COMPREHENSIVE ANNUAL FINANCIAL REPORT

Of

POLK COUNTY,

NORTH CAROLINA

Columbus, North Carolina

For the Fiscal Year Ended June 30, 2014

Polk County

Government

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

POLK COUNTY, NORTH CAROLINA

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INTRODUCTORY SECTION

(Unaudited)

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

D. Marche Pittman
Interim County Manager

Beth Fehrman
Clerk to the Board
Assistant to County Manager

Polk County
GOVERNMENT

Ted B. Owens
Chair

Michael V. Gage
Vice-Chair

Ray D. Gasperson
Commissioner

Keith Holbert
Commissioner

Tom E. Pack
Commissioner

October 29, 2014

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, 2014. 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 Dixon Hughes Goodman LLP, and that firm's unmodified opinion is included in the financial section of this report. The report itself, however, is presented by the County, which is responsible for the accuracy of the data and for the completeness and fairness of its presentation, including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

Polk County for the fiscal year ended June 30, 2014, are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unmodified opinion that Polk County's financial statements for the year ended June 30, 2014 are fairly presented in conformity with GAAP.

REPORTING ENTITY

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

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

DESCRIPTION OF COUNTY

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

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

The County provides its citizens with a wide range of services that include general government administration, economic and physical development, environmental

protection, cultural and recreational activities, and others. However, public safety, human services, and education represent the vast majority of the annual budget. The county also extends financial support to certain agencies such as Western Highlands Regional Mental Health and Rutherford-Polk-McDowell District Health Department.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy – The labor force stayed approximately the same as the previous year. The present unemployment rate is 4.7% (down from 6.9% the previous year) and lower than the State unemployment rate of 6.5%. The County had its' lowest 10 year unemployment rate of 3.3% in 2004 and its' highest of 8.8% in 2009. The County has slowly lost some industries. However, the agriculture and equine industries are growing. Per capita income is higher than the State average.

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

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

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

Major initiatives – Water is a key issue facing our County. The County purchased Lake Adger in fiscal year 2010. The County is slowly adding to the waterline infrastructure. It is expected to be the future water source for the County. The County plans to spend

approximately $1.6M during the next fiscal year for the construction of another major waterline that will connect all of the County's waterlines with the ability to tie onto adjoining County waterlines.

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, 2013. This marks the eighteenth 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 Dixon Hughes Goodman LLP for their technical assistance.

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

Respectfully submitted,

D.M.P

Marche Pittman
Interim County Manager

Sandra Hughes

Sandra Hughes
Finance Director

POLK COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Ted Owens, Chairman
Michael Gage, Vice Chairman
Ray Gasperson
Keith Holbert
Tom Pack

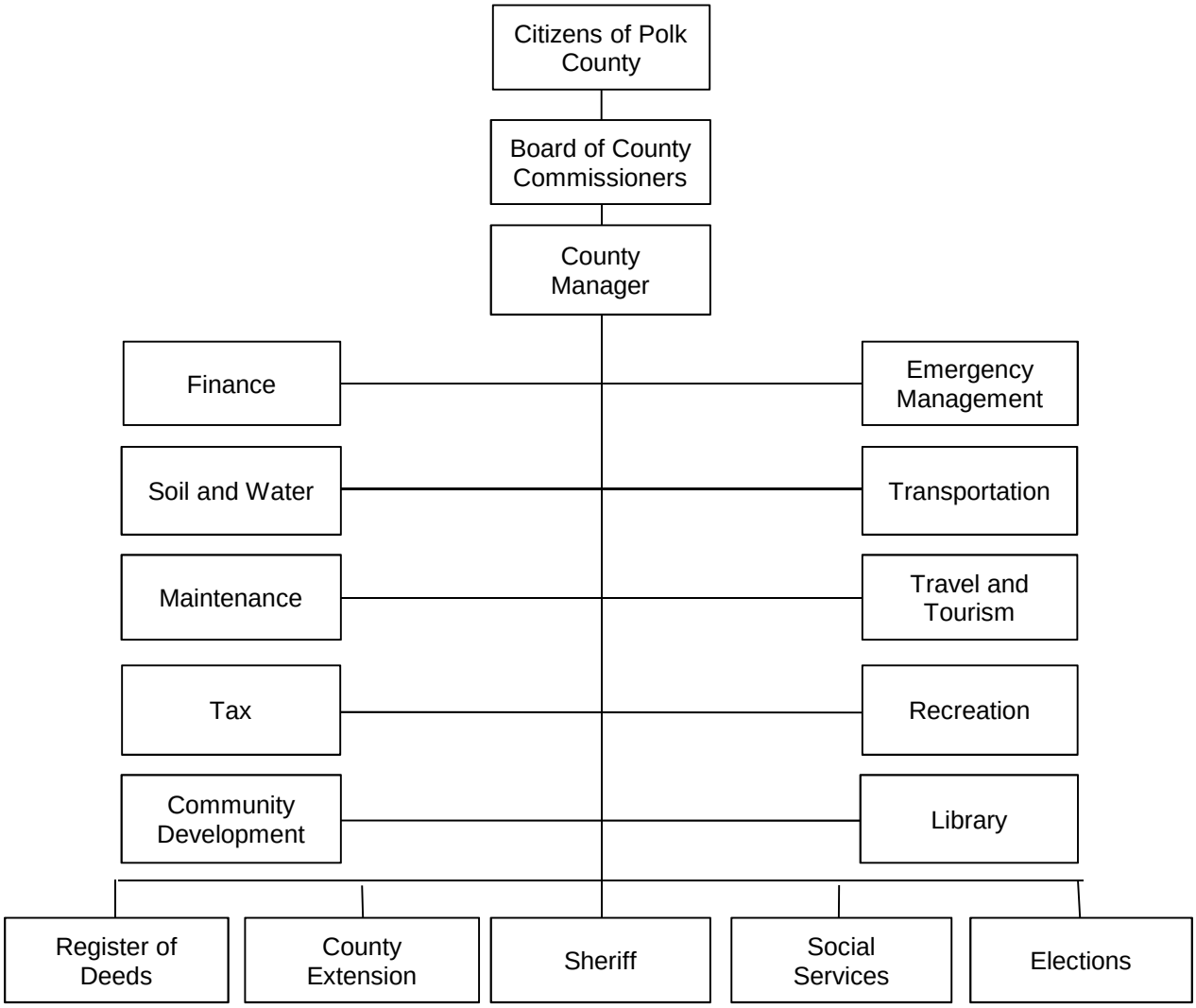
County Officials

Marche Pittman	Interim County Manager
Jana Berg	County Attorney
Lou Parton	Social Services Director
Sandra Hughes	Finance Director
Sheila Whitmire	Register of Deeds
Donald Hill	Sheriff
Tracy Pace	Director, Election Board
Melissa Bowlin	Tax Collector
Melissa Bowlin	Tax Assessor
Jerry Stensland	Director, Parks and Recreation
Pamela Hyder	Clerk of Court
Bruce Yelton	Interim MIS Director
Cathy Ruth	Planning
John Vining	Cooperative Extension
Brian Rogers	Forest Ranger
Rishara Finsel	County Librarian
Darrell Moore	Veterans Service Officer
Bobby Arledge	Emergency Preparedness/EMS Director
Steve Jones	Community Development Director
Dianne Timberlake	Transportation Director
Melinda Young	Director of Tourism
Dianne Rickman	Communications Director
Mickey Edwards	Ground and Building Maintenance Director

POLK COUNTY, NORTH CAROLINA

Organization Chart

June 30, 2014



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Polk County

North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION

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

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

– Independent Auditors' Report –

Polk County Board of Commissioners
Columbus, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Others Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 4 through 12 and 54 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The combining and individual non-major fund financial statements, budgetary

schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, and other schedules 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 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 internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County's internal control over financial reporting and compliance.

Asheville, North Carolina
October 29, 2014

Dixon Hughes Goodman LLP

POLK COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2014

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, 2014. 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 and deferred inflows of resources by $34,170,085 (net position).
- The County's net position increased $1,647,830 this year. This is primarily driven by continued operating efficiencies resulting primarily in increases in capital assets and decreases in long-term liabilities. See further discussion of specific capital activity beginning on page 10.

