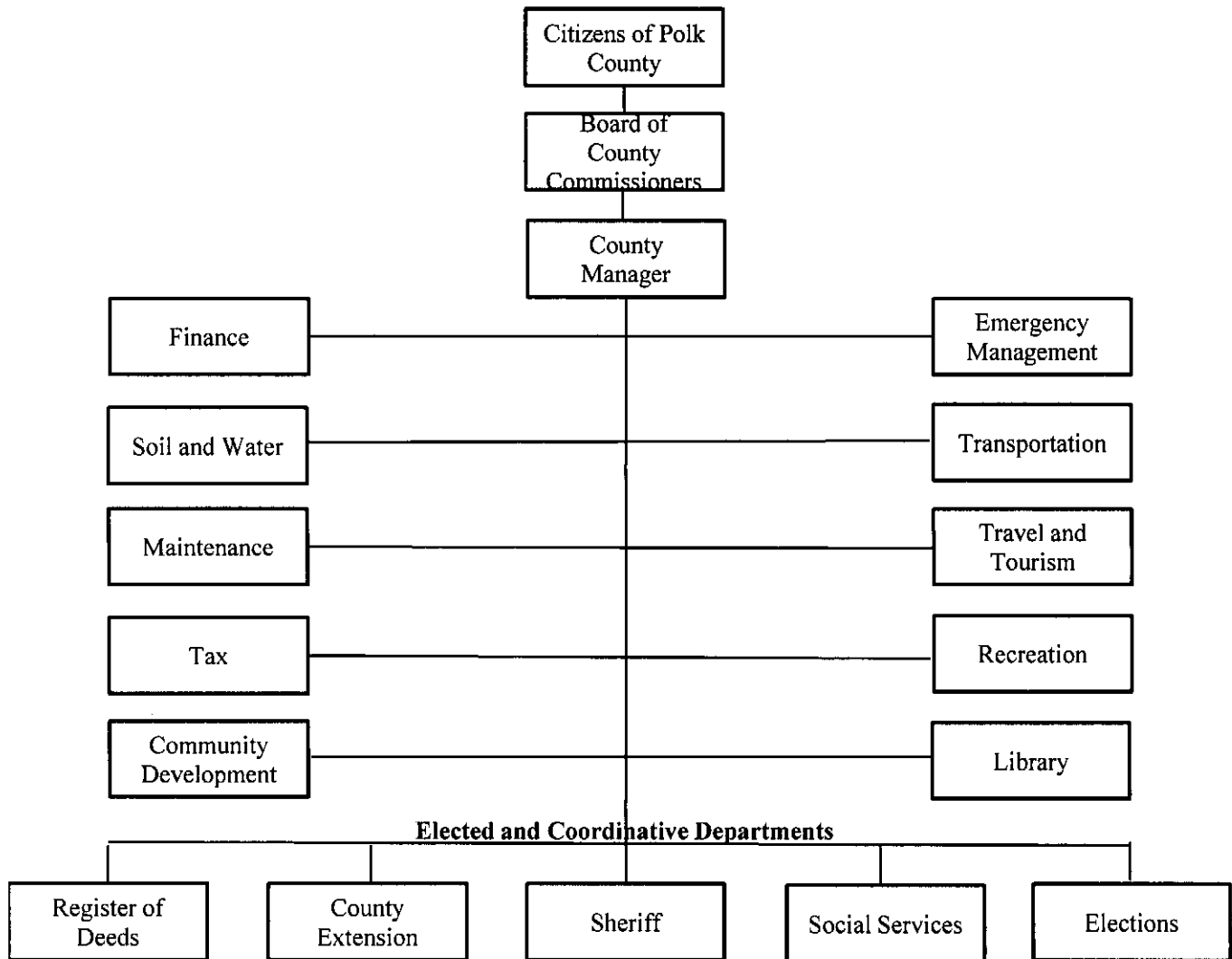
Jeffrey R. Emmer

Executive Director

POLK COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2008



Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2008, 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, 2008, 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 October 31, 2008, 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 accounting principles generally accepted in 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

October 31, 2008

POLK COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2008

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, 2008. 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 \$13,806,704 (net assets).
- The County's net assets increased \$5,089,408 this year due to an increase in capital assets net of depreciation of approximately \$3.5 million due to the completion of capital projects and a decrease in long-term liabilities of approximately \$1.7 million.

Fund level:

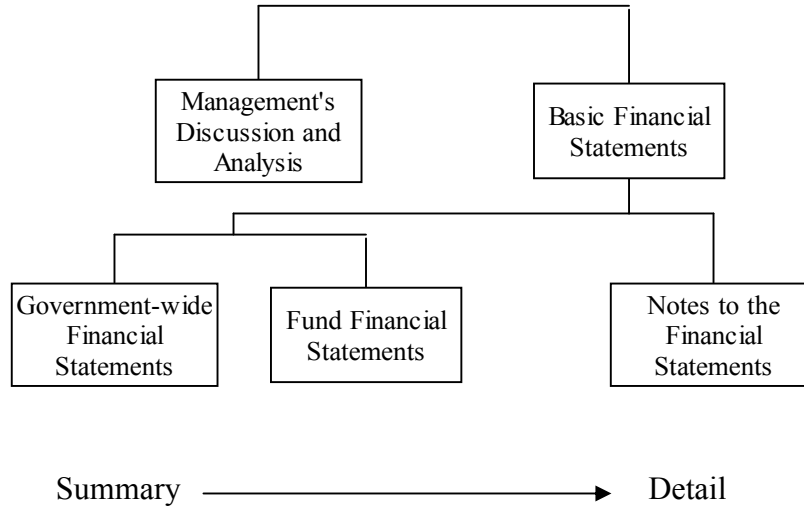
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$11,055,960; of which, \$1,354,730 is reserved and \$9,701,230 is unreserved.
- The County's governmental funds ending fund balances increased \$408,149 this year due to positive operating results of the General Fund.
- The County's main operating fund (General Fund) reported an ending fund balance of \$8,689,752; of which, \$1,010,102 is reserved and \$7,679,650 was unreserved or available for appropriation. Unreserved fund balance, as a percentage of expenditures and transfers, is 33 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. This fund is 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.

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 23 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, 2008 and 2007
Figure 2

	2008			2007		
	<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	\$ 13,654,902	\$ 428,237	\$ 14,083,139	\$ 12,765,427	\$ 595,998	\$ 13,361,425
Capital assets	<u>20,420,761</u>	<u>1,896,376</u>	<u>22,317,137</u>	<u>17,563,640</u>	<u>1,853,589</u>	<u>19,417,229</u>
Total assets	<u>34,075,663</u>	<u>2,324,613</u>	<u>36,400,276</u>	<u>30,329,067</u>	<u>2,449,587</u>	<u>32,778,654</u>
Liabilities:						
Long-term liabilities outstanding	21,136,778	201,550	21,338,328	22,999,469	204,781	23,204,250
Other liabilities	<u>1,179,420</u>	<u>75,824</u>	<u>1,255,244</u>	<u>931,756</u>	<u>125,352</u>	<u>1,057,108</u>
Total liabilities	<u>22,316,198</u>	<u>277,374</u>	<u>22,593,572</u>	<u>23,931,225</u>	<u>330,133</u>	<u>24,261,358</u>
Net assets:						
Invested in capital assets, net of related debt	14,896,379	1,694,826	16,591,205	11,205,743	1,648,808	12,854,551
Restricted for:						
Debt service	299,847	-	299,847	196,009	-	196,009
Unrestricted	<u>(3,436,761)</u>	<u>352,413</u>	<u>(3,084,348)</u>	<u>(5,003,910)</u>	<u>470,646</u>	<u>(4,533,264)</u>
Total net assets	<u>\$ 11,759,465</u>	<u>\$ 2,047,239</u>	<u>\$ 13,806,704</u>	<u>\$ 6,397,842</u>	<u>\$ 2,119,454</u>	<u>\$ 8,517,296</u>
Prior period adjustment				<u>200,000</u>	<u>-</u>	<u>200,000</u>
Net Assets Restated				<u>\$ 6,597,842</u>	<u>\$ 2,119,454</u>	<u>\$ 8,717,296</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 \$13,806,704 as of June 30, 2008. The County's net assets increased by \$5,089,408 for the fiscal year ended June 30, 2008, of which \$5,161,623 was for governmental activities and a decrease of \$72,215 was for business-type activities. The largest portion reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Polk County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Polk County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The reason for the increase in unrestricted governmental activities net assets is due to positive year-end results and the completion of construction projects. Under North Carolina General Statutes, the title to the new school will be conveyed back to the Board of Education once all restrictions on the financing agreements and all sales tax reimbursements have been met but, the debt used to finance construction will remain on the County's books. Business-type activities decreased primarily due to a reduction in current assets due to an operating loss.

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

**Polk County Changes in Net Assets
For the Years Ending June 30, 2008 and 2007**

Figure 3

	2008			2007		
	Govern- mental Activities	Business- type Activities	Total Government- wide	Govern- mental Activities	Business- type Activities	Total Government- wide
Revenues:						
Program revenues:						
Charges for services	\$ 2,413,365	\$ 1,307,658	\$ 3,721,023	\$ 2,476,374	\$ 1,246,368	\$ 3,722,742
Operating grants and contributions	2,888,791	-	2,888,791	2,814,944	-	2,814,944
Capital grants and contributions	71,008	-	71,008	538,727	-	538,727
General revenues:						
Property taxes	14,110,976	-	14,110,976	13,568,221	-	13,568,221
Other taxes	4,109,561	-	4,109,561	4,557,941	-	4,557,941
Other	<u>1,500,667</u>	<u>-</u>	<u>1,500,667</u>	<u>1,367,035</u>	<u>-</u>	<u>1,367,035</u>
Total revenues	<u>25,094,368</u>	<u>1,307,658</u>	<u>26,402,026</u>	<u>25,323,242</u>	<u>1,246,368</u>	<u>26,569,610</u>
Expenses:						
Governmental activities:						
General government	2,603,109	-	2,603,109	2,532,464	-	2,532,464
Public safety	4,703,673	-	4,703,673	4,926,153	-	4,926,153
Economic and physical development	669,407	-	669,407	785,382	-	785,382
Human services	4,772,975	-	4,772,975	5,108,467	-	5,108,467
Cultural and recreation	1,395,294	-	1,395,294	1,531,015	-	1,531,015
Education	4,933,837	-	4,933,837	5,733,765	-	5,733,765
Interest on long-term debt	839,020	-	839,020	940,279	-	940,279
Business-type activities:						
Solid waste	<u>-</u>	<u>1,395,303</u>	<u>1,395,303</u>	<u>-</u>	<u>1,161,466</u>	<u>1,161,466</u>
Total expenses	<u>19,917,315</u>	<u>1,395,303</u>	<u>21,312,618</u>	<u>21,557,525</u>	<u>1,161,466</u>	<u>22,718,991</u>
Change in net assets before transfers	5,177,054	(87,645)	5,089,409	3,765,717	84,902	3,850,619
Transfers	<u>(15,430)</u>	<u>15,430</u>	<u>-</u>	<u>(166,669)</u>	<u>166,669</u>	<u>-</u>
Change in net assets	5,161,623	(72,215)	5,089,409	3,599,048	251,571	3,850,619
Net assets, July 1	6,397,842	2,119,454	8,517,286	2,798,794	1,867,883	4,666,667
Prior period adjustment	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, July 1 as restated	<u>6,597,842</u>	<u>2,119,454</u>	<u>8,717,286</u>	<u>2,798,794</u>	<u>1,867,883</u>	<u>4,666,667</u>
Net assets, June 30	<u>\$ 11,759,465</u>	<u>\$ 2,047,239</u>	<u>\$ 13,806,704</u>	<u>\$ 6,397,842</u>	<u>\$ 2,119,454</u>	<u>\$ 8,517,286</u>

Governmental Activities - Property tax revenue is the County's largest source of revenue, accounting for 56 percent of total revenue. Current year property tax base was approximately \$1.94 billion at a rate of .68 per \$100. The tax rate did not increase or decrease. Property tax revenue increased approximately 4 percent due to the growth of the tax base. The County collected 97.4 percent of this year's levy. The revenues in the governmental activities have remained almost unchanged from the prior year, down only 0.9%. The decrease in governmental activities general government expenditures is due to a decrease in the amount spent in the capital project fund related to the school as well as the reduction in Medicaid expenditure with the State's first year of their Medicaid relief package for Counties.

Business-type Activities - Net assets decreased primarily due to a reduction in current assets due to an operating loss. Revenues and expenses both increased due to volume increase with the new transfer station.

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 \$11,055,960, an increase of \$408,149 in comparison with the prior year. The increase in total fund balances is due primarily to an increase in property tax revenues in the General Fund.

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 \$7,679,650 while total fund balance reached \$8,689,752. 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 33 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 \$290,922, or 1.4 percent of the original budget. The increase in the final budgeted revenues is due primarily to various grants. Other financing sources, appropriation of fund balance, increased \$2,230,526 for the purpose of construction of an elementary school addition, renovation of the courthouse, and county-wide water projects, including the down payment on a lake (explained further below under economic factors and next year's budget).

Capital Asset and Debt Administration

Capital Assets - Polk County's capital assets for its governmental type activities as of June 30, 2008, totals \$20,420,761 (net of accumulated depreciation), an increase of only \$2,857,121 as compared to the previous year. The following major capital projects were completed at June 30, 2008:

- Courthouse renovation; and
- The GIS system
- General building repair projects

Polk County's capital assets for its business-type activities as of June 30, 2008, increased to \$1,896,376 (net of accumulated depreciation) with only minor increases in equipment.

Polk County's Capital Assets
June 30, 2008 and 2007
 Figure 4

	2008			2007		
	Govern- mental Activities	Business- type Activities	Total Government- wide	Govern- mental Activities	Business- type Activities	Total Government- wide
Land	\$ 3,158,825	\$ 399,580	\$ 3,558,405	\$ 3,078,825	\$ 399,580	\$ 3,478,405
Construction in progress	4,070,971	-	4,070,971	4,781,851	-	4,781,851
Buildings and improvements	10,322,458	1,289,877	11,612,335	7,487,193	1,319,374	8,806,567
Equipment	1,968,049	206,919	2,174,968	1,314,627	134,635	1,449,262
Vehicles and motor equipment	<u>900,458</u>	<u>-</u>	<u>900,458</u>	<u>901,144</u>	<u>-</u>	<u>901,144</u>
Total	<u>\$ 20,420,761</u>	<u>\$ 1,896,376</u>	<u>\$ 22,317,137</u>	<u>\$ 17,563,640</u>	<u>\$ 1,853,589</u>	<u>\$ 19,417,229</u>

Additional information regarding Polk County's capital assets can be found in the notes to the financial statements on Pages 27, 33 and 34.

Long-Term Debt - As of June 30, 2008, Polk County had total general obligation bonded debt outstanding of \$2,110,000, which was issued for school construction and is backed by the full faith and credit of the County. As of June 30, 2008, Polk County's outstanding balance on installment purchase contracts was \$18,142,353. Overall, the County's total debt decreased \$2,225,140. This decrease is due to timely debt service payments in accordance with the County's debt service schedule with no new financing.

Polk County's Long-Term Debt
June 30, 2008 and 2007
 Figure 5

	2008			2007		
	Govern- mental Activities	Business- type Activities	Total Government- wide	Govern- mental Activities	Business- type Activities	Total Government- wide
General obligation bonds	\$ 2,110,000	\$ -	\$ 2,110,000	\$ 2,835,000	\$ -	\$ 2,835,000
Installment purchase contracts	18,142,353	201,550	18,343,903	19,639,262	204,781	19,844,043
Capital leases	<u>286,302</u>	<u>-</u>	<u>286,302</u>	<u>19,639,262</u>	<u>204,781</u>	<u>19,844,043</u>
Total	<u>\$ 20,538,655</u>	<u>\$ 201,550</u>	<u>\$20,740,204</u>	<u>\$ 22,474,262</u>	<u>\$ 204,781</u>	<u>\$ 22,679,043</u>

Polk County has maintained an "A" rating from Standard and Poor's Corporation. 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 \$153,459,990.

Additional information regarding Polk County's long-term debt can be found in the notes to the financial statements beginning on Page 39 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 is enjoying a relatively low unemployment rate of 4.5%, lower than the state average of 6.2%;
- Overall revenues remain constant;
- The property tax base increased 4.3% and is expected to increase 2.2% in 2009 as a result of minor residential development.
- Water availability is a concern of the County as we have struggled with the recent extreme drought. The County signed a contract in April, 2008 to purchase Lake Adger for \$1.6 million. A down payment of \$160,000 was made in the current year. Fund balance of \$1.4 million has been appropriated in 2009 to complete the purchase which is expected to close by December, 2008. This transaction will secure a water source for the County for many years to come.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities - Property taxes are budgeted with no tax rate increase and a growth rate of approximately 2.2%. Revenues from permits and fees are expected to decrease slightly. Overall, total budgeted revenue is expected to stay constant.

The County's largest expenditures are for salaries which are budgeted to increase 3.75 percent on average. Overall, budgeted expenditures in the General Fund are expected to also remain constant with the purchase of the lake taking the place of the capital projects that were appropriated from fund balance in the 2008 budget.

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, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 10,152,455	\$ 286,925	\$ 10,439,380
Cash, restricted	1,327,773	-	1,327,773
Cash with fiscal agent	299,847	-	299,847
Receivables (net)	1,847,096	141,312	1,988,408
Accrued interest receivable	27,731	-	27,731
Capital assets:			
Land and construction in progress	7,229,796	399,580	7,629,376
Other capital assets, net of depreciation	13,190,965	1,496,796	14,687,761
Total capital assets	20,420,761	1,896,376	22,317,137
Total assets	34,075,663	2,324,613	36,400,276
Liabilities:			
Accounts payable and accrued expenses	997,532	75,824	1,073,356
Accrued interest payable	112,987	-	112,987
Unearned revenue	68,902	-	68,902
Long-term liabilities:			
Due within one year	2,276,109	3,431	2,279,540
Due in more than one year	18,860,668	198,119	19,058,787
Total liabilities	22,316,198	277,374	22,593,572
Net assets:			
Invested in capital assets, net of related debt	14,896,379	1,694,826	16,591,205
Restricted for:			
Debt service	299,847	-	299,847
Unrestricted (deficit)	(3,436,761)	352,413	(3,084,348)
Total net assets	\$ 11,759,465	\$ 2,047,239	\$ 13,806,704

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

POLK COUNTY, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,603,109	\$ 1,356,198	\$ -	\$ -
Public safety	4,703,673	695,145	24,353	-
Economic and physical development	669,407	25,292	16,708	71,008
Human services	4,772,975	243,765	2,730,225	-
Cultural and recreational	1,395,294	92,965	117,505	-
Education	4,933,837	-	-	-
Interest on long-term debt	839,020	-	-	-
Total Governmental Activities	19,917,315	2,413,365	2,888,791	71,008
Business-type activities:				
Solid waste	1,395,303	1,307,658	-	-
Total government-wide	\$ 21,312,618	\$ 3,721,023	\$ 2,888,791	\$ 71,008

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

Prior period adjustment

Net assets, beginning as restated

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>
\$ (1,246,911)	\$ -	\$ (1,246,911)
(3,984,175)	-	(3,984,175)
(556,399)	-	(556,399)
(1,798,985)	-	(1,798,985)
(1,184,824)	-	(1,184,824)
(4,933,837)	-	(4,933,837)
(839,020)	-	(839,020)
<u>(14,544,151)</u>	<u>-</u>	<u>(14,544,151)</u>
<u>-</u>	<u>(87,645)</u>	<u>(87,645)</u>
<u>(14,544,151)</u>	<u>(87,645)</u>	<u>(14,631,796)</u>
14,110,976	-	14,110,976
3,811,698	-	3,811,698
297,863	-	297,863
690,768	-	690,768
809,899	-	809,899
<u>(15,430)</u>	<u>15,430</u>	<u>-</u>
<u>19,705,774</u>	<u>15,430</u>	<u>19,721,204</u>
<u>5,161,623</u>	<u>(72,215)</u>	<u>5,089,408</u>
6,397,842	2,119,454	8,517,296
200,000	-	200,000
<u>6,597,842</u>	<u>2,119,454</u>	<u>8,717,296</u>
<u>\$ 11,759,465</u>	<u>\$ 2,047,239</u>	<u>\$ 13,806,704</u>

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

POLK COUNTY, NORTH CAROLINA

Balance Sheet Governmental Funds

June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 8,528,671	\$ -	\$ 882,734	\$ 9,411,405
Cash--restricted	-	1,327,773	-	1,327,773
Cash with fiscal agent	-	-	299,847	299,847
Receivables, net	1,702,171	15,450	91,227	1,808,848
Total assets	\$ 10,230,842	\$ 1,343,223	\$ 1,273,808	\$ 12,847,873
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 783,703	\$ 171,526	\$ 13,817	\$ 969,046
Unearned revenue	65,318	-	3,584	68,902
Deferred revenue	692,069	-	61,896	753,965
Total liabilities	1,541,090	171,526	79,297	1,791,913
Fund balances:				
Reserved for:				
State statute	1,010,102	15,450	29,331	1,054,883
Debt service	-	-	299,847	299,847
Unreserved, designated for subsequent year's expenditures	1,612,000	-	-	1,612,000
Unreserved, reported in:				
General fund	6,067,650	-	-	6,067,650
Special revenue funds	-	-	865,333	865,333
Capital projects funds	-	1,156,247	-	1,156,247
Total fund balances	8,689,752	1,171,697	1,194,511	11,055,960
Total liabilities and fund balances	\$ 10,230,842	\$ 1,343,223	\$ 1,273,808	

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)	28,241,114
Less accumulated depreciation	(7,820,353)
Net capital assets	20,420,761
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	27,731
Liabilities for the revenue deferred but earned and therefore reported in the fund statements but not the government-wide	753,965
Allocation of the permanent accounts of the internal service fund to the government-wide statement of net assets	750,813
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	(20,538,656)
Compensated absences and pension obligation	(598,122)
Accrued interest payable	(112,987)
Net assets of governmental activities	\$ 11,759,465

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, 2008

	General	County Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 13,011,937	\$ -	\$ 945,567	\$ 13,957,504
Local option sales taxes	3,811,698	-	-	3,811,698
Other taxes	-	-	297,863	297,863
Unrestricted intergovernmental	687,581	-	-	687,581
Restricted intergovernmental	2,888,792	-	71,007	2,959,799
Permits and fees	529,134	-	-	529,134
Sales and services	1,196,650	-	-	1,196,650
Investment earnings	671,261	4,798	14,709	690,768
Miscellaneous	237,617	567,606	4,676	809,899
Total revenues	23,034,670	572,404	1,333,822	24,940,896
EXPENDITURES				
Current:				
General government	2,167,374	-	281,003	2,448,377
Public safety	3,732,846	-	1,074,471	4,807,317
Economic and physical development	469,863	-	205,910	675,773
Human services	4,701,856	-	-	4,701,856
Cultural and recreational	1,530,732	-	-	1,530,732
Intergovernmental:				
Education	4,409,471	524,366	-	4,933,837
Capital outlay	-	2,347,900	-	2,347,900
Debt service:				
Principal	2,222,443	-	-	2,222,443
Interest and fees	849,082	-	-	849,082
Total expenditures	20,083,667	2,872,266	1,561,384	24,517,317
Revenues over (under) expenditures	2,951,003	(2,299,862)	(227,562)	423,579
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	2,496,108	2,098,384	4,594,492
Transfers to other funds	(2,533,346)	-	(2,076,576)	(4,609,922)
Total other financing sources (uses)	(2,533,346)	2,496,108	21,808	(15,430)
Net changes in fund balances	417,657	196,246	(205,754)	408,149
Fund balances, beginning of year	8,272,095	975,451	1,400,265	10,647,811
Fund balances, end of year	\$ 8,689,752	\$ 1,171,697	\$ 1,194,511	\$ 11,055,960