Fund level:

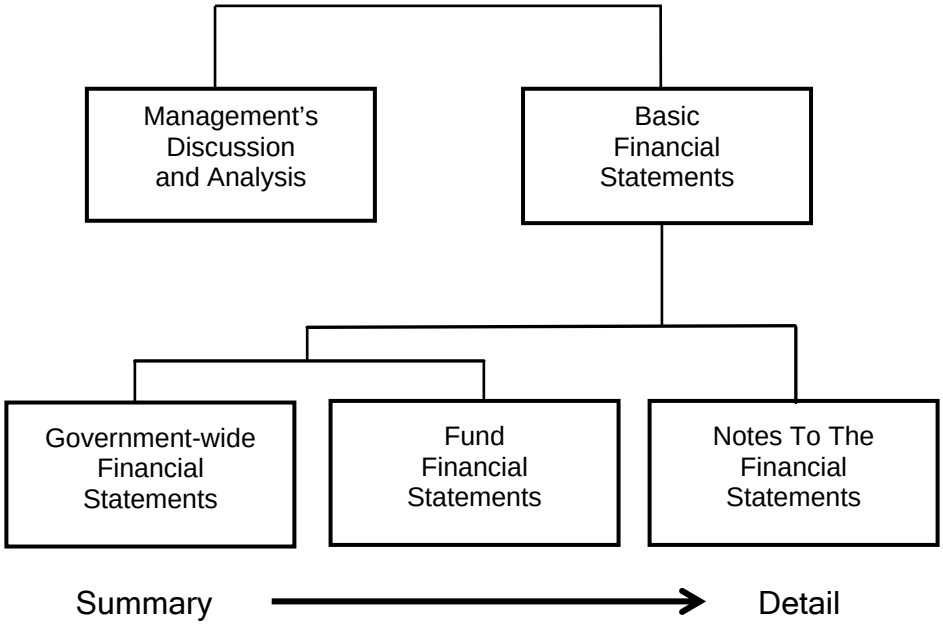
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $11,608,427; of which, $2,513,727 is restricted, $938,082 is committed, $1,109,231 is assigned, and $7,047,387 is unassigned.
- The County's governmental funds ending fund balances increased $994,245 this year as a result of paying down debt for previous years' capital projects and through increased operating efficiencies.
- The County's main operating fund (General Fund) reported an ending fund balance of $9,507,313; of which, $1,047,125 is restricted, $938,082 is committed, $474,719 is assigned and $7,047,387 is unassigned. Fund balance available for appropriation, as a percentage of expenditures and transfers, is 40.2 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 position and how it has changed. Net position is the difference between the County's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Polk County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Polk County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

(reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Polk County has four fiduciary funds, all of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on Page 26 of this report.

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

Government-Wide Financial Analysis

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

Polk County's Net Position
June 30, 2014 and 2013
Figure 2

	2014			2013		
	Govern-mental Activities	Business-type Activities	Total Government-wide	Govern-mental Activities	Business-type Activities	Total Government-wide
Assets:						
Current and other assets	$ 13,803,490	$ 1,060,780	$ 14,864,270	$ 12,767,623	$ 2,259,378	$ 15,027,001
Capital assets	20,081,775	11,136,074	31,217,849	20,507,428	9,890,865	30,398,293
Total assets	33,885,265	12,196,854	46,082,119	33,275,051	12,150,243	45,425,294
Liabilities:						
Long-term liabilities outstanding	8,634,705	172,657	8,807,362	9,935,610	177,570	10,113,180
Other liabilities	2,590,039	416,291	3,006,330	2,435,089	220,413	2,655,502
Total liabilities	11,224,744	588,948	11,813,692	12,370,699	397,983	12,768,682
Deferred inflows of resources	98,342	-	98,342	134,357	-	134,357
Net position:						
Net investment in capital assets	16,823,252	10,958,504	27,781,756	16,924,056	9,708,668	26,632,724
Restricted for:						
Stabilization by State Statute	1,047,125	-	1,047,125	785,210	-	785,210
Public Safety	431,493	-	431,493	437,439	-	437,439
Construction of new buildings	-	-	-	134,921	-	134,921
Tourism	43,373	-	43,373	24,372	-	24,372
Economic & physical development	15,227	-	15,227	118,852	-	118,852
School debt service	976,509	-	976,509	856,466	-	856,466
Unrestricted	3,225,200	649,402	3,874,602	1,488,679	2,043,592	3,532,271
Total net position	$ 22,562,179	$ 11,607,906	$ 34,170,085	$ 20,769,995	$ 11,752,260	$ 32,522,255

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Polk County exceeded liabilities and deferred inflows of resources by $34,170,085 as of June 30, 2014. The County's net position increased by $1,647,830 for the fiscal year ended June 30, 2014, of which an increase of $1,792,184 was for governmental activities and a decrease of $144,354 was for business-type activities. Net position for governmental activities increased this year as a result of continued operating efficiencies and paying down debt.

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

Polk County Changes in Net Position
For the Years Ending June 30, 2014 and 2013
Figure 3

	2014			2013		
	Govern-mental Activities	Business-type Activities	Total Government-wide	Govern-mental Activities	Business-type Activities	Total Government-wide
Revenues:						
Program revenues:						
Charges for services	$ 1,491,419	$ 1,340,921	$ 2,832,340	$ 1,179,856	$ 1,296,555	$ 2,476,411
Operating grants and contributions	3,377,349	-	3,377,349	2,952,339	15,458	2,967,797
Capital grants and contributions	531,932	-	531,932	181,457	-	181,457
General revenues:						
Property taxes	15,888,653	-	15,888,653	15,603,425	-	15,603,425
Other taxes	3,513,171	44,912	3,558,083	3,535,506	44,138	3,579,644
Other	159,321	-	159,321	164,933	31,029	195,962
Total revenues	24,961,845	1,385,833	26,347,678	23,617,516	1,387,180	25,004,696
Expenses:						
Governmental activities:						
General government	2,944,270	-	2,944,270	2,773,817	-	2,773,817
Public safety	6,233,081	-	6,233,081	5,704,927	-	5,704,927
Economic and physical development	1,577,119	-	1,577,119	811,129	-	811,129
Human services	4,445,455	-	4,445,455	4,873,307	-	4,873,307
Cultural and recreation	1,559,705	-	1,559,705	1,524,910	-	1,524,910
Education	5,937,254	-	5,937,254	5,238,727	-	5,238,727
Interest on long-term debt	337,287	-	337,287	381,823	-	381,823
Business-type activities:						
Solid waste	-	1,416,362	1,416,362	-	1,359,559	1,359,559
Water	-	249,315	249,315	-	221,170	221,170
Total expenses	23,034,171	1,665,677	24,699,848	21,308,640	1,580,729	22,889,369
Change in net position before transfers	1,927,674	(279,844)	1,647,830	2,308,876	(193,549)	2,115,327
Transfers	(135,490)	135,490	-	(1,819,857)	1,819,857	-
Change in net position	1,792,184	(144,354)	1,647,830	489,019	1,626,308	2,115,327
Net position, July 1	20,769,995	11,752,260	32,522,255	20,280,976	10,125,952	30,406,928
Net position, June 30	$ 22,562,179	$ 11,607,906	$ 34,170,085	$ 20,769,995	$ 11,752,260	$ 32,522,255

Governmental Activities – Property tax revenue is the County's largest source of revenue, accounting for 63.7 percent of total revenue. The current year property tax base was approximately $2.8 billion at a rate of .5175 per $100. While the tax rate decreased slightly from .52 per $100 in the previous year, property tax revenue increased approximately 1.2 percent due to the slight increase of tax valuations as well as a higher collection rate for motor vehicles taxes under the new Tax and Tag Together program. The County collected approximately 97.5 percent of this year's levy. The total revenues in the governmental activities have increased 2.9 percent from the prior year. Charges for services are up 2.9 percent. Other taxes, which include sales taxes, are up 0.6 percent. Capital grants are down 129.1 percent.

Business-type Activities – Net position decreased primarily due to a significant decrease in transfers from governmental activities to business-type activities.