(continued)

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, 2008

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

Net change in fund balances--total governmental funds	\$ 408,149
Capital outlay expenditures, including capital lease payments recorded in the fund statements but capitalized as assets in the statement of activities	3,009,023
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	(656,448)
Cost of disposed capital asset not recorded in fund statements	(33,262)
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	2,275,599
Allocation of internal service fund profit	69,561
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)	10,062
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(59,118)
Pension benefit obligations are accrued in the government wide statements but not in the fund statements because they do not use current resources	(13,797)
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 6/30/08	753,965
Increase in accrued taxes receivable for year ended 6/30/08	12,648
Reversal of deferred tax revenue recorded at 7/1/07	<u>(614,759)</u>
Change in net assets, governmental activities	<u><u>\$ 5,161,623</u></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 - Budget and Actual General Fund

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 12,640,616	\$ 12,640,616	\$ 13,011,937	\$ 371,321
Local option sales taxes	3,447,218	3,447,218	3,811,698	364,480
Unrestricted intergovernmental	236,086	236,086	687,581	451,495
Restricted intergovernmental	2,756,817	2,886,868	2,888,792	1,924
Permits and fees	725,309	725,309	529,134	(196,175)
Sales and services	880,186	916,105	1,196,650	280,545
Investment earnings	350,000	350,000	671,261	321,261
Miscellaneous	132,465	257,477	237,617	(19,860)
Total revenues	21,168,697	21,459,679	23,034,670	1,574,991
EXPENDITURES:				
Current:				
General government	2,612,832	2,528,211	2,167,374	360,837
Public safety	3,756,007	3,839,298	3,732,846	106,452
Economic and physical development	482,863	515,991	469,863	46,128
Human services	4,775,976	5,016,661	4,701,856	314,805
Cultural and recreational	1,579,222	1,612,259	1,530,732	81,527
Intergovernmental:				
Education	4,399,471	4,409,471	4,409,471	-
Debt service:				
Principal retirement	2,231,766	2,228,534	2,222,443	6,091
Interest and other charges	869,581	857,382	849,082	8,300
Total expenditures	20,707,718	21,007,807	20,083,667	924,140
Revenues over expenditures	460,979	451,872	2,951,003	2,499,131
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,839,719	1,906,291	-	(1,906,291)
Transfers to other funds	(2,300,698)	(4,588,689)	(2,533,346)	2,055,343
Appropriated fund balance	-	2,230,526	-	(2,230,526)
Total other financing sources (uses)	(460,979)	(451,872)	(2,533,346)	(2,081,474)
Net change in fund balance	\$ -	\$ -	417,657	\$ 417,657
Fund balance, beginning of year			8,272,095	
Fund balance, end of year			\$ 8,689,752	

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

POLK COUNTY, NORTH CAROLINA

Statement of Net Assets Proprietary Funds

June 30, 2008

	Enterprise Fund	Internal Service
	Solid	Self-
	Waste	Insurance
	Fund	Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 286,925	\$ 741,051
Receivables (net)	141,312	38,249
Total current assets	428,237	779,300
Capital assets:		
Land and construction in progress	399,580	-
Other capital assets, net of depreciation	1,496,796	-
Total capital assets	1,896,376	-
Total assets	2,324,613	779,300
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	75,824	28,487
Long term debt, current portion	3,431	-
Total current liabilities	79,255	28,487
Noncurrent liabilities:		
Long-term debt, net of current portion	198,119	-
Total liabilities	277,374	28,487
Net assets:		
Invested in capital assets, net of related debt	1,694,826	-
Unrestricted	352,413	750,813
Total net assets	\$ 2,047,239	\$ 750,813

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, 2008

	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self - Insurance Fund
Operating Revenues:		
Charges for services	\$ 1,307,658	\$ -
Employee contributions	-	852,485
Total operating revenues	1,307,658	852,485
Operating Expenses:		
Claims expense	-	602,749
Administration fees	150,000	180,175
Transfer station operations	1,165,728	-
Depreciation	67,376	-
Total operating expenses	1,383,104	782,924
Operating income (loss)	(75,446)	69,561
Non-operating expenses:		
Interest expense	(12,199)	-
Income (loss) before transfers	(87,645)	69,561
Transfer from other funds	15,430	-
Change in net assets	(72,215)	69,561
Net assets, beginning of year	2,119,454	681,252
Net assets, end of year	\$ 2,047,239	\$ 750,813

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, 2008

	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self-Insurance Fund
Cash flows from operating activities:		
Cash received from customers	\$ 1,321,491	\$ 839,675
Cash paid for goods and services	(1,365,257)	(858,550)
Net cash used by operating activities	(43,766)	(18,875)
Cash flows from non-capital financing activities:		
Transfers from other funds	15,430	-
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(110,163)	-
Principal paid on debt	(3,231)	-
Interest paid on debt	(12,199)	-
Net cash used by capital and related financing activities	(125,593)	-
Net decrease in cash and cash equivalents	(153,929)	(18,875)
Cash and cash equivalents, beginning	440,854	759,926
Cash and cash equivalents, ending	\$ 286,925	\$ 741,051
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (75,446)	\$ 69,561
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	67,376	-
Changes in assets and liabilities:		
Decrease (increase) in receivables	13,832	(12,809)
Decrease in accounts payable and accrued expenses	(49,528)	(75,627)
Net cash used by operating activities	\$ (43,766)	\$ (18,875)

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

POLK COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Assets

June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 117,663
LIABILITIES	
Due to others	103,930
Due to other governments	13,015
	718
	<u>\$ 117,663</u>

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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2008

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, 2008.

(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 fund:

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

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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.

The County has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards. These standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

(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 and the Solid Waste Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and 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
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 2008-2009 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 \$703,504 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)	\$ 28,241,114
Less accumulated depreciation	<u>(7,820,353)</u>
Net capital assets	20,420,761
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.	27,731
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	753,965
Net assets of the internal service fund is reported with governmental funds	750,813

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	(20,538,656)
Compensated absences and pension	(598,122)
Accrued interest payable	<u>(112,987)</u>
Total Adjustment	<u>\$ 703,504</u>

- (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 \$4,753,473 as follows:

Description

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 3,009,022
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.	(656,448)
Loss of disposed capital assets in the fund financial statements	(33,262)
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	2,275,599
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	69,561
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)	10,062
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(59,118)
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(13,797)

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, 2008	753,965
Increase in deferred tax revenue for year ended June 30, 2008	12,648
Reversal of deferred tax revenue recorded at July 1, 2007	<u>(614,759)</u>
Total adjustment	<u>\$ 4,753,473</u>

In addition to the items reported above, equipment with a book value of \$339,992 was purchased through capital lease proceeds of the same amount.

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, 2008, the County's deposits had a carrying amount of \$693,210 and a bank balance of \$979,299. Of the bank balance, \$301,879 was covered by federal depository insurance, and \$677,420 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2008 of \$900.

(B) **Investments**

At June 30, 2008, the County had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than Six Months</u>
Commercial paper	\$ 6,558,051	\$ 6,558,051
NC Capital Management Trust- Cash Portfolio	<u>4,932,503</u>	<u>4,932,503</u>
Total	<u>\$ 11,490,554</u>	<u>\$ 11,490,554</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, 2008, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings and A1 by Moody'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, 2008.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than five percent of the County's investments are in commercial paper. These investments are 57% of the County's total investments.

(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.

Year Levied	Tax	Interest	Total
2005	\$ 1,233	\$ 345	\$ 1,578
2006	4,003	829	4,832
2007	4,211	496	4,707
2008	4,279	106	4,385
Total	<u>\$ 13,726</u>	<u>\$ 1,776</u>	<u>\$ 15,502</u>

- (D) **Receivables** – Receivables at the fund and government-wide level at June 30, 2008 were as follows:

	<u>Governmental Funds</u>				Business- Type Activities	
	General	Capital Projects	Other	Accrual Adjustment		Governmental Activities
Receivables:						
Accounts	\$ 1,174,198	\$ 15,450	\$ 29,331	\$ 38,248	\$ 1,257,227	\$ 123,178
Taxes	772,072	–	61,896	–	833,968	18,431
Less: Allowance	(244,099)	–	–	–	(244,099)	(297)
Receivables (net)	<u>\$ 1,702,171</u>	<u>\$ 15,450</u>	<u>\$ 91,227</u>	<u>\$ 38,248</u>	<u>\$ 1,847,096</u>	<u>\$ 141,312</u>

(E) **Capital Assets**

Capital asset activity for the year ended June 30, 2008 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	\$ 3,078,825	\$ 80,000	\$ –	\$ 3,158,825
Construction in progress	4,781,851	2,303,043	(3,013,923)	4,070,971
Total capital assets not being depreciated	<u>7,860,676</u>	<u>2,383,043</u>	<u>(3,013,923)</u>	<u>7,229,796</u>
Capital assets being depreciated:				
Buildings and improvements	12,875,402	3,084,653	–	15,960,055
Equipment	2,425,778	898,054	(6,983)	3,316,849
Vehicles and motor equipment	1,689,858	195,004	(150,448)	1,734,414
Total capital assets being depreciated	<u>16,991,038</u>	<u>4,177,711</u>	<u>(157,431)</u>	<u>21,011,318</u>
Less accumulated depreciation for:				
Buildings and improvements	5,338,209	249,388	–	5,637,597
Equipment	1,111,151	244,523	(6,874)	1,348,800
Vehicles and motor equipment	788,714	162,537	(117,295)	833,956
Total accumulated depreciation	<u>7,288,074</u>	<u>656,448</u>	<u>(124,169)</u>	<u>7,820,353</u>
Total capital assets being depreciated, net	<u>9,702,964</u>			<u>13,190,965</u>
Governmental activities capital assets, net	<u>\$ 17,563,640</u>			<u>\$ 20,420,761</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 399,580	\$ —	\$ —	\$ 399,580
Total capital assets not being depreciated	<u>399,580</u>	<u>—</u>	<u>—</u>	<u>399,580</u>
Capital assets being depreciated:				
Buildings and improvements	1,371,172	7,144	—	1,378,316
Equipment	<u>196,260</u>	<u>103,019</u>	<u>—</u>	<u>299,279</u>
Total capital assets being depreciated	<u>1,567,432</u>	<u>110,163</u>	<u>—</u>	<u>1,677,595</u>
Less accumulated depreciation for:				
Buildings and improvements	51,798	36,641	—	88,439
Equipment	<u>61,625</u>	<u>30,735</u>	<u>—</u>	<u>92,360</u>
Total accumulated depreciation	<u>113,423</u>	<u>67,376</u>	<u>—</u>	<u>180,799</u>
Total capital assets being depreciated, net	<u>1,454,009</u>			<u>1,496,796</u>
Business-type activity capital assets, net	<u>\$ 1,853,589</u>			<u>\$ 1,896,376</u>
Depreciation expense was charged to functions/programs as follows:				
General Government	\$ 194,752			
Public Safety	65,936			
Economic and physical development	1,528			
Human services	184,098			
Cultural and recreational	<u>210,134</u>			
Total depreciation expense	<u>\$ 656,448</u>			

The government has active construction projects as of June 30, 2008 for the Courthouse cupola. At year-end, the government's commitments with contractors are approximately \$1,447,407 for governmental activities.

Note 3 - Liabilities

(A) Payables

Payables at the fund and government-wide level at June 30, 2008, were as follows:

	<u>Governmental Funds</u>				Business- Type Activities	
	<u>General</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Accrual Adjustment</u>		<u>Governmental Activities</u>
Accounts payable	\$ 735,105	\$ 171,526	\$ 12,438	\$ —	\$ 919,069	\$ 75,824
Accrued wages	48,598	—	1,379	—	49,977	—
Claims payable	—	—	—	28,486	28,486	—
Total payables	<u>\$ 783,703</u>	<u>\$ 171,526</u>	<u>\$ 13,817</u>	<u>\$ 28,486</u>	<u>\$ 997,532</u>	<u>\$ 75,824</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:

	Beginning Balance	Increases	Decreases	Ending Balance
6/30/07	\$ 56,670	\$ 647,725	\$ 600,281	\$ 104,114
6/30/08	104,114	527,120	602,747	28,487

(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 4.95% and 4.86%, 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, 2008, 2007, and 2006 were \$248,036, \$236,499 and \$229,894 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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	—
Active plan members	<u>27</u>
Total	<u><u>29</u></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, 2007 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, 2007 was 23 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	\$ 20,910
Interest on net pension obligation	8,552
Adjustment to annual required contribution	<u>(7,249)</u>
Annual pension cost	22,213
Other adjustments	<u>(8,416)</u>
Increase (decrease) in net pension obligation	13,797
Net pension obligation beginning of year	<u>117,964</u>
Net pension obligation end of year	<u><u>\$ 131,761</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>
6/30/06	\$ 19,979	1.98%	\$ 106,017
6/30/07	18,831	36.56	117,964
6/30/08	22,213	37.89	131,761

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 financials statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2008 were \$120,660, which consisted of \$40,776 from the County and \$79,884 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, 2008, the County's required and actual contributions were \$4,718.

(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	\$ 692,069	\$ 61,896	\$ (753,965)	\$ –
Prepaid taxes	50,029	3,584	–	53,613
Other	15,289	–	–	15,289
Deferred/unearned revenue	<u>\$ 757,387</u>	<u>\$ 65,480</u>	<u>\$ (753,965)</u>	<u>\$ 68,902</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 three 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 and dental claims 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 \$773,532 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 Director of Finance and sheriff are each individually bonded for \$10,000 each, the Register of Deeds for \$20,000, and the Tax Collector for \$50,000. 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, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</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	\$ -	\$ 339,992	\$ 53,690	\$ 286,302

For Polk County, the future minimum payments as of June 30, 2008, including interest are:

<u>Year</u> <u>Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 54,200	\$ 11,774
2010	56,743	9,281
2011	59,349	6,674
2012	62,075	3,948
2013	53,935	1,118
Total	<u>\$ 286,302</u>	<u>\$ 32,795</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, 2008 by installment purchase.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Installment purchase contract, 30 semi-annual payments ranging from \$64,886 to \$36,113, including interest at 4.10% through June 2015.	\$ 561,930	\$ —	\$ 70,242	\$ 491,688
Installment purchase contract, 30 semi-annual payments ranging from \$133,333 to \$213,933, including interest at 4.03% through December 2018.	3,066,666	—	266,667	2,799,999
Installment purchase contract, 30 semi-annual payments ranging from \$340,050 to \$534,833, including interest at 4.03% through March 2019.	7,999,999	—	666,667	7,333,332
Installment purchase contract, 30 semi-annual payments ranging from \$251,736 to \$402,480 including interest at 4.41% through November 2019.	6,166,667	—	493,333	5,673,334
Non-interest bearing installment financing agreement, 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>\$19,639,262</u>	<u>\$ —</u>	<u>\$ 1,496,909</u>	<u>\$ 18,142,353</u>
Business-type activities:				
Installment purchase contract, 360 monthly payments of \$1,286, including interest at 6% through January 2034.	<u>\$ 204,781</u>	<u>\$ —</u>	<u>\$ 3,231</u>	<u>\$ 201,550</u>

For Polk County, the future minimum payments as of June 30, 2008, including interest are:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,496,909	\$ 633,082	\$ 3,431	\$ 12,000
2010	1,496,909	572,312	3,642	11,788
2011	1,496,909	511,543	3,867	11,563
2012	1,496,909	450,763	4,105	11,325
2013	1,496,909	390,004	4,359	11,072
2014-2018	7,273,808	1,049,282	26,172	50,980
2019-2023	3,384,000	39,817	35,303	41,849
2024-2028	—	—	47,618	29,533
2029-2033	—	—	64,230	12,926
2034	—	—	8,823	177
Total	<u>\$ 18,142,353</u>	<u>\$ 3,646,803</u>	<u>\$ 201,550</u>	<u>\$ 193,213</u>

(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, 2008 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% \$ 2,110,000

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 725,000	\$ 105,500
2010	725,000	69,750
2011	<u>660,000</u>	<u>34,500</u>
Total	<u>\$ 2,110,000</u>	<u>\$ 209,750</u>

At June 30, 2008 Polk County had a legal debt margin of \$153,459,990.

(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, 2008:

	Long-Term Debt		Long-Term Debt		Current
	June 30, 2007	Additions	Retirements	June 30, 2008	Portion of Balance
Governmental Activities					
By type of debt:					
General obligation debt	\$ 2,835,000	\$ -	\$ 725,000	\$ 2,110,000	\$ 725,000
Installment purchase contracts	19,639,262	-	1,496,909	18,142,353	1,496,909
Capital leases	-	339,992	53,690	286,302	54,200
Compensated absences	407,243	465,040	405,922	466,361	-
Pension benefit obligations	117,964	13,797	-	131,761	-
Total governmental activities	<u>\$22,999,469</u>	<u>\$ 818,829</u>	<u>\$ 2,681,521</u>	<u>\$ 21,136,777</u>	<u>\$ 2,276,109</u>
Business-type activities					
Installment purchase contracts	<u>\$ 204,781</u>	<u>\$ -</u>	<u>\$ 3,231</u>	<u>\$ 201,550</u>	<u>\$ 3,431</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:

	Governmental Activities	Business-Type Activities
Capital assets, net of depreciation	\$ 20,420,761	\$ 1,896,376
Less:		
General obligation bonds	(2,110,000)	-
Installment purchase contracts	(18,142,354)	(201,550)
Capital leases	(286,302)	-
Adjustments:		
School related debt	13,444,865	-
Solid waste debt	<u>996,805</u>	<u>-</u>
Invested in capital assets, net of related debt	<u>\$14,896,379</u>	<u>\$ 1,694,826</u>

Note 5 – Interfund Balances and Activities

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfers to Capital Projects Fund from:	
General Fund	\$ 618,288
Non-major Governmental Funds	<u>1,877,820</u>
	<u>\$ 2,496,108</u>
Transfers to Non-major Governmental Funds from:	
General Fund	<u>\$ 2,098,384</u>
Transfers to Solid Waste Fund from:	
General Fund	<u>\$ 15,432</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,

2008. The County contributed \$74,991 to the LME to fund operations during fiscal year June 30, 2008. 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, 2008. The County paid operating appropriations of \$110,226 to the District during fiscal year June 30, 2008. The County also paid the District \$143,564 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 \$59,710 to the community college for operating purposes during the fiscal year ended June 30, 2008. 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, 2008. 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 \$3,280 to the Commission during the fiscal year ended June 30, 2008.

(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	\$ 110,748	\$ -
Medicaid –Title XIX	12,181,318	6,276,942
Low Income Home Energy Assistance	37,363	-
State/County Special Assistance for Adults	-	209,194
Foster Care	40,946	9,101
Adoption Assistance	152,052	39,980
CWS Adoption Subsidy and vendor	-	22,862
Food Stamp	1,563,480	-
Adult Daycare	3,984	3,482
Links Independent Living	<u>7,987</u>	<u>1,570</u>
Total	<u>\$ 14,097,878</u>	<u>\$ 6,563,131</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, 2008, 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 - Prior Period Adjustment

The net assets of governmental activities on the statement of activities have been restated to reflect the capitalization of a \$200,000 payment for an option to purchase land and a building. This purchase was completed in the current fiscal year and, per the option agreement, the payment for the option was applied to the purchase price. The prior period adjustment does not affect the fund statements.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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 Law Enforcement Officers' Special Separation Allowance;
 - Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
-

POLK COUNTY, NORTH CAROLINA

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

June 30, 2008

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)
12/31/2004	-	\$ 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%

POLK COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance Schedule of Employer Contributions

June 30, 2008

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

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	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 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

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.

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 12,930,921	
Penalties and interest		81,016	
Total	\$ 12,640,616	13,011,937	\$ 371,321
Other Taxes:			
Local Option Sales Taxes	3,447,218	3,811,698	364,480
Unrestricted Intergovernmental:			
Payment in lieu of taxes, outside sources	236,086	687,581	451,495
Restricted Intergovernmental:			
Federal grants		2,506,574	
State grants		346,869	
Local grants		35,349	
Total	2,886,868	2,888,792	1,924
Licenses and Permits:			
Register of Deeds fees		312,322	
Building, other permit, inspection fees:		216,812	
Total	725,309	529,134	(196,175)
Sales and Services:			
Rents, concessions, and fees		69,276	
Jail fees		26,786	
EMS fees		653,619	
Transportation fees		243,765	
Recreation department		84,502	
Water and service fee		25,292	
Court costs, fees, and charges		70,207	
Other charges for services		23,203	
Total	916,105	1,196,650	280,545

(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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Investment Earnings	\$ 350,000	\$ 671,261	\$ 321,261
Miscellaneous	257,477	237,617	(19,860)
Total revenues	21,459,679	23,034,670	1,294,446
Expenditures:			
General Government:			
Governing Body		113,423	
Manager		221,600	
Board of elections		143,344	
Personnel		34,130	
Finance		227,151	
Tax collections		415,801	
Legal		52,185	
Register of Deeds		164,319	
Public buildings		457,913	
Court facilities		2,311	
Non-departmental		335,197	
Total general government	2,528,211	2,167,374	360,837
Public Safety:			
Sheriff's department		1,406,667	
Jail		484,378	
Emergency medical services		1,004,799	
Emergency management		43,540	
Rescue squad		46,649	
Communications		386,818	
Building inspections		278,603	
Animal Control		81,392	
Total public safety	3,839,298	3,732,846	106,452

(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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Expenditures, continued:			
Economic and physical development:			
Cooperative extension		\$ 133,327	
Planning and zoning		110,132	
Soil and water conservation		96,185	
Forestry		38,906	
Economic development		91,313	
Total economic and physical development	\$ 515,991	469,863	\$ 46,128
Human Services:			
Health		115,227	
Mental health		78,170	
Veteran's administration		25,900	
Social services administration		1,256,663	
Social services programs		2,462,972	
Public transportation		686,512	
Community based alternatives		76,412	
Total human services	5,016,661	4,701,856	314,805
Cultural and recreational:			
Recreation		351,500	
Library		664,581	
Senior centers		311,686	
Other		202,965	
Total cultural and recreational	1,612,259	1,530,732	81,527
Education:			
Public schools--current		4,060,200	
Public schools--capital outlay		216,561	
Community colleges--current		59,710	
Community colleges--capital outlay		73,000	
Total education	4,409,471	4,409,471	-

(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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Expenditures, continued:			
Debt Service:			
Principal retirement		\$ 2,222,443	
Interest and fees		849,082	
Total debt service	\$ 3,085,916	3,071,525	\$ 14,391
Total expenditures	21,007,807	20,083,667	924,140
Revenues over expenditures	451,872	2,951,003	2,499,131
Other financing sources (uses):			
Appropriated fund balance	2,230,526	-	(2,230,526)
Transfers to other funds	(4,588,689)	(2,533,346)	2,055,343
Transfers from other funds	1,906,291	-	(1,906,291)
Total other financing sources (uses)	(451,872)	(2,533,346)	(2,081,474)
Net change in fund balance	\$ -	417,657	\$ 417,657
Fund balance - Beginning of year		8,272,095	
Fund balance - End of year		\$ 8,689,752	