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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Polk County. At the end of the current fiscal year, Polk County's fund balance available for appropriation in the General Fund was $8,460,188, while total fund balance reached $9,507,313. The County currently has an available fund balance of 45.1 percent of General Fund expenditures.

As of the close of the current fiscal year, Polk County's governmental funds reported a combined ending fund balances of $11,608,427, an increase of $994,245 in comparison with the prior year. The increase in total fund balance of approximately 9.4 percent is primarily a result of operating efficiencies.

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 $91,146, or 0.4 percent of the original budget. The increase in the final budgeted revenues is primarily due to restricted intergovernmental grants received during the year. Other financing sources and appropriation of fund balance decreased $2,096,745 since no new capital projects were funded by the General Fund during the fiscal year.

Capital Asset and Debt Administration

Capital Assets – Polk County's capital assets for its governmental type activities as of June 30, 2014, totals $20,081,775 (net of accumulated depreciation), a decrease of $425,653 as compared to the previous year. The major capital purchase completed in the year ending June 30, 2014 was the purchase of a new ambulance. The overall decrease was the result of depreciation.

Polk County's capital assets for its business-type activities as of June 30, 2014, totals $11,136,074 (net of accumulated depreciation), which is an increase of $1,245,209 as

compared to the previous year. This increase is primarily due to an increase in construction in progress, which are new waterlines.

Polk County's Capital Assets
June 30, 2014 and 2013
Figure 4

	2014			2013		
	Govern-mental Activities	Business-type Activities	Total Government-wide	Govern-mental Activities	Business-type Activities	Total Government-wide
Land and easements	$ 4,742,519	$ 2,317,125	$ 7,059,644	$ 4,742,519	$ 2,317,125	$ 7,059,644
Construction in progress	-	1,527,937	1,527,937	-	79,088	79,088
Buildings and improvements	12,898,680	1,106,206	14,004,886	13,296,731	1,137,957	14,434,688
Waterlines and related assets	-	6,006,038	6,006,038	-	6,131,360	6,131,360
Equipment	1,194,402	164,519	1,358,921	1,391,976	206,528	1,598,504
Vehicles and motor equipment	1,246,174	14,249	1,260,423	1,076,202	18,807	1,095,009
Total	$ 20,081,775	$ 11,136,074	$ 31,217,849	$ 20,507,428	$ 9,890,865	$ 30,398,293

Additional information regarding Polk County's capital assets can be found in note 3B to the financial statements.

Long-Term Debt – As of June 30, 2014, Polk County's outstanding balance on installment purchase contracts was $9,548,238. The County's total debt decreased $1,448,367 mainly due to the scheduled debt payments.

Polk County's Long-Term Debt
June 30, 2014 and 2013
Figure 5

	2014			2013		
	Govern-mental Activities	Business-type Activities	Total Government-wide	Govern-mental Activities	Business-type Activities	Total Government-wide
Installment purchase contracts	$ 9,370,668	$ 177,570	$ 9,548,238	$ 10,654,001	$ 182,197	$ 10,836,198

Polk County received an upgrade to an "A+" from an "A" rating from Standard and Poor's Corporation based on the fiscal year ended June 30, 2008. This bond rating is an indication of the sound financial condition of a county the size of 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 $214,772,842.

Additional information regarding Polk County's long-term debt can be found in note 3B to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

- The County has a lower unemployment rate of 4.7 percent than the State average of 6.5 percent;
- Overall revenues and expenditures have increased approximately 3 percent;
- The property tax revenue increased approximately 2 percent due to a slight increase in valuations and stronger motor vehicle tax collections;
- Water is a key issue facing our County as we have struggled with drought. The County signed a contract to buy Lake Adger in fiscal year 2008 and appropriated fund balance of $1.44 million in fiscal year 2009 to complete the purchase of Lake Adger for $1.6 million. The County closed on the purchase of the lake in fiscal year 2010 and continues to put money aside for dam repairs. The County continues to slowly build the infrastructure that will support the future water sources.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities - Property taxes are budgeted with no change in the tax rate. Revenues from permits and fees as well as sales taxes are expected to increase based on economic projections. Property tax revenue and intergovernmental revenue is expected to increase slightly. Overall, total budgeted revenue is expected to increase 2.7 percent. Fund balance was used to balance the fiscal year 2015 budget; $474,719 was appropriated for one-time capital purchases.

The County's largest expenditures are for salaries which are budgeted with a one percent increase to begin mid-year. Overall, budgeted expenditures in the General Fund are expected to increase 2.7 percent.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Polk County, P.O. Box 308, Columbus, NC 28722.

Exhibit "1"

POLK COUNTY, NORTH CAROLINA

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 9,624,698	$ 771,418	$ 10,396,116
Restricted cash	1,916,591	-	1,916,591
Receivables (net)	2,248,064	289,362	2,537,426
Prepaids	14,137	-	14,137
Capital assets:			
Land and construction in progress	4,742,519	3,845,062	8,587,581
Other capital assets, net of depreciation	15,339,256	7,291,012	22,630,268
Capital assets, net	20,081,775	11,136,074	31,217,849
Total assets	33,885,265	12,196,854	46,082,119
Liabilities			
Accounts payable and accrued expenses	799,287	392,259	1,191,546
Estimated claims payable	64,727	-	64,727
Accrued interest payable	73,611	-	73,611
Unearned revenue	8,800	19,119	27,919
Long-term liabilities:			
Due within one year	1,643,614	4,913	1,648,527
Due in more than one year	8,634,705	172,657	8,807,362
Total liabilities	11,224,744	588,948	11,813,692
Deferred inflows of resources	98,342	-	98,342
Net position			
Net investment in capital assets	16,823,252	10,958,504	27,781,756
Restricted for:			
Stabilization by State Statute	1,047,125	-	1,047,125
Public safety	431,493	-	431,493
Tourism	43,373	-	43,373
Economic and physical development	15,227	-	15,227
School debt service	976,509	-	976,509
Unrestricted	3,225,200	649,402	3,874,602
Total net position	$ 22,562,179	$ 11,607,906	$ 34,170,085

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

POLK COUNTY, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General government	$ 2,944,270	$ 418,126	$ -	$ -
Public safety	6,233,081	709,506	63,185	114,333
Economic and physical development	1,577,119	-	367,453	269,237
Human services	4,445,455	245,308	2,946,711	-
Cultural and recreational	1,559,705	118,479	-	-
Education	5,937,254	-	-	148,362
Interest on long-term debt	337,287	-	-	-
Total governmental activities	23,034,171	1,491,419	3,377,349	531,932
Business-type activities:				
Solid waste	1,416,362	1,323,063	-	-
Water	249,315	17,858	-	-
Total business-type activities	1,665,677	1,340,921	-	-
Total government-wide	$ 24,699,848	$ 2,832,340	$ 3,377,349	$ 531,932

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

Change in net position

Net position:
- Beginning balance
- Ending balance

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

Net (Expense) Revenue and Changes in Net Position		
Total Governmental Activities	**Total Business-type Activities**	**Total**
$ (2,526,144)	$ -	$ (2,526,144)
(5,346,057)	-	(5,346,057)
(940,429)	-	(940,429)
(1,253,436)	-	(1,253,436)
(1,441,226)	-	(1,441,226)
(5,788,892)	-	(5,788,892)
(337,287)	-	(337,287)
(17,633,471)	-	(17,633,471)
-	(93,299)	(93,299)
-	(231,457)	(231,457)
-	(324,756)	(324,756)
(17,633,471)	(324,756)	(17,958,227)
15,888,653	-	15,888,653
3,232,234	-	3,232,234
280,937	44,912	325,849
34,432	-	34,432
124,889	-	124,889
(135,490)	135,490	-
19,425,655	180,402	19,606,057
1,792,184	(144,354)	1,647,830
20,769,995	11,752,260	32,522,255
$ 22,562,179	$ 11,607,906	$ 34,170,085