CAPITAL PROJECTS FUND

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

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, 2008

	<u>Project Authorization</u>	<u>Reported In Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Investment earnings	159,772	327,840	4,798	332,638	172,866
Other revenue	1,552,267	877,261	567,606	1,444,867	(107,400)
Total revenues	<u>1,962,039</u>	<u>1,455,101</u>	<u>572,404</u>	<u>2,027,505</u>	<u>65,466</u>
Expenditures					
General Government:					
Public buildings	124,273	24,541	64,566	89,107	35,166
GIS	261,120	137,088	119,361	256,449	4,671
Community Campus/school	15,818,816	15,749,789	24,870	15,774,659	44,157
Courts	1,546,443	166,053	1,303,737	1,469,790	76,653
Public safety:					
Communications	222,770	1,376	134,515	135,891	86,879
Engineering study	626,772	20,750	472,806	493,556	133,216
Cultural and recreational:					
Library	161,885	14,895	107,658	122,553	39,332
Recreation	2,608,337	2,481,313	120,387	2,601,700	6,637
Education:					
School buildings	4,765,933	2,771,557	524,366	3,295,923	1,470,010
Closed projects	112,552	53,042	-	53,042	59,510
Total expenditures	<u>26,248,901</u>	<u>21,420,404</u>	<u>2,872,266</u>	<u>24,292,670</u>	<u>1,956,231</u>
Revenues under expenditures	<u>(24,286,862)</u>	<u>(19,965,303)</u>	<u>(2,299,862)</u>	<u>(22,265,165)</u>	<u>(1,890,765)</u>
Other financing sources (uses):					
Transfers from other funds	4,045,880	1,549,772	2,496,108	4,045,880	-
Transfers to other funds	(1,410,518)	(1,410,518)	-	(1,410,518)	-
Installment purchase obligations issued	21,651,500	20,801,500	-	20,801,500	(850,000)
Total other financing sources	<u>24,286,862</u>	<u>20,940,754</u>	<u>2,496,108</u>	<u>23,436,862</u>	<u>(850,000)</u>
Revenues and other sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 975,451</u>	196,246	<u>\$ 1,171,697</u>	<u>\$ (2,740,765)</u>
Fund balance, beginning of year			<u>975,451</u>		
Fund balance, end of year			<u>\$ 1,171,697</u>		

MAJOR PROPRIETARY FUNDS ENTERPRISE FUND

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 Fund

- Solid Waste Fund - This fund accounts for the revenues and expenses associated with operating the County's solid waste transfer station.
-

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services	\$ 1,332,751	\$ 1,307,658	\$ 25,093
Expenditures:			
Administration		150,000	
Transfer station operations		1,165,728	
Capital outlay		110,163	
Principal payments on debt		3,231	
Interest and debt service charges		12,199	
Total expenditures	<u>1,492,404</u>	<u>1,441,321</u>	<u>51,083</u>
Revenues under expenditures	<u>(159,653)</u>	<u>(133,663)</u>	<u>25,990</u>
OTHER FINANCING SOURCES (USES):			
Fund balance appropriated	144,222	-	(144,222)
Transfers from other funds	15,431	15,430	(1)
Total other financing sources (uses)	<u>159,653</u>	<u>15,430</u>	<u>(144,223)</u>
Revenues and other sources under expenditures and other uses	<u>\$ -</u>	(118,233)	<u>\$ (118,233)</u>
Reconciliation from modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(67,376)	
Principal payment on debt		3,231	
Capital outlay		<u>110,163</u>	
Change in net assets		<u>\$ (72,215)</u>	

NON-MAJOR GOVERNMENTAL FUNDS

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 operate 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.
-

POLK COUNTY, NORTH CAROLINA

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2008

	Capital Reserve Fund	Revaluation Fund	Fire District Fund
ASSETS:			
Cash and cash equivalents	\$ 211,711	\$ 354,775	\$ 13,303
Cash with fiscal agent	-	-	-
Taxes receivable, net	-	-	61,896
Accounts receivable	-	-	-
Total assets	\$ 211,711	\$ 354,775	\$ 75,199
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ 253	\$ 9,719
Unearned revenues	-	-	3,584
Deferred revenues	-	-	61,896
Total liabilities	-	253	75,199
FUND BALANCES:			
Reserved:			
State statute	-	-	-
Debt service	-	-	-
Unreserved:			
Undesignated	211,711	354,522	-
Total fund balances	211,711	354,522	-
Total liabilities and fund balance	\$ 211,711	\$ 354,775	\$ 75,199

Special Revenue Funds

Tourism Development Fund	Communications Fund	Grant Projects	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 11,825	\$ 291,120	\$ -	\$ 882,734	\$ -	\$ 882,734
-	-	-	-	299,847	299,847
-	-	-	61,896	-	61,896
8,397	20,934	-	29,331	-	29,331
<u>\$ 20,222</u>	<u>\$ 312,054</u>	<u>\$ -</u>	<u>\$ 973,961</u>	<u>\$ 299,847</u>	<u>\$ 1,273,808</u>
\$ 2,865	\$ 980	\$ -	\$ 13,817	\$ -	\$ 13,817
-	-	-	3,584	-	3,584
-	-	-	61,896	-	61,896
<u>2,865</u>	<u>980</u>	<u>-</u>	<u>79,297</u>	<u>-</u>	<u>79,297</u>
8,397	20,934	-	29,331	-	29,331
-	-	-	-	299,847	299,847
-	-	-	-	-	-
8,960	290,140	-	865,333	-	865,333
<u>17,357</u>	<u>311,074</u>	<u>-</u>	<u>894,664</u>	<u>299,847</u>	<u>1,194,511</u>
<u>\$ 20,222</u>	<u>\$ 312,054</u>	<u>\$ -</u>	<u>\$ 973,961</u>	<u>\$ 299,847</u>	<u>\$ 1,273,808</u>

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2008

	Capital Reserve Fund	Revaluation Fund	Fire District Fund
REVENUES:			
Ad valorem taxes	\$ -	\$ -	\$ 945,567
Other taxes	-	-	-
Restricted intergovernmental	-	-	-
Investment earnings	354	6,223	-
Miscellaneous	-	-	-
	354	6,223	945,567
EXPENDITURES:			
Current:			
General government	-	281,003	-
Public safety	-	-	945,567
Economic and physical development	-	-	-
	-	281,003	945,567
Revenues over (under) expenditures	354	(274,780)	-
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	1,850,000	97,325	-
Transfers to other funds	(1,941,320)	-	-
Total other financing sources (uses)	(91,320)	97,325	-
Net change in fund balances	(90,966)	(177,455)	-
Fund balances, beginning of year	302,677	531,977	-
Fund balances, end of year	\$ 211,711	\$ 354,522	\$ -

Special Revenue Funds

Tourism Development Fund	Communications Fund	Grant Projects	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 945,567	\$ -	\$ 945,567
74,874	222,989	-	297,863	-	297,863
-	-	71,007	71,007	-	71,007
-	-	-	6,577	8,132	14,709
4,676	-	-	4,676	-	4,676
79,550	222,989	71,007	1,325,690	8,132	1,333,822
-	-	-	281,003	-	281,003
-	128,904	-	1,074,471	-	1,074,471
134,903	-	71,007	205,910	-	205,910
134,903	128,904	71,007	1,561,384	-	1,561,384
(55,353)	94,085	-	(235,694)	8,132	(227,562)
55,353	-	-	2,002,678	95,706	2,098,384
-	(135,256)	-	(2,076,576)	-	(2,076,576)
55,353	(135,256)	-	(73,898)	95,706	21,808
-	(41,171)	-	(309,592)	103,838	(205,754)
17,357	352,245	-	1,204,256	196,009	1,400,265
\$ 17,357	\$ 311,074	\$ -	\$ 894,664	\$ 299,847	\$ 1,194,511

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, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment earnings	\$ 305	\$ 354	\$ 49
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	221,320	-	(221,320)
Capital reserve escrow	(130,305)	-	130,305
Transfers from other funds	1,850,000	1,850,000	-
Transfers to other funds	(1,941,320)	(1,941,320)	-
Total other financing sources (uses)	(305)	(91,320)	(91,015)
Net change in fund balance	\$ -	\$ (90,966)	\$ (90,966)
Fund balance, beginning of year		302,677	
Fund balance, end of year		\$ 211,711	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment earnings	\$ 4,500	\$ 6,223	\$ 1,723
EXPENDITURES:			
General government	289,150	281,003	8,147
Revenues under expenditures	(284,650)	(274,780)	9,870
OTHER FINANCING SOURCES :			
Transfers from other funds		97,325	
Appropriated fund balance		-	
Total other financing sources	284,650	97,325	(187,325)
Net change in fund balance	\$ -	\$ (177,455)	\$ (177,455)
Fund balance, beginning of year		531,977	
Fund balance, end of year		\$ 354,522	

POLK COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Fire District Funds

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Ad valorem taxes			
Taxes	\$ 953,750	\$ 941,071	\$ 12,679
Penalties and interest	-	4,496	(4,496)
Total revenues	<u>953,750</u>	<u>945,567</u>	<u>(8,183)</u>
EXPENDITURES:			
Public safety:			
Sunny View Fire Depratment		203,348	
Green Creek Fire Depratment		144,377	
Tryon Fire Depratment		137,067	
Saluda Fire Depratment		120,888	
Mill Springs Fire Depratment		109,898	
Columbus Fire Depratment		229,989	
Total expenditures	<u>953,750</u>	<u>945,567</u>	<u>8,183</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, end of year		<u>\$ -</u>	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Other Taxes:			
Occupancy tax		\$ 74,874	
Other:		4,676	
Total revenues	\$ 66,676	79,550	\$ 12,874
EXPENDITURES:			
Current:			
Economic and physical development:			
Travel		3,042	
Advertising		23,500	
Contracted services		8,123	
Administration		100,238	
Total expenditures	135,824	134,903	921
Revenues under expenditures	(69,148)	(55,353)	13,795
OTHER FINANCING SOURCES:			
Transfers from other funds	69,148	55,353	(13,795)
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, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Other Taxes:			
Phone tax	\$ 123,655	\$ 69,758	\$ (53,897)
Wireless tax	100,000	153,231	53,231
Total Revenues	223,655	222,989	(666)
EXPENDITURES:			
Current:			
Public safety	147,836	128,904	18,932
Revenues over expenditures	75,819	94,085	18,266
OTHER FINANCING SOURCES (USES):			
Appropriated fund balance	135,256	-	(135,256)
Designated Fund Balance	(75,819)	-	
Transfer to other funds	(135,256)	(135,256)	-
Total other financing sources (uses)	(75,819)	(135,256)	(59,437)
Net change in fund balance	\$ -	(41,171)	\$ (41,171)
Fund balance, beginning of year		352,245	
Fund balance, end of year		\$ 311,074	

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, 2008

	Project Authorization	Reported in Prior Years	Current Year	Total	Variance Positive (Negative)
REVENUES:					
Restricted intergovernmental	\$ 421,237	\$ 344,903	\$ 71,007	\$ 415,910	\$ (5,327)
EXPENDITURES:					
Economic and physical development:					
Scattered Sites	421,237	344,903	71,007	415,910	5,327
Total expenditures	421,237	344,903	71,007	415,910	5,327
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, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ 8,132	\$ 8,132
EXPENDITURES:			
Debt Service - principal	95,706	-	(95,706)
Revenues over (under) expenditures	(95,706)	8,132	103,838
OTHER FINANCING SOURCES:			
Transfers from other funds	95,706	95,706	-
Net change in fund balance	\$ -	103,838	\$ 103,838
Fund balance, beginning of year		196,009	
Fund balance, end of year		\$ 299,847	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Employee contributions	\$ 893,843	\$ 852,485	\$ (41,358)
EXPENDITURES:			
Claims	664,460	602,749	61,711
Administration fees	248,660	180,175	68,485
Total expenditures	913,120	782,924	130,196
Revenues over (under) expenditures	(19,277)	69,561	88,838
OTHER FINANCING SOURCES:			
Appropriated fund balance	19,277	-	(19,277)
Revenues and other sources over expenditures	\$ -	\$ 69,561	\$ 69,561

AGENCY FUNDS

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

POLK COUNTY, NORTH CAROLINA

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

	<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>
<u>Assets</u>					
Cash and cash equivalents	\$ 61,538	\$ 13,015	\$ 718	\$ 42,392	\$ 117,663
<u>Liabilities</u>					
Due to others	\$ 61,538	\$ -	\$ -	\$ 42,392	\$ 103,930
Due to other governments	-	13,015	-	-	13,015
Due to the State of North Carolina	-	-	718	-	718
	<u>\$ 61,538</u>	<u>\$ 13,015</u>	<u>\$ 718</u>	<u>\$ 42,392</u>	<u>\$ 117,663</u>

POLK COUNTY, NORTH CAROLINA

Schedule of Changes in Fiduciary Assets and Liabilities Agency Funds

For the Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Social Services Fund:				
Cash and cash equivalents	\$ 16,057	\$ 113,983	\$ 68,502	\$ 61,538
Due to others	\$ 16,057	\$ 113,983	\$ 68,502	\$ 61,538
Property Tax Fund:				
Cash and cash equivalents	\$ 15,289	\$ 759,314	\$ 761,588	\$ 13,015
Due to other governments	\$ 15,289	\$ 759,314	\$ 761,588	\$ 13,015
Fines and Forfeitures Fund:				
Cash and cash equivalents	\$ 852	\$ 213,025	\$ 213,159	\$ 718
Due to Polk County Schools	\$ -	\$ 202,666	\$ 202,666	\$ -
Due to the State of North Carolina	852	10,359	10,493	718
	<u>\$ 852</u>	<u>\$ 213,025</u>	<u>\$ 213,159</u>	<u>\$ 718</u>
Other Agency Fund:				
Cash and cash equivalents	\$ 56,856	\$ 123,031	\$ 137,495	\$ 42,392
Due to others	\$ 56,856	\$ 123,031	\$ 137,495	\$ 42,392
Total:				
Cash and cash equivalents	<u>\$ 89,054</u>	<u>\$ 1,209,353</u>	<u>\$ 1,180,744</u>	<u>\$ 117,663</u>
Due to others	\$ 72,913	\$ 237,014	\$ 205,997	\$ 103,930
Due to other governments	15,289	759,314	761,588	13,015
Due to Polk County Schools	-	202,666	202,666	-
Due to the State of North Carolina	852	10,359	10,493	718
	<u>\$ 89,054</u>	<u>\$ 1,209,353</u>	<u>\$ 1,180,744</u>	<u>\$ 117,663</u>

OTHER SUPPLEMENTARY INFORMATION

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

POLK COUNTY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable General Fund

June 30, 2008

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2007</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 13,350,307	\$ 12,998,848	\$ 351,459
2006-2007	293,337	-	80,348	212,989
2005-2006	216,920	-	124,462	92,458
2004-2005	96,642	-	8,196	88,446
2003-2004	9,124	-	954	8,170
2002-2003	6,544	-	2,960	3,584
2001-2002	4,091	-	756	3,335
2000-2001	4,914	-	582	4,332
1999-2000	4,293	-	287	4,006
1998-1999	3,579	-	288	3,291
1997-1998	3,006	-	3,006	-
	<u>\$ 642,450</u>	<u>\$ 13,350,307</u>	<u>\$ 13,220,687</u>	<u>772,070</u>
Total				<u>772,070</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>(80,000)</u>
Ad valorem taxes receivable, net				<u>\$ 692,070</u>
Reconcilement with Revenues:				
Taxes - Ad valorem - General Fund				\$ 13,011,937
Reconciling items:				
Discounts allowed				110,942
Taxes Written Off				3,006
Interest Collected				(76,816)
Releases and adjustments				171,618
Total reconciling items				<u>208,750</u>
Total collections and credits				<u>\$ 13,220,687</u>

POLK COUNTY, NORTH CAROLINA

Analysis of Current Year County-Wide Tax Levy

For the Year Ended June 30, 2008

	<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	\$ 1,870,117,880	\$ 0.68	\$ 12,716,802	\$ 11,502,062	\$ 1,214,740
Utilities at current year's rate	47,030,206	0.68	319,805	319,805	-
Penalties	-		90,259	81,015	9,244
Total	<u>1,917,148,086</u>		<u>13,126,866</u>	<u>11,902,882</u>	<u>1,223,984</u>
Discoveries:					
Current year taxes	18,180,757	0.68	143,762	138,498	5,264
Prior year taxes	31,809,656		209,106	209,106	-
Total	<u>49,990,413</u>		<u>352,868</u>	<u>347,604</u>	<u>5,264</u>
Abatements	<u>(22,513,629)</u>	0.68	<u>(129,427)</u>	<u>(97,938)</u>	<u>(31,627)</u>
Net Levy	<u>\$ 1,944,624,870</u>		13,350,307	12,152,548	1,197,621
Uncollected Taxes at 6/30/08			<u>351,459</u>	<u>221,887</u>	<u>129,573</u>
Current Year's Taxes Collected			<u>\$ 12,998,848</u>	<u>\$ 11,930,661</u>	<u>\$ 1,068,048</u>
Current Levy Collection %			<u>97.37%</u>	<u>98.17%</u>	<u>89.18%</u>

STATISTICAL SECTION

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

POLK COUNTY, NORTH CAROLINA

Net Assets by Category

Last Ten Fiscal Years

Year	Governmental Activities			
	Invested in Capital assets net of related debt	Restricted	Unrestricted	Total
1999	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	\$ 4,193,542	\$ 37,534	\$ 641,126	\$ 4,872,202
2004	6,199,283	-	1,981,866	8,181,149
2005	7,596,271	-	(4,615,492) ⁽¹⁾	2,980,779
2006	9,968,179	96,740	(7,266,125)	2,798,794
2007	11,205,743	196,009	(5,003,910)	6,397,842
2008	14,896,379	299,847	(3,436,761)	11,759,465

Source: Polk County Financial Statements

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

⁽¹⁾ Decrease caused by various construction projects for the benefit of other organizations.

Business-type activities			Primary government			
Invested in Capital assets net of related debt			Invested in Capital assets net of related debt			
	Unrestricted	Total	Restricted	Unrestricted	Total	
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ -	\$ 4,193,542	\$ 37,534	\$ 641,126	\$ 4,872,202
-	-	-	6,199,283	-	1,981,866	8,181,149
918,876	249,109	1,167,985	8,515,147	-	(4,366,383)	4,148,764
1,537,093	330,790	1,867,883	11,505,272	96,740	(6,935,335)	4,666,677
1,648,808	470,646	2,119,454	12,854,551	196,009	(4,533,264)	8,517,296
1,694,826	352,413	2,047,239	16,591,205	299,847	(3,084,348)	13,806,704

POLK COUNTY, NORTH CAROLINA

Revenues - primary government

Last Ten Fiscal Years

Governmental Activities

Year	Charges for Services	Operating grants and contributions	Capital grants and contributions	Property taxes
1999	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	\$ 1,902,825	\$ 4,082,698	\$ 214,857	\$ 9,372,206
2004	2,187,118	3,904,284	715,000	10,543,238
2005	1,888,655	3,177,132	1,033,332	10,719,927
2006	2,134,606	7,069,648 ⁽¹⁾	176,460	12,678,758
2007	2,476,374	2,814,944	538,727	13,568,221
2008	2,413,365	2,888,791	71,008	14,110,976

Source: Polk County Financial Statements

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

⁽¹⁾ Increase due to Emergency Watershed Protection Grant Project.

⁽²⁾ Initial year of operation for the solid waste activities

Business-type activities

Grants and Contributions not restricted to specific programs			Business-type activities			Total Primary Government
Other taxes		Other	Charges for Services	Other		
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ 2,778,279	\$ -	\$ 116,767	\$ -	\$ -	\$ -	\$ 18,467,632
3,912,693	-	177,371	-	-	-	21,439,704
4,429,038	-	435,420	813,396 ⁽²⁾	-	-	22,496,900
4,345,652	-	759,411	1,069,770	-	-	28,234,305
4,557,941	-	1,367,035	1,246,368	-	-	26,569,610
4,109,561	-	1,500,667	1,307,658	-	-	26,402,026

POLK COUNTY, NORTH CAROLINA

Expenses - primary government

Last Ten Fiscal Years

Governmental Activities					
Year	General government	Public safety	Economic and physical development	Environmental protection	Human services
1999	N/A	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A
2003	\$ 1,725,494	\$ 3,558,116	\$ 553,997	\$ 531,290	\$ 3,525,963
2004	2,211,282	3,932,861	994,463	410,687	3,919,443
2005	9,950,237 ⁽¹⁾	4,525,259	569,652	-	4,371,574
2006	6,346,819 ⁽¹⁾	4,768,308	3,024,079 ⁽²⁾	-	5,134,463
2007	2,532,464	4,926,153	785,382	-	5,108,467
2008	2,603,109	4,703,673	669,407	-	4,772,975

Source: Polk County Financial Statements

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

⁽¹⁾ Variance caused by construction activity on the Community Campus project.

⁽²⁾ Increase due to Emergency Watershed Protection Grant project.

			<u>Business- type activities</u>		
<u>Culture and recreation</u>	<u>Education</u>	<u>Interest on long-term debt</u>	<u>Solid waste</u>	<u>Total Primary Government</u>	
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ 875,958	\$ 5,647,619	\$ 391,105	\$ -	\$ 16,809,542	
977,001	6,704,858	505,891	-	19,656,486	
1,057,652	4,455,323	1,014,287	585,301	26,529,285	
1,190,696	5,326,731	1,036,483	888,813	27,716,392	
1,531,015	5,733,765	940,279	1,161,466	22,718,991	
1,395,294	4,933,837	839,020	1,395,303	21,312,618	

POLK COUNTY, NORTH CAROLINA

Changes in Net Assets

Last Ten Fiscal Years

Governmental Activities

Year	Total revenues	Total expenses	Transfers in (out)	Net change
1999	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	\$ 18,467,632	\$ 16,809,542	\$ -	\$ 1,658,090
2004	21,439,704	19,656,486	-	1,783,218
2005	21,683,504	25,943,984	(939,890)	(5,200,370) ⁽¹⁾
2006	27,164,535	26,827,579	(518,941)	(181,985)
2007	25,323,242	21,557,525	(166,669)	3,599,048
2008	25,094,368	19,917,315	(15,430)	5,161,623

Source: Polk County Financial Statements

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

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

Business-type activities				Primary government		
Total revenues	Total expenses	Transfers in (out)	Net change	Total revenues	Total expenses	Net change
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ -	\$ -	\$ 18,467,632	\$ 16,809,542	\$ 1,658,090
-	-	-	-	21,439,704	19,656,486	1,783,218
813,396	585,301	939,890	1,167,985	22,496,900	26,529,285	(4,032,385)
1,069,770	888,813	518,941	699,898	28,234,305	27,716,392	517,913
1,246,368	1,161,466	166,669	251,571	26,569,610	22,718,991	3,850,619
1,307,658	1,395,303	15,430	(72,215)	26,402,026	21,312,618	5,089,408

POLK COUNTY, NORTH CAROLINA

Fund Balances - Governmental Funds

Last Ten Fiscal Years

General Fund

Year	Reserved	Unreserved	Total
1999	\$ 720,161	\$ 101,558	\$ 821,719
2000	955,988	90,598	1,046,586
2001	958,534	1,995,781	2,954,315
2002	1,067,851	2,997,824	4,065,675
2003	1,174,845	4,283,142	5,457,987
2004	895,840	4,755,017	5,650,857
2005	941,597	5,558,675	6,500,272
2006	1,022,204	6,244,808	7,267,012
2007	995,302	7,276,793	8,272,095
2008	1,010,102	7,679,650	8,689,752

Sources: Polk County Financial Statements

Other Governmental Funds

<u>Reserved</u>	<u>Unreserved reported in special revenue funds</u>	<u>Unreserved reported in capital project funds</u>	<u>Total</u>
\$ 22,108	\$ 259,713	\$ 1,070	\$ 282,891
12,354	336,283	1,053,623	1,402,260
31,996	317,430	13,639	363,065
31,563	673,945	-	705,508
31,290	421,895	-	453,185
23,339	1,577,507	11,362,943	12,963,789
29,849	1,005,369	9,525,666	10,560,884
142,344	1,264,791	1,377,977	2,785,112
248,692	1,151,573	975,451	2,375,716
344,628	865,333	1,156,247	2,366,208

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
1999	\$ 6,358,791	\$ 3,166,651	\$ -	\$ 2,209,168	\$ 300,479
2000	6,703,915	3,349,318	-	3,142,845	319,720
2001	7,552,212	3,393,116	-	4,148,930	381,059
2002	9,167,629	3,544,366	-	2,217,229	461,119
2003	9,279,261	2,734,103	-	4,161,345	614,234
2004	10,707,374	3,167,330	589,788	4,414,605	584,426
2005	10,711,057	3,581,773	742,918	3,223,590	747,943
2006	12,724,098	3,643,853	385,050	5,834,283	681,463
2007	13,594,600	3,943,952	362,634	3,174,901	705,528
2008	13,957,504	4,109,561	687,581	2,959,799	529,134