POLK COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds

June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	$ 8,201,304	$ 1,300,374	$ 9,501,678
Restricted cash and investments	940,082	976,509	1,916,591
Receivables, net	1,988,924	111,097	2,100,021
Total assets	$ 11,130,310	$ 2,387,980	$ 13,518,290
Liabilities			
Accounts payable and other current liabilities	$ 574,056	$ 225,231	$ 799,287
Unearned revenue	8,800	-	8,800
Total liabilities	582,856	225,231	808,087
Deferred Inflows of Resources	1,040,141	61,635	1,101,776
Fund balances			
Restricted:			
Stabilization by State Statute	1,047,125	-	1,047,125
Public safety	-	431,493	431,493
Tourism	-	43,373	43,373
Economic and physical development	-	15,227	15,227
School debt service	-	976,509	976,509
Committed:			
Tax revaluation	938,082	-	938,082
Assigned:			
Subsequent year's expenditures	474,719	-	474,719
Capital projects	-	634,512	634,512
Unassigned	7,047,387	-	7,047,387
Total fund balances	9,507,313	2,101,114	11,608,427
Total liabilities, deferred inflows of resources and fund balances	$ 11,130,310	$ 2,387,980	$ 13,518,290

(Continued)

POLK COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds

June 30, 2014

Total fund balances for governmental funds	$ 11,608,427
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:	
Original cost and/or donated value	29,548,485
Less: accumulated depreciation	(9,466,710)
Accrued interest receivable is not available to pay current-period expenditures and therefore not recognized as revenue in the fund statements.	84,401
Deferred inflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered economic resources and recognized as revenue in the government-wide statements.	1,003,434
The internal service fund is used by management to allocate self-insurance costs to individual funds and departments. The assets and liabilities are included in governmental activities in the Statement of Net Position	136,072
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Installment purchase contracts	(9,370,668)
Capital leases	(220,254)
Compensated absences and net pension obligation	(687,397)
Accrued interest payable	(73,611)
Net position of governmental activities	$ 22,562,179

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, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	$ 14,588,829	$ 1,287,300	$ 15,876,129
Local option sales taxes	3,232,234	-	3,232,234
Other taxes	-	76,154	76,154
Restricted intergovernmental	3,175,209	845,155	4,020,364
Restricted contributions	-	93,725	93,725
Permits and fees	340,563	-	340,563
Sales and services	1,158,433	-	1,158,433
Investment earnings	9,958	24,474	34,432
Miscellaneous	96,520	28,369	124,889
Total revenues	22,601,746	2,355,177	24,956,923
Expenditures			
Current:			
General government	2,668,661	-	2,668,661
Public safety	4,813,607	1,435,067	6,248,674
Economic and physical development	669,581	894,875	1,564,456
Human services	4,378,813	28,099	4,406,912
Cultural and recreational	1,316,831	-	1,316,831
Intergovernmental:			
Education	5,290,990	646,264	5,937,254
Debt service:			
Principal	1,283,333	53,116	1,336,449
Interest and fees	338,287	9,968	348,255
Total expenditures	20,760,103	3,067,389	23,827,492
Revenues over (under) expenditures	1,841,643	(712,212)	1,129,431
Other Financing Sources (Uses)			
Proceeds from sale of assets	304	-	304
Transfers from other funds	27,937	205,152	233,089
Transfers to other funds	(305,152)	(63,427)	(368,579)
Total other financing sources (uses)	(276,911)	141,725	(135,186)
Net changes in fund balances	1,564,732	(570,487)	994,245
Fund balances			
Beginning of year	7,942,581	2,671,601	10,614,182
End of year	$ 9,507,313	$ 2,101,114	$ 11,608,427

(Continued)

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances--total governmental funds	$ 994,245
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense with any residual book value expensed if the asset is disposed:	
Capital outlay expenditures capitalized during the year;	656,314
Depreciation expense recorded during the current year; and	(1,033,606)
Net book value of capital assets disposed during the current year	(48,361)
Principal payments on long-term debt are recorded as expenditures in the fund statements but, are recorded as a reduction of long-term debt in the Statement of Net Position.	1,336,449
Adjustment of the internal service fund's net expenses to the governmental activities in the Statement of Net Position.	(209,525)
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:	
Net change in interest payable;	10,968
Net change in compensated absences payable; and	124,075
Net change in net pension obligation	(16,784)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements:	
Net change in accrued interest receivable on property taxes; and	(23,012)
Net change in property taxes receivable	1,421
Change in net position, governmental activities	$ 1,792,184

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues				
Ad valorem taxes	$ 13,796,392	$ 13,796,392	$ 14,588,829	$ 792,437
Local option sales taxes	2,679,613	2,679,613	3,232,234	552,621
Restricted intergovernmental	3,014,892	3,105,347	3,175,209	69,862
Permits and fees	281,062	281,062	340,563	59,501
Sales and services	1,037,460	1,037,460	1,158,433	120,973
Investment earnings	17,000	17,000	9,942	(7,058)
Miscellaneous	96,683	97,374	96,520	(854)
Total revenues	20,923,102	21,014,248	22,601,730	1,587,482
Expenditures				
Current:				
General government	4,132,646	2,795,456	2,633,473	161,983
Public safety	5,074,106	4,994,258	4,813,607	180,651
Economic and physical development	534,409	740,322	669,581	70,741
Human services	3,463,045	4,626,360	4,378,813	247,547
Cultural and recreational	1,003,770	1,401,572	1,316,831	84,741
Intergovernmental:				
Education	5,238,339	5,304,136	5,290,990	13,146
Debt service:				
Principal retirement	1,283,335	1,283,335	1,283,333	2
Interest and other charges	338,288	338,288	338,287	1
Total expenditures	21,067,938	21,483,727	20,724,915	758,812
Revenues over (under) expenditures	(144,836)	(469,479)	1,876,815	2,346,294
Other Financing Sources (Uses)				
Appropriated fund balance	435,542	732,248	-	(732,248)
Proceeds from sale of assets	5,000	5,000	304	(4,696)
Transfers from other funds	-	27,937	27,937	-
Transfers to other funds	(295,706)	(295,706)	(305,152)	(9,446)
Total other financing sources (uses)	144,836	469,479	(276,911)	(746,390)
Net change in fund balance	$ -	$ -	1,599,904	$ 1,599,904
Fund balance, beginning of year			6,969,327	
Fund balance, end of year - General Fund			8,569,231	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Revenue			16	
Expenditures			(35,188)	
Fund balance, beginning of year - Revaluation Fund			973,254	
Fund balance, end of year - Combined General Fund			$ 9,507,313	

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

Exhibit "6"

POLK COUNTY, NORTH CAROLINA

Statement of Net Position
Proprietary Funds

June 30, 2014

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self-Insurance Fund
Assets				
Current assets:				
Cash and cash equivalents	$ 470,343	$ 301,075	$ 771,418	$ 123,020
Receivables (net)	141,527	147,835	289,362	63,642
Prepaids	-	-	-	14,137
Total current assets	611,870	448,910	1,060,780	200,799
Capital assets:				
Land and construction in progress	399,580	3,445,482	3,845,062	-
Other capital assets, net of depreciation	1,284,974	6,006,038	7,291,012	-
Total capital assets	1,684,554	9,451,520	11,136,074	-
Total assets	2,296,424	9,900,430	12,196,854	200,799
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	67,158	325,101	392,259	-
Estimated claims payable	-	-	-	64,727
Unearned revenue	19,119	-	19,119	-
Long term debt, current portion	4,913	-	4,913	-
Total current liabilities	91,190	325,101	416,291	64,727
Noncurrent liabilities:				
Long-term debt, net of current portion	172,657	-	172,657	-
Total liabilities	263,847	325,101	588,948	64,727
Net Position				
Net investment in capital assets	1,506,984	9,451,520	10,958,504	-
Unrestricted	525,593	123,809	649,402	136,072
Total net position	$ 2,032,577	$ 9,575,329	$ 11,607,906	$ 136,072

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

Exhibit "7"

POLK COUNTY, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2014

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self - Insurance Fund
Operating Revenues				
Charges for services	$ 1,323,063	$ 17,858	$ 1,340,921	$ -
Employee contributions	-	-	-	1,066,143
Total operating revenues	1,323,063	17,858	1,340,921	1,066,143
Operating Expenses				
Operations	1,269,273	78,793	1,348,066	435,997
Insurance expense	-	-	-	839,671
Closure and postclosure care	55,320	-	55,320	-
Depreciation	80,966	170,522	251,488	-
Total operating expenses	1,405,559	249,315	1,654,874	1,275,668
Operating loss	(82,496)	(231,457)	(313,953)	(209,525)
Non-operating revenues (expenses)				
Solid waste taxes	44,912	-	44,912	-
Interest expense	(10,803)	-	(10,803)	-
Total non-operating revenues (expenses)	34,109	-	34,109	-
Loss before transfers	(48,387)	(231,457)	(279,844)	(209,525)
Transfer from other funds	-	135,490	135,490	-
Change in net position	(48,387)	(95,967)	(144,354)	(209,525)
Net position				
Beginning of year	2,080,964	9,671,296	11,752,260	345,597
End of year	$ 2,032,577	$ 9,575,329	$ 11,607,906	$ 136,072

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, 2014

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self - Insurance Fund
Cash flows from operating activities				
Cash received from customers	$ 1,364,153	$ 16,591	$ 1,380,744	$ 1,120,825
Cash paid for goods and services	(1,308,091)	(66,544)	(1,374,635)	(1,289,368)
Net cash provide by (used for) operating activities	56,062	(49,953)	6,109	(168,543)
Cash flows from non-capital financing activities				
Solid waste taxes	44,912	-	44,912	-
Transfers from other funds	-	135,490	135,490	-
Net cash provide by non-capital financing activities	44,912	135,490	180,402	-
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(2,648)	(1,331,654)	(1,334,302)	-
Principal paid on debt	(4,627)	-	(4,627)	-
Interest paid on debt	(10,803)	-	(10,803)	-
Net cash used for capital and related financing activities	(18,078)	(1,331,654)	(1,349,732)	-
Net increase (decrease) in cash and cash equivalents	82,896	(1,246,117)	(1,163,221)	(168,543)
Cash and cash equivalents				
Beginning of year	387,447	1,547,192	1,934,639	291,563
End of year	$ 470,343	$ 301,075	$ 771,418	$ 123,020

(Continued)

POLK COUNTY, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2014

	Enterprise Funds			Internal Service Fund
	Solid Waste Fund	Water Fund	Total	Self - Insurance Fund
Reconciliation of operating loss to net cash provide by (used for) operating activities:				
Operating loss	$ (82,496)	$ (231,457)	$ (313,953)	$ (209,525)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	80,966	170,522	251,488	-
Changes in assets and liabilities:				
Decrease (increase) in receivables	36,644	(1,267)	35,377	14,975
Decrease in prepaids	-	-	-	39,707
Increase in accounts payable and accrued liabilities	16,502	12,249	28,751	-
Decrease in estimated claims payable	-	-	-	(13,700)
Increase in unearned revenue	4,446	-	4,446	-
Net cash provided by (used for) operating activites	$ 56,062	$ (49,953)	$ 6,109	$ (168,543)
Supplemental cash flow information:				
Construction of waterlines included in accounts payable at year-end	$ -	$ 162,395	$ 162,395	$ -

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

Exhibit "9"

POLK COUNTY, NORTH CAROLINA

Statement of Fiduciary Net Position

June 30, 2014

	Agency Funds
Assets	
Cash and cash equivalents	$ 180,246
Liabilities	
Due to others	$ 137,189
Due to other governments	35,130
Due to State of North Carolina	7,927
	$ 180,246

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

1. Summary of Significant Accounting Policies

The accounting policies of Polk County (the "County") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina (the "State") under North Carolina General Statute ("G.S.") 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, 2014.

B. Basis of Presentation – Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (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. However, interfund services provided and used are not eliminated in the process of consolidation. 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 non-major 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, result from non-exchange transactions. Other non-operating revenues, such as investment earnings, are ancillary activities.

The County reports the following major governmental fund:

- **General Fund**

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

The County reports the following major enterprise funds:

- **Solid Waste Fund**

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

- **Water Fund**

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

The County also reports the following fund types:

- **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 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.

- **Non-major Funds**

  The County maintains six legally budgeted funds; The Fire District Fund, the Tourism Development Fund, and the Emergency Telephone System Fund, are reported as non-major special revenue funds. The Debt Service Fund is reported as a debt service fund. The County has one Capital Projects Fund, and one Grants Projects Fund. The Capital Reserve Fund is consolidated in the Capital Projects Fund in accordance with GASB Statement No. 54.

Measurement Focus, Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property

taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The County considers all revenues available if they are collected within 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal

year in which they are received. Uncollected taxes that were billed during the period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. **Budgetary Data**

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department 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, Deferred Inflows and Fund Equity

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, a 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.

Cash and Cash Equivalents:

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

Restricted Assets:

Cash paid into an escrow account yearly for the QZAB, non-interest bearing installment financing agreement is restricted for the balloon payment due in June 2020. Money in the Tax Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Ad Valorem Taxes Receivable:

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. 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.

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.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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:

	Years
Buildings	50
Improvements	20
Furniture and equipment	5-10
Vehicles	8

Deferred Inflows of Resources:

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

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 on the Statement of Net Position.

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

Compensated Absences:

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. This policy is maintained for all departments except for EMS which is allowed to accumulate up to 45 days. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide and proprietary fund statements.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

Net Position:

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

Fund Balances:

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

The governmental fund types classify fund balances as follows:

- ☐ **Restricted Fund Balance** - This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.
  - Restricted for Stabilization of State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
  - Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.
  - Restricted for Tourism - portion of fund balance that is restricted by revenue source for tourism expenditures.
  - Restricted for Economic and Physical Development - portion of fund balance that is restricted by revenue source for economic and physical development expenditures.
  - Restricted for School Debt Service - portion of fund balance that is restricted by revenue source for school debt service.

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

- ☐ **Assigned Fund Balance** - portion of fund balance that the Polk County governing board has budgeted.
  - Assigned for subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the county manager to modify the appropriations by resource or appropriation within funds up to $5,000.
  - Assigned for capital projects – portion of fund balance that has been appropriated by the governing body for construction projects.

- ☐ **Unassigned Fund Balance** - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

At times, the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. Stewardship, Compliance and Accountability

A. Budgeting for motor vehicle tax collections

As mentioned earlier, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. The County amended its budget to account for the resulting changes. For budget purposes, the County netted collection fees against motor vehicle tax revenue. However, for financial reporting purposes, the revenue and expenditures are reported at gross value. As a result, expenditures exceeded budget in the Tax Collections Department by $34,092.

Subsequent to June 30, 2014, the County has amended the fiscal year 2014-2015 budget to separately budget for the revenue and expenditure to eliminate this difference.

3. Detail Notes on All Activities/Funds

A. Assets

Deposits:

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to the held by their agents in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization; and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designation official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the County's deposits had a carrying amount of $1,746,424 and a bank balance of $2,000,354. Of the bank balance, $995,247 was covered by federal depository insurance, and $1,005,107 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2014 of $1,250.

Investments:

At June 30, 2014, the County had the following investments and maturities:

	Fair Value	Less than Six Months
NC Capital Management Trust		
Cash Portfolio	$ 9,768,777	$ 9,768,777
Commercial paper	976,502	976,502
Total	$ 10,745,279	$ 10,745,279

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSRO"). In order to mitigate against credit risk, the County's investment policy states that investments are limited to the safest type of securities, the portfolio should be diversified in order to minimize losses on individual securities, and business is done only with a few selected financial institutions. As of June 30, 2014, the County's investments in commercial paper were rated A-1+ by Standard & Poor's, F1+ by Fitch Ratings and P-1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust's Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2014.

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

Receivables:

Receivables at the fund and government-wide level at June 30, 2014 were as follows:

	Governmental Funds		Accrual	Governmental	Business - Type
	General	Other	Adjustment	Activities	Activities
Receivables:					
Accounts	$ 480,587	$ 29,966	$ 63,642	$ 574,195	$ 143,708
Taxes	758,389	61,635	-	820,024	-
Due from other governments	1,202,772	19,496	-	1,222,268	145,951
Interest receivable	-	-	84,401	84,401	-
Less allowance	(452,824)	-	-	(452,824)	(297)
Total receivables (net)	$ 1,988,924	$ 111,097	$ 148,043	$ 2,248,064	$ 289,632

Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 4,742,519	$ -	$ -	$ 4,742,519
Construction in progress	-	28,098	(28,098)	-
Total capital assets not being depreciated	4,742,519	-	-	4,742,519
Capital assets being depreciated:				
Building and improvements	18,537,258	28,098	-	18,565,356
Equipment	3,682,998	158,497	(90,072)	3,751,424
Vehicles and motor equipment	2,174,975	469,719	(155,507)	2,489,186
Total capital assets being depreciated	24,395,231	656,314	(245,579)	24,805,966
Less accumulated depreciation for:				
Building and improvements	(5,240,527)	(426,149)	-	(5,666,676)
Equipment	(2,291,022)	(352,503)	86,503	(2,557,022)
Vehicles and motor equipment	(1,098,773)	(254,954)	110,715	(1,243,012)
Total accumulated depreciation	(8,630,322)	(1,033,606)	197,218	(9,466,710)
Total capital asset being depreciated, net	15,764,909			15,339,256
Governmental activities capital assets, net	$20,507,428			$20,081,775

Depreciation expense was charged to functions as follows:

General government	$ 261,828
Public safety	349,439
Economic and physical development	4,144
Human services	145,027
Cultural and recreational	273,168
Total depreciation expense	$ 1,033,606

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities, Solid waste				
Capital asset not being depreciated:				
Land	$ 399,580	$ -	$ -	$ 399,580
Capital assets being depreciated:				
Buildings and improvements	1,379,716	-	-	1,379,716
Equipment	470,062	2,648	-	-
Vehicles and motor equipment	36,462	-	-	36,462
Total capital assets being depreciated	1,886,240	2,648	-	1,888,888
Less accumulated depreciated for:				
Buildings and improvements	(241,759)	(31,751)	-	(273,510)
Equipment	(263,534)	(44,657)	-	(308,191)
Vehicles and motor equipment	(17,655)	(4,558)	-	(22,213)
Total accumulated depreciation	(522,948)	(80,966)	-	(603,914)
Total capital asset being depreciated	1,363,292			1,284,974
Business-type activities Solid waste capital assets, net	$ 1,762,872			$ 1,684,554

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities, Water				
Capital asset not being depreciated:				
Land and easements	$ 1,917,545	$ -	$ -	$ 1,917,545
Construction in progress	79,088	1,494,049	(45,200)	1,527,937
Total capital assets not being depreciated	1,996,633	1,494,049	(45,200)	3,445,482
Capital assets being depreciated:				
Water lines and related assets	6,817,122	45,200	-	6,862,322
Less accumulated depreciation for				
Water lines and easements	(685,762)	(170,522)	-	(856,284)
Total capital assets being depreciated, net	6,131,360			6,006,038
Business-type activities Water capital assets, net	$ 8,127,993			$ 9,451,520

The government has an active construction project as of June 30, 2014. At year-end, the government's commitments with contractors are approximately $351,000 for the Polk County Early College project.

B. **Liabilities**

Payables:

Payables at the fund and government-wide level at June 30, 2014, were as follows:

	Governmental Funds		Govern-mental Activities	Business-Type Activities
	General	Other		
Accounts payable	$ 463,454	$ 225,231	$ 688,685	$ 391,986
Accrued wages	14,317	-	14,317	273
Due to other governments	96,285	-	96,285	-
	$ 574,056	$ 225,231	$ 799,287	$ 392,259

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
6/30/2013	$ 23,304	$ 833,900	$ 778,777	$ 78,427
6/30/2014	$ 78,427	$ 761,244	$ 774,944	$ 64,727

Pension Plan Obligations:

☐ **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 is 7.07% and 7.55%, 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, 2014, 2013, and 2012 were $368,778, $330,254, and $373,342, respectively. The contributions made by the County equaled the required contributions for each year.

☐ 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 % 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, 2013, the Separation Allowance's membership consisted of:

Active plan members	30

Summary of Significant Accounting Policies:

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.

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, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. 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, 2013 was 17 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	$ 22,808
Interest on net pension obligation	9,569
Adjustment to annual required contribution	(15,593)
Annual pension cost	16,784
Less: Employer contribution made	-
Increase in net pension obligation	16,784
Net pension obligation, beginning of year	191,386
Net pension obligation, end of year	$ 208,170

Three Year Trend Information

Fiscal Year End	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
6/30/2012	$ 13,372	14.77%	$ 175,918
6/30/2013	$ 15,468	0.00%	$ 191,386
6/30/2014	$ 16,784	0.00%	$ 208,170

Funded Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the plan was 100% unfunded. The actuarial accrued liability for benefits was $109,127 and the actuarial value of assets was $0, resulting in an unfunded actuarial liability (UAAL) of $122,994. The covered payroll (annual payroll of active employees covered by the plan) was $1,010,709, and the ratio of UAAL to the covered payroll was 12.17%.

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

☐ Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The County contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (“CAFR”) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may

be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014 were $89,261, which consisted of $52,432 from the County and $47,816 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 (the "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 that 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 Resisters 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, 2014, the County's required and actual contributions were $1,804.

☐ Other Employee Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employee's Retirement System (the "Death Benefit Plan"), a multiple-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but no less than $25,000 and no more than $50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions immaterial.

Deferred Inflows of Resources:

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

	Governmental Funds		Accrual	Governmental
	General	Other	Adjustment	Activities
Unavailable:				
Ad valorem receivable (net)	$ 678,389	$ 61,635	$ (740,024)	$ -
Sales taxes receivable	263,410	-	(263,410)	-
Unearned:				
Prepaid taxes	98,342	-	-	98,342
Total	$ 1,040,141	$ 61,635	$ (1,003,434)	$ 98,342

Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of $200

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

The County is self-insured for health but carries stop-loss insurance coverage to protect itself from catastrophic claims. Cover provisions provide for a specific stop-loss of $35,000 per employee and $1,097,332 in aggregate.

No County property is located in the 100-year Flood Zone as designated by the Federal Emergency Management Agency and is covered for flood and earthquake up to $25,000 per occurrence.

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

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

Long-Term Obligations:

☐ Capital Leases

The County has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following summarizes capital lease activity for the fiscal year ended June 30, 2014:

Governmental Activities	Beginning Balance	Additions	Retirements	Ending Balance
Equipment lease purchase agreement, monthly payments of $5,257, including interest at 4% through May 2018	$ 273,370	$ -	$ 53,116	$ 220,254

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

Asset:	
Communications Equipment	$ 282,031
Less: accumulated depreciation	65,807
Total	$ 216,224

The future minimum lease obligations as of June 30, 2014, including interest, were as follows:

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2015	$ 55,280	$ 7,804
2016	57,532	5,552
2017	59,876	3,208
2018	47,566	814
	$ 220,254	$ 17,378

☐ Installment Purchases:

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County financed various property acquisitions, construction and improvements for use by Polk County, Polk County Board of Education, Isothermal Community College and DSS during the fiscal year ended June 30, 2014 by installment purchase.

Governmental Activities	Beginning Balance	Additions	Retirements	Ending Balance
2004 $7.40 million installment purchase contract for county building projects, 30 semi-annual payments ranging from $340,050 to $534,833, including interest at 4.41% through November 2019.	$ 3,206,667	$ -	$ 493,333	$ 2,713,334
2004 $10 million installment purchase contract for middle school construction, 30 semi-annual payments ranging from $251,736 to $402,480 including interest at 4.03% through March 2019.	4,000,000	-	666,667	3,333,333
2005 $1.84 million QZAB, non-interest bearing installment financing agreement for school renovations, 15 annual payments of $95,705 into escrow with a balloon payment in June 2020.	1,844,000	-	-	1,844,000
2010 $1.85 million installment purchase contract for the construction of a DSS Building, 15 annual payments ranging from $189,193 to $127,724, including interest at 3.56% through December 2025.	1,603,334	-	123,333	1,480,001
Total governmental activities	$ 10,654,001	$ -	$ 1,283,333	$ 9,370,668

Business-Type Activities	Beginning Balance	Additions	Retirements	Ending Balance
Installment purchase contract, 360 monthly payments of $1,286, including interest at 6% through January 2034	$ 182,197	$ -	$ 4,627	$ 177,570

For Polk County, the future minimum payments as of June 30, 2014, including interest are:

	Governmental Activities		Business-Type Activities	
Year Ending June 30,	Principal	Interest	Principal	Interest
2015	$ 1,283,334	$ 286,754	$ 4,913	$ 10,517
2016	1,283,333	235,220	5,216	10,215
2017	1,283,333	183,687	5,537	9,893
2018	1,283,334	132,154	5,879	9,551
2019	1,283,333	80,620	6,242	9,189
2020-2024	2,707,334	114,836	37,480	39,671
2025-2029	246,667	13,172	50,555	26,595
2030-2034	-	-	61,748	9,023
	$ 9,370,668	$ 1,046,443	$ 177,570	$ 124,654

☐ 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, 2014.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Installment purchase contracts	$ 10,654,001	$ -	$ 1,283,333	$ 9,370,668	$ 1,283,334
Capital leases	273,370	-	53,116	220,254	55,280
Compensated absences	603,302	181,346	305,421	479,227	305,000
Net pension obligation	191,386	16,784	-	208,170	-
Total governmental activities	$ 11,722,059	$ 198,130	$ 1,641,870	$ 10,278,319	$ 1,643,614
Business-type activities:					
Installment purchase contracts	$ 182,197	$ -	$ 4,627	$ 177,570	$ 4,913

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

The net pension obligation has historically been liquidated from the General Fund.

At June 30, 2014, Polk County had a legal debt margin of $214,772,842.

C. Net Investment in Capital Assets

The net investment in capital assets consists of the following:

	Governmental Activities	Business-Type Activities
Capital assets, net of depreciation	$ 20,081,775	$ 11,136,074
Less:		
Installment purchase contracts	(9,370,668)	(177,570)
Capital leases	(220,254)	-
Add:		
School related debt	5,855,666	-
Solid waste debt	476,733	-
Net investment in capital assets	$ 16,823,252	$ 10,958,504

D. Interfund Activities

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers to General Fund from:	
Non-major Governmental Funds	$ 27,937
Transfers to Non-major Governmental Funds from:	
General Fund	$ 205,152
Transfers to Water Fund from:	
General Fund	$ 100,000
Non-major Governmental Funds	35,490
Total	$ 135,490

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.

E. Fund Balance

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

F. 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.

G. Joint Ventures

Mental Health:

The eight counties participating in the Western Highlands Network, a Local Management Entity ("LME") are represented by 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, 2014. The County contributed $74,991 to the LME to fund operations during fiscal year June 30, 2014. Complete financial statements for the LME may be obtained from the LME's offices at 356 Biltmore Avenue, Asheville, NC, 28801.

Public Health:

The County, in conjunction with Rutherford and McDowell counties, established the Public Health District (the "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, 2014. The County paid operating appropriations of $138,891 to the District during fiscal year June 30, 2014. The County also paid the District $99,608 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 221 Callahan Koon Road, Spindale, NC, 28160.

Community College:

The County, in conjunction with the State of North Carolina and the Polk County Board of Education, participates in a joint venture to operate the Isothermal Community College ("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 $141,278 to the community college for operating purposes during the fiscal year ended June 30, 2014. 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, 2014. Complete financial statements for the community college may be obtained from the community college's administrative offices at 286 ICC Loop Road, Spindale, North Carolina, 28160.

H. Jointly Governed Organizations

The County, in conjunction with four other counties and twenty-two municipalities, established the Isothermal Planning and Development Commission (the "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 $5,138 to the Commission during the fiscal year ended June 30, 2014.

I. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs:

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

Contingent Liabilities:

At June 30, 2014, 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.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

- 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, 2014

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)
12/31/2006	$ -	$ 137,237	$ 137,237	0%	$ 984,981	13.93%
12/31/2007	-	91,515	91,515	0%	745,145	12.28%
12/31/2008	-	77,684	77,684	0%	758,188	10.25%
12/31/2009	-	97,333	97,333	0%	807,286	12.06%
12/31/2010	-	79,650	79,650	0%	648,816	12.28%
12/31/2011	-	84,024	84,024	0%	793,329	10.59%
12/31/2012	-	109,127	109,127	0%	1,013,523	10.77%
12/31/2013	-	122,994	122,994	0%	1,010,709	12.17%

POLK COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
Schedule of Employer Contributions

June 30, 2014

Year Ending June 30	Annual Required Contribution	Percentage Contributed
2012	14,961	13.20%
2013	17,620	0.00%
2014	16,784	0.00%

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 as of the latest actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
Cost of living adjustments	N/A
*Includes inflation at	3.00%

MAJOR FUNDS

Governmental Fund-Type:

- The General Fund is the main operating fund of the County. It accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

- Tax Revaluation Fund – This fund is established to set aside funding to finance the county-wide real property revaluation. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes: however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

Proprietary Fund-Type:

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

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

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

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes:			
Taxes	$ 13,694,392	$ 14,474,574	$ 780,182
Penalties and interest	102,000	114,255	12,255
Total	13,796,392	14,588,829	792,437
Other Taxes:			
Local Option Sales Taxes	2,171,942	2,430,506	258,564
Article 44 Sales Tax (Hold Harmless)	507,671	801,728	294,057
	2,679,613	3,232,234	552,621
Restricted Intergovernmental:			
Lottery revenue	95,706	95,705	(1)
Federal grants	2,595,765	2,661,571	65,806
State grants	377,750	382,254	4,504
Local grants	36,126	35,679	(447)
Total	3,105,347	3,175,209	69,862
Licenses and Permits:			
Register of Deeds fees	184,412	191,232	6,820
Building, other permit, and inspection fees	96,650	149,331	52,681
Total	281,062	340,563	59,501
Sales and Services:			
Rents, concessions, and fees	30,480	32,358	1,878
EMS fees	559,693	670,756	111,063
Transportation fees	272,605	245,308	(27,297)
Recreation department	98,881	106,809	7,928
Court costs, fees, and charges	55,000	77,562	22,562
Other charges for services	20,801	25,640	4,839
Total	1,037,460	1,158,433	120,973
Investment Earnings	17,000	9,942	(7,058)
Miscellaneous	97,374	96,520	(854)
Total revenues	21,014,248	22,601,730	1,587,482

(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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government:			
Governing Body	$ 108,659	$ 106,761	$ 1,898
Manager	449,040	444,026	5,014
Board of elections	159,985	151,243	8,742
Personnel	64,766	46,506	18,260
Finance	250,876	249,418	1,458
Tax collections	274,952	309,044	(34,092)
Tax assessor	149,676	131,940	17,736
Legal	46,763	48,726	(1,963)
Register of Deeds	190,533	182,227	8,306
Public buildings	577,319	513,190	64,129
Court facilities	6,700	4,525	2,175
Non-departmental	516,187	445,867	70,320
Total general government	2,795,456	2,633,473	161,983
Public Safety:			
Sheriff's department	2,007,459	1,984,150	23,309
Jail	692,097	689,403	2,694
Emergency medical services	1,311,500	1,258,640	52,860
Emergency management	115,318	87,173	28,145
Communications	467,061	421,403	45,658
Building inspections	233,223	211,578	21,645
Animal Control	167,600	161,260	6,340
Total public safety	4,994,258	4,813,607	180,651
Economic and physical development:			
Cooperative extension	145,413	138,439	6,974
Planning and zoning	124,121	110,928	13,193
Soil and water conservation	114,474	110,770	3,704
Agriculture	184,391	159,616	24,775
Forestry	55,538	47,478	8,060
Economic development	116,385	102,350	14,035
Total economic and physical development	740,322	669,581	70,741

(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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Human Services:			
Health	$ 139,891	$ 139,891	$ -
Mental health	78,506	77,863	643
Veteran's administration	38,912	38,734	178
Social services administration	1,487,661	1,477,400	10,261
Social services programs	1,942,268	1,826,707	115,561
Public transportation	862,095	785,347	76,748
Community based alternatives	77,027	32,871	44,156
Total human services	4,626,360	4,378,813	247,547
Cultural and recreational:			
Recreation	472,497	426,291	46,206
Library	536,863	503,207	33,656
Senior centers	392,212	387,333	4,879
Total cultural and recreational	1,401,572	1,316,831	84,741
Education:			
Public schools–current	4,784,788	4,784,788	-
Public schools–capital outlay	312,267	312,267	-
Public schools–local supplement	65,797	52,657	13,140
Community colleges–current	141,284	141,278	6
Total education	5,304,136	5,290,990	13,146
Debt Service:			
Principal retirement	1,283,335	1,283,333	2
Interest and fees	338,288	338,287	1
Total debt service	1,621,623	1,621,620	3
Total expenditures	21,483,727	20,724,915	758,812
Revenues over (under) expenditures	(469,479)	1,876,815	2,346,294

(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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Appropriated fund balance	$ 732,248	$ -	$ (732,248)
Proceeds from sale of assets	5,000	304	(4,696)
Transfers from other funds	27,937	27,937	-
Transfers to other funds	(295,706)	(305,152)	(9,446)
Total other financing sources (uses)	469,479	(276,911)	(746,390)
Net change in fund balance	$ -	1,599,904	$ 1,599,904
Fund balance			
Beginning of year		6,969,327	
End of year		$ 8,569,231	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Interest earnings	$ 150	$ 16	$ (134)
Expenditures			
General government:			
Revaluation	70,150	35,188	34,962
Revenues under expenditures	(70,000)	(35,172)	34,828
Other Financing Sources			
Appropriated fund balance	70,000	-	(70,000)
Net change in fund balance	$ -	(35,172)	$ (35,172)
Fund balance			
Beginning of year		973,254	
End of year		$ 938,082	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	$ 1,288,273	$ 1,323,063	$ 34,790
Solid waste taxes	44,600	44,912	312
Total revenues	1,332,873	1,367,975	35,102
Expenditures			
Current:			
Operating	1,316,642	1,269,273	47,369
Closure and postclosure care	47,427	55,320	(7,893)
Capital outlay	2,648	2,648	-
Debt service:			
Principal payments on debt	4,628	4,627	1
Interest	10,803	10,803	-
Total expenditures	1,382,148	1,342,671	39,477
Revenues over (under) expenditures	(49,275)	25,304	74,579
Other Financing Sources			
Fund balance appropriated	49,275	-	(49,275)
Total other financing sources	49,275	-	(49,275)
Revenues and other financing sources over (under) expenditures	$ -	25,304	$ 25,304
Reconciliation from modified accrual to full accrual basis:			
Capital outlay		2,648	
Depreciation		(80,966)	
Principal payment on debt		4,627	
Change in net position		$ (48,387)	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	$ 20,400	$ 17,858	$ (2,542)
Expenditures			
Current:			
Operating	81,755	78,793	2,962
Revenues under expenditures	(61,355)	(60,935)	420
Other Financing Sources			
Transfers from other funds	35,490	35,490	-
Appropriated fund balance	25,865	-	(25,865)
Total other financing sources (uses)	61,355	35,490	(25,865)
Revenues and other financing sources under expenditures	$ -	(25,445)	$ (25,445)
Reconciliation frum modified accrual to full accrual basis:			
Depreciation		(170,522)	
Water Capital Projects Fund:			
Transfers from other funds		100,000	
Change in net position		$ (95,967)	

POLK COUNTY, NORTH CAROLINA

Schedule of Revenues and Expenditures—Budget and Actual (Non-GAAP)
Water Capital Projects Fund

From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Expenditures					
Capital:					
Peniel/Highway 9	$ 1,549,650	$ 79,088	$ 1,448,849	$ 1,527,937	$ 21,713
General	60,000	-	45,200	45,200	14,800
Total expenditures	1,609,650	79,088	1,494,049	1,573,137	36,513
Revenues under expenditures	(1,609,650)	(79,088)	(1,494,049)	(1,573,137)	36,513
Other Financing Sources					
Transfers from other funds	1,609,650	1,450,000	100,000	1,550,000	(59,650)
Other financing sources over (under) expenditures	$ -	$ 1,370,912	$ (1,394,049)	$ (23,137)	$ (23,137)

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Projects Fund

- Capital Projects Fund – This fund is used to account for the acquisition or construction of major capital facilities of the county.
- Capital Reserve Fund – This fund was established to account for revenues set aside to finance County-wide building improvements. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for financial statement presentation in accordance with GASB Statement No. 54, it is consolidated in the Capital Projects Fund.

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, 2014

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund
Assets			
Cash and cash equivalents	$ 8,708	$ 42,449	$ 419,169
Restricted cash	-	-	-
Taxes receivable, net	72,403	-	-
Accounts receivable	-	12,901	17,065
Total assets	$ 81,111	$ 55,350	$ 436,234
Liabilities			
Accounts payable and other current liabilities	$ 19,476	$ 11,977	$ 4,741
Deferred Inflows of Resources	61,635	-	-
Fund balances			
Restricted:			
Public safety	-	-	431,493
Tourism	-	43,373	-
Economic and physical development	-	-	-
School debt service	-	-	-
Assigned:			
Capital projects	-	-	-
Total fund balances	-	43,373	431,493
Total liabilities, deferred inflows of resources and fund balances	$ 81,111	$ 55,350	$ 436,234

Grant Projects Fund	Total Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
$ 6,499	$ 476,825	$ 823,549	$ -	$ 1,300,374
-	-	-	976,509	976,509
-	72,403	-	-	72,403
8,728	38,694	-	-	38,694
$ 15,227	$ 587,922	$ 823,549	$ 976,509	$ 2,387,980
$ -	$ 36,194	$ 189,037	$ -	$ 225,231
-	61,635	-	-	61,635
-	431,493	-	-	431,493
-	43,373	-	-	43,373
15,227	15,227	-	-	15,227
-	-	-	976,509	976,509
-	-	634,512	-	634,512
15,227	490,093	634,512	976,509	2,101,114
$ 15,227	$ 587,922	$ 823,549	$ 976,509	$ 2,387,980

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund
Revenues			
Ad valorem taxes	$ 1,287,300	$ -	$ -
Other taxes	-	76,154	-
Restricted intergovernmental	-	-	204,783
Restricted contributions	-	-	-
Investment earnings	-	-	122
Miscellaneous	-	-	-
Total revenues	1,287,300	76,154	204,905
Expenditures			
Current:			
Public safety	1,287,300	-	147,767
Economic and physical development	-	57,153	-
Human services	-	-	-
Intergovernmental:			
Education	-	-	-
Debt service:			
Principal retirement	-	-	53,116
Interest and fees	-	-	9,968
Total expenditures	1,287,300	57,153	210,851
Revenues over (under) expenditures	-	19,001	(5,946)
Other Financing Sources			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	-	19,001	(5,946)
Fund balances			
Beginning of year	-	24,372	437,439
End of year	$ -	$ 43,373	$ 431,493

Grant Projects Fund	Total Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
$ -	$ 1,287,300	$ -	$ -	$ 1,287,300
-	76,154	-	-	76,154
640,372	845,155	-	-	845,155
93,725	93,725	-	-	93,725
-	122	15	24,337	24,474
-	-	28,369	-	28,369
734,097	2,302,456	28,384	24,337	2,355,177
-	1,435,067	-	-	1,435,067
837,722	894,875	-	-	894,875
-	-	28,099	-	28,099
-	-	646,264	-	646,264
-	53,116	-	-	53,116
-	9,968	-	-	9,968
837,722	2,393,026	674,363	-	3,067,389
(103,625)	(90,570)	(645,979)	24,337	(712,212)
-	-	109,446	95,706	205,152
-	-	(63,427)	-	(63,427)
-	-	46,019	95,706	141,725
(103,625)	(90,570)	(599,960)	120,043	(570,487)
118,852	580,663	1,234,472	856,466	2,671,601
$ 15,227	$ 490,093	$ 634,512	$ 976,509	$ 2,101,114

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Taxes	$ 1,299,615	$ 1,280,825	$ (18,790)
Penalties and interest	-	6,475	6,475
Total revenues