Source: Polk County Financial Statements

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

Sales and services	Investment earnings	Miscellaneous	Total
\$ 739,623	\$ 127,427	\$ 177,153	\$ 13,079,292
877,228	134,191	159,394	14,686,611
1,086,112	255,131	251,993	17,068,553
1,069,049	135,176	1,112	16,595,680
1,151,927	94,477	309,163	18,344,510
1,125,112	82,895	257,258	20,928,788
720,685	383,640	487,222	20,598,828
846,101	576,181	1,781,877 ⁽¹⁾	26,472,906
1,101,903	705,771	904,674	24,493,963
1,196,650	690,768	809,899	24,940,896

POLK COUNTY, NORTH CAROLINA

Expenditures - Governmental Funds

Last Ten Fiscal Years

<u>Year</u>	<u>General government</u>	<u>Public safety</u>	<u>Economic and physical development</u>	<u>Environmental protection</u>	<u>Human services</u>	<u>Culture and recreation</u>
1999	\$ 1,227,683	\$ 2,785,217	\$ 329,624	\$ 468,367	\$ 2,842,813	\$ 672,735
2000	1,295,567	3,167,136	734,461	533,457	2,853,989	603,045
2001	1,580,388	2,600,049	1,978,766	479,826	3,032,347	607,727
2002	1,648,347	3,093,151	336,867	491,537	3,766,044	501,472
2003	1,539,137	3,353,499	549,220	523,249	3,458,189	845,256
2004	1,870,111	3,921,187	1,019,284	491,569	3,819,693	992,450
2005	2,317,990	4,256,003	492,543	-	4,094,634	969,104
2006	2,270,502	4,464,257	3,144,470	-	4,870,201	1,078,858
2007	2,238,115	4,892,700	739,736	-	4,804,274	1,333,518
2008	2,448,377	4,807,317	675,773	-	4,701,856	1,530,732

Source: Polk County Financial Statements

<u>Education</u>	<u>Capitol Projects</u>	<u>Debt service</u>		<u>Total</u>	<u>Debt service as a % of non-capital expenditures</u>
		<u>Principal</u>	<u>Interest</u>		
\$ 3,148,384	\$ 1,375,241	\$ 1,405,722	\$ -	\$ 14,255,786	12.3 %
3,527,546	963,183	1,370,713	-	15,049,097	10.8
3,159,153	1,361,047	1,403,284	-	16,202,587	10.4
3,735,895	-	1,407,796	-	14,981,109	10.4
5,647,619	51,642	1,408,913	-	17,376,724	8.9
5,318,027	3,408,014	1,575,494	-	22,415,829	9.0
4,455,323	10,705,119	3,219,543	-	30,510,259	19.4
4,074,431	9,681,846	3,378,432	-	32,962,997	17.0
4,214,508	2,136,091	2,419,773	952,892	23,731,607	18.5
4,933,837	2,347,900	2,222,443	849,082	24,517,317	16.1

POLK COUNTY, NORTH CAROLINA

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

<u>Year</u>	<u>Total revenues</u>	<u>Total expenditures</u>	<u>Other financing sources (uses)</u>	<u>Net Change</u>
1999	\$ 13,079,292	\$ 14,255,786	\$ 115,500	\$ (1,060,994)
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 ⁽¹⁾	12,703,474
2005	20,598,828	30,510,259	8,357,941 ⁽¹⁾	(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

Source: Polk County Financial Statements

⁽¹⁾ Increase due to issuance of debt to finance the previously mentioned 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
1999	\$ 860,035 (2)	\$ 155,635	\$ 38,502
2000	870,233 (2)	158,604	39,295
2001	891,930 (2)	171,298	32,292
2002 (1)	1,049,504 (2)	199,906	37,101
2003	1,525,241	219,396	49,525
2004	1,588,160	210,181	49,591
2005	1,611,091	210,307	49,552
2006	1,667,509	217,259	39,916
2007	1,700,426	254,994	46,072
2008	1,740,118	301,994	47,030

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

Source: Polk County Financial Statements

N/A Information not available

- (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.

Less: tax exempt property		Total taxable assessed value		Total direct tax rate	
	N/A	\$	1,054,172	\$	0.5433
	N/A		1,068,132		0.5633
	N/A		1,095,520		0.6563
	N/A		1,286,511		0.5376
	206,139		1,588,023		0.5376
	189,504		1,658,428		0.5876
	180,755		1,690,195		0.5876
	178,733		1,745,951		0.6800
	143,697		1,857,795		0.6800
	144,517		1,944,625		0.6800

POLK COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

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

	Year Taxes are Payable									
	<u>1999</u>	<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>
County direct rates:										
General	0.5433	0.5633	0.6563	0.5376	0.5376	0.5876	0.5876	0.6800	0.6800	0.6800
Harmon Field	0.0276	0.0276	0.0276	0.0276	0.0276	0.0376	0.0376	0.0426	0.0426	0.0426
City and town rates:										
Saluda	0.5200	0.5200	0.5200	0.5000	0.5000	0.5000	0.5000	0.5400	0.5400	0.6200
Columbus	0.4000	0.4000	0.4000	0.2800	0.3400	0.3500	0.4000	0.4500	0.4500	0.4500
Tryon	0.6400	0.6400	0.6400	0.5800	0.6375	0.6375	0.6275	0.6175	0.6175	0.6175
Fire district rates:										
Saluda	0.0700	0.0700	0.0700	0.0700	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900
Sunnyview	0.0900	0.0900	0.0900	0.0800	0.0800	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	0.0600	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	0.0600	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575
Columbus	0.0500	0.0500	0.0500	0.0400	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

<u>Taxpayer</u>	<u>2008</u>			<u>1999</u>		
	<u>Taxable assessed value</u>	<u>Rank</u>	<u>Percentage of total county taxable assessed value</u>	<u>Taxable assessed value</u>	<u>Rank</u>	<u>Percentage of total county taxable assessed value</u>
Bright's Creek Holdings	\$ 50,661,869	1	2.61%	\$ -		-
Adult Communities Total Services	42,852,777	2	2.20%	30,844,600	1	2.93%
White Oak Development	17,955,593	3	0.92%	-		-
Duke Power	16,962,926	4	0.87%	13,465,645	2	1.28%
Tryon Investment Properties	10,833,982	5	0.56%	-		-
Rutherford Electric Membership Corp.	8,196,859	6	0.42%	6,401,927	5	0.61%
Windstream NC Inc	8,150,705	7	0.42%	-		-
Tryon/Columbus Retirement Associates, LLC	6,347,118	8	0.33%	-		-
Travis L. Oats, LLC	6,066,629	9	0.31%	-		-
Public Service Co. of NC	5,567,419	10	0.29%	-		-
Hatch Mill, Division of Milliken	-		-	11,311,212	3	1.07%
Alltel Carolina Inc	-		-	9,225,938	4	0.87%
Champion International	-		-	5,478,400	6	0.52%
White Oak Manor Inc.	-		-	5,100,545	7	0.48%
Lake Lure Developers	-		-	4,412,800	8	0.42%
Pavilion International	-		-	4,205,400	9	0.40%
Story, Jack and Louise	-		-	3,950,300	10	0.37%
Total	\$ 173,595,877		8.93%	\$ 94,396,767		8.95%

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
1999	\$ 5,727	\$ 5,478	96%	\$ 3	\$ 246	\$ 5,724	99.95%
2000	6,149	5,881	96%	4	264	6,145	99.93%
2001	6,310	6,125	97%	4	181	6,306	99.94%
2002	7,592	7,344	97%	3	245	7,589	99.96%
2003	8,682	8,196	94%	4	482	8,678	99.95%
2004	9,723	9,332	96%	8	383	9,715	99.92%
2005	9,953	9,512	96%	88	353	9,865	99.12%
2006	11,898	11,514	97%	92	292	11,806	99.23%
2007	12,669	12,376	98%	212	81	12,457	98.33%
2008	13,350	12,999	97%	351	0	12,999	97.37%

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	Total primary government	Percentage of personal income	Percentage of estimated actual property value	Per Capita
	General obligation bonds	Installment purchases	Capital Leases	Installment purchases				
1999	8,950,000	250,132	-	-	9,200,132	1.67%	0.71%	511
2000	8,170,000	1,839,581	-	-	10,009,581	1.77%	0.66%	544
2001	7,390,000	1,590,619	-	-	8,980,619	1.54%	0.58%	479
2002	6,610,000	1,725,935	-	-	8,335,935	1.42%	0.51%	443
2003	5,835,000	1,329,962	-	-	7,164,962	1.23%	0.30%	380
2004	5,070,000	15,122,951	-	-	20,192,951	3.30%	0.26%	1,068
2005	4,315,000	22,904,951	-	278,971	27,498,922	3.95%	0.20%	1,447
2006	3,570,000	21,324,035	-	242,797	25,136,832	3.50%	0.16%	1,309
2007	2,835,000	19,639,262	-	204,781	22,679,043	N/A	0.12%	1,178
2008	2,110,000	18,142,353	286,302	201,550	20,740,205	N/A	0.09%	1,069

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>
1999	84,333,797	8,950,000	75,383,797	10.61%
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%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 1,944,624,870
Debt limit (8% of assessed value)	155,569,990
Debt applicable to limit:	
Less: General obligation bonds	2,110,000
Legal debt margin	<u>\$ 153,459,990</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

<u>Year</u>	<u>Population (1)</u>	<u>Personal income (2) (thousands of dollars)</u>	<u>Per Capita personal income (2)</u>	<u>Median Age (1)</u>	<u>School enrollment (3)</u>	<u>Unemployment rate (4)</u>
1999	18,018	\$ 550,741	\$ 30,556	N/A	2,258	2.2%
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%

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 Five Years Ago

<u>Employer</u>	<u>2008</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total County employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total County employment</u>
St. Luke's Hospital	392	1	3.94%	300	2nd	3.24%
Polk County Schools	390 *	2	3.92%	340	1st	3.67%
Tryon Estates	350	3	3.52%	N/A	N/A	N/A
Polk County Government	173 *	4	1.74%	130	4th	1.40%
White Oak Manor	130	5	1.31%	N/A	N/A	N/A
Woodland Mills	128	6	1.29%	N/A	N/A	N/A
Autumn Care	110	7	1.11%	N/A	N/A	N/A
Hatch Plant	100	8	1.01%	185	3rd	2.00%
Polk Vocational	90	9	0.91%	N/A	N/A	N/A
Bright's Creek	70	10	0.70%	N/A	N/A	N/A
Laurel Hurst	55	11	0.55%	N/A	N/A	N/A
Carolina Yarn Processors	51	12	0.51%	100	5th	1.08%
Timken Inc.	50	13	0.50%	70	6th	0.76%
Wayne Wire Company	34	14	0.34%	48	7th	0.52%
Grover Industries	30	15	0.30%	N/A	N/A	N/A
Quality Textiles	20	16	0.20%	35	9th	0.38%
Totals	<u>2,173</u>		<u>21.86%</u>	<u>1,208</u>		<u>13.04%</u>

* Indicates FTE's; all others are total employees

Sources:

2003 information siteselect.net

Local Business Survey

Note:

Employer data not available for 9 years prior. 2003 is the oldest available history.

Percentages based on a work force of 9,941 and 9,261 for 2008 and 2003, respectively.

N/A Information not available.

POLK COUNTY, NORTH CAROLINA

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	<u>1999</u>	<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>General Government</u>										
Administration - Co Mgr	N/A	N/A	N/A	N/A	3.0	3.0	3.0	3.0	3.0	3.0
Finance	N/A	N/A	N/A	N/A	3.0	4.0	4.0	4.0	4.0	4.0
Tax - Collections	N/A	N/A	N/A	N/A	5.6	6.0	6.0	6.5	7.5	7.5
Board of Elections	N/A	N/A	N/A	N/A	1.5	1.5	2.0	2.0	2.0	2.0
Register of Deeds	N/A	N/A	N/A	N/A	2.0	2.2	2.7	2.9	2.9	2.9
Public Buildings	N/A	N/A	N/A	N/A	3.2	3.2	3.7	3.7	3.7	3.7
Management Info Systems	N/A	N/A	N/A	N/A	1.7	2.0	3.0	3.0	3.0	3.0
<u>Public safety</u>										
Sheriff's department	N/A	N/A	N/A	N/A	20.0	22.8	25.0	26.4	28.3	28.0
Jail	N/A	N/A	N/A	N/A	6.0	7.5	7.4	7.4	8.0	10.0
Communications	N/A	N/A	N/A	N/A	7.5	8.3	9.0	10.0	7.3	9.5
Emergency Management	N/A	N/A	N/A	N/A	-	1.0	-	-	-	-
Animal Control	N/A	N/A	N/A	N/A	1.5	1.0	1.0	2.0	2.0	1.0
Community Development	N/A	N/A	N/A	N/A	3.0	3.2	5.0	5.0	4.0	5.0
Emergency Medical Services	N/A	N/A	N/A	N/A	13.3	13.0	12.7	15.7	16.0	18.5
<u>Economic and physical development</u>										
Planning and zoning	N/A	N/A	N/A	N/A	1.0	2.0	-	-	1.0	2.0
Cooperative extension	N/A	N/A	N/A	N/A	6.0	7.0	5.4	4.2	5.1	5.1
Soil and water conservation	N/A	N/A	N/A	N/A	1.5	1.8	1.8	1.8	1.8	1.8
Economic and Development	N/A	N/A	N/A	N/A	-	-	-	1.0	1.0	1.0
<u>Human Services</u>										
Public transportation	N/A	N/A	N/A	N/A	10.0	10.5	12.6	12.6	13.5	14.5
Social service administration	N/A	N/A	N/A	N/A	24.0	24.0	26.0	26.0	26.5	29.5
Veteran's Administration	N/A	N/A	N/A	N/A	0.5	0.5	0.5	0.6	0.6	0.6
<u>Cultural and recreational</u>										
Senior Centers	N/A	N/A	N/A	N/A	6.4	5.7	4.7	5.7	5.7	5.7
Library	N/A	N/A	N/A	N/A	7.5	8.5	7.4	9.3	9.3	10.5
Recreation	N/A	N/A	N/A	N/A	2.0	2.0	2.0	2.0	4.3	4.0
Total					130.2	140.7	144.9	154.8	160.5	172.8

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									
	<u>1999</u>	<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>General Government</u>										
Percentage of registered voters participating in General Election	N/A	56%	N/A	45%	N/A	69%	N/A	56%	N/A	N/A
<u>Public Safety</u>										
Number of inmates processed	N/A	N/A	N/A	N/A	N/A	N/A	640	648	N/A	561
Number of building permits issued	161	153	157	205	189	197	166	211	180	127
Number of emergency calls dispatched	1,985	1,964	1,982	1,882	1,933	2,071	2,062	2,329	2,404	2,661
<u>Human Services</u>										
Public transportation total route miles	N/A	N/A	N/A	N/A	232,213	301,100	317,213	352,996	335,044	386,082
Public transportation passengers	N/A	N/A	N/A	N/A	43,679	41,774	44,818	44,034	48,857	50,385
Number of Children in Foster Care	N/A	N/A	20	32	28	47	48	64	64	25
<u>Economic & Physical Development</u>										
Number of plats recorded	N/A	N/A	N/A	N/A	292	256	249	322	337	305
<u>Culture and Recreation</u>										
Volumes in collection	N/A	N/A	N/A	N/A	57,277	61,037	60,592	62,497	59,355	55,761
Circulation	N/A	N/A	N/A	N/A	90,901	93,901	103,223	93,586	111,733	105,104
<u>Education</u>										
Current expense per ADM	1,244	1,291	1,289	1,381	1,447	1,488	1,483	1,520	1,611	1,639
<u>Enterprise Fund- Landfill</u>										
Tons of waste received	N/A	N/A	N/A	N/A	N/A	N/A	10,030	14,370	23,595	22,061

Source: Various County Departments

N/A Information not available

POLK COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function

Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>1999</u>	<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>
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	N/A	N/A	N/A	N/A	34	34	39	36	39	35
Culture and Recreation										
Libraries	1	2	2	2	2	2	2	2	2	2
Recreation acreage	N/A	N/A	N/A	N/A	14	128	145	145	145	140
Baseball/softball diamonds	1	1	1	1	1	3	3	3	3	6
Senior Centers	3	3	3	3	3	3	3	3	3	3
Human Services										
Transit-Vans	14	14	13	14	13	13	14	13	11	11

Source: Various County Departments

COMPLIANCE SECTION

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2008, which collectively comprises Polk County's basic financial statements, and have issued our report thereon dated October 31, 2008. 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 October 31, 2008.

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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies noted as 08-1 and 08-2 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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.

Board of Commissioners
Page two

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 believe none of the significant deficiencies 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
October 31, 2008

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2008. 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, 2008.

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
October 31, 2008

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2008. 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, 2008.

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.

Board of Commissioners

Page Two

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

October 31, 2008

POLK COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2008

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 Xno
- Significant Deficiency(s) identified that are not considered to be material weaknesses reported _____Xyes _____none

Noncompliance material to financial statements noted _____yes Xno

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____yes Xno
- Significant Deficiency(s) identified that are not considered to be material weaknesses? reported _____yes Xnone

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 Xno

Major federal programs for Polk County for the fiscal year ended June 30, 2008 are:

<u>Program Name</u>	<u>CFDA #</u>
Food Stamp Cluster	10.551, 10.561
Title XIX Medicaid	93.778

The threshold for determining Federal Type A programs for Polk County is \$472,800.

Polk County does not qualify 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, 2008

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes _X_no

- Significant Deficiency(s) identified that are not considered to be material weaknesses reported ___yes _X_none

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

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

Major State programs (over \$300,000) for Polk County for the fiscal year ended June 30, 2008 are:

Program Name

Title XIX Medicaid

POLK COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2008

II. Financial Statement Findings

Finding 08-1

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.

Finding 08-2

Criteria: Assets seized by the Sheriff's department should be safeguarded with specific internal control procedures.

Condition: Current controls over seized assets may not prevent loss due to error or theft.

Recommendation: We recommend the implementation of a formal policy to safeguard seized assets that will have the necessary documentation and review procedures of a strong system of internal controls.

Current Status / Corrective Action plan: The County agrees with this finding and will begin working on such formal policy.

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, 2008

None reported.

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

For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<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		\$ 1,563,480	\$ -	\$ -
State Administrative Matching Grants for the Food Stamp Program	10.561		78,767	-	78,766
Total Food Stamp Cluster			<u>1,642,247</u>	<u>-</u>	<u>78,766</u>
Total U.S. Dept. of Agriculture			<u>1,642,247</u>	<u>-</u>	<u>78,766</u>
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Passed-through Isothermal Planning and Development Commission:					
29th District Juvenile Justice	16.541		3,724	-	-
Total U.S. Dept. of Justice			<u>3,724</u>	<u>-</u>	<u>-</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	36233.83.7.1	102,854	6,429	-
Capital	20.509	36233.83.8.1	56,686	7,086	-
Total U.S. Dept. of Transportation			<u>159,540</u>	<u>13,515</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		21,801	-	-
Total U. S. Department of Homeland Security			<u>21,801</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Health & Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Red Bird Council of Governments:					
<u>Aging Cluster:</u> ²					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		59,936	3,526	6,346
Special Programs for the Aging - Title III C					
Nutrition Services	93.045		79,322	4,666	8,399
Total Aging Cluster			<u>139,258</u>	<u>8,192</u>	<u>14,745</u>

Continued on next page

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

For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<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> ²					
Title IV-E Foster Care - Administration	93.658		\$ 126,367	\$ 27,213	\$ 97,206
Foster Care - Direct Benefit Payments	93.658		40,946	9,101	13,751
Adoption/Foster Care	93.658		30,863	-	29
Adoption Assistance - Direct Benefit Payments	93.659		152,052	39,980	46,999
Total Foster Care and Adoption			350,228	76,294	157,985
Family Preservation	93.556		4,144	-	-
Work First /Temporary Assistance for Needy Families (TANF)	93.558		32,383	-	20,880
Work First/TANF-Direct Benefit Payments	93.558		110,748	-	73,191
TANF Incentive/Program Integrity	93.558		135,319	263	1,091
AFDC Incentive/Program Integrity	93.560		(93)	(13)	(26)
N. C. Child Support Enforcement Section	93.563		48,228	-	24,845
Low-Income Home Energy Assistance Block Grant: Administration	93.568		3,239	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568		37,363	-	-
Crisis Intervention Program	93.568		35,959	-	-
Child Welfare Services - State Grants - Permanency Planning - Families for Kids	93.645		5,539	1,424	423
Independent Living Grant	93.674		7,987	1,570	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667		3,946	-	564
SSBG - State Adult Day Care	93.667		3,984	3,482	1,067
Social Services Block Grant	93.667		82,074	6,656	23,830
Division of Child Development:					
Subsidized Child Care					
<u>Child Care Development Fund Cluster:</u> ²					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		55,635	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575		164,853	-	-
Child Care and Development Fund -- Mandatory	93.596		69,280	-	-
Child Care and Development Fund -- Match	93.596		66,179	56,348	-
Total Child Care Development Fund Cluster			355,947	56,348	-
TANF	93.558		64,874	61,650	-
Smart Start			-	83,360	-
State Appropriations			-	115,375	-
Total Subsidized Child Care			420,821	316,733	-

Continued on next page

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

For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<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		\$ 12,181,318	\$ 6,276,942	\$ 851,713
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		313,435	11,108	302,326
State Children's Insurance Program - N.C. Health Choice	93.767		16,835	973	4,646
			<u>13,932,715</u>	<u>6,703,624</u>	<u>1,477,280</u>
Total U.S. Dept. of Health and Human Services			<u>13,932,715</u>	<u>6,703,624</u>	<u>1,477,280</u>
Total Federal awards			<u>15,760,027</u>	<u>6,717,139</u>	<u>1,556,046</u>
 State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
LSTA Automated System			-	10,191	-
Library Services			-	100,355	-
Total N.C. Dept. of Cultural Resources			<u>-</u>	<u>110,546</u>	<u>-</u>
 <u>N.C. Department of Environment and Natural Resources</u>					
Division of Soil and Water Conservation:					
Technical Assistance Payments			-	14,708	-
Total N.C. Dept. of Environmental and Natural Resources			<u>-</u>	<u>14,708</u>	<u>-</u>
 <u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services					
State/County Special Assistance for Adults - DBP			-	209,194	209,194
State Foster Care Benefits Program			-	52,828	48,936
CPS Expansion Program			-	65,820	-
DCD Smart Start			-	10,000	-
State Adult Protective Service			-	23,053	-
State/County Special Assistance			-	-	1,105
State Aid to Counties			-	9,859	-
CWS Adoption Subsidy & Vendor			-	22,862	7,621
Other County Funded Programs			-	-	172,151
Total Division of Social Services			<u>-</u>	<u>393,616</u>	<u>439,007</u>
Total N. C. Department of Health and Human Services			<u>-</u>	<u>393,616</u>	<u>439,007</u>
 <u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs			-	64,825	-
 <u>N.C. Dept. of Administration</u>					
Division of Veterans:					
Veteran Affairs			-	2,000	-

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

For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	\$ -	\$ 52,841	\$ -
- ROAP Rural General Public Program		DOT-16CL	-	40,734	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16CL	-	4,896	-
Total ROAP			<u>-</u>	<u>98,471</u>	<u>-</u>
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program			-	49,919	-
Total State awards			<u>-</u>	<u>734,085</u>	<u>439,007</u>
Total Federal and State awards			<u>\$ 15,760,027</u>	<u>\$ 7,451,224</u>	<u>\$ 1,995,053</u>

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

For the Year Ended June 30, 2008

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

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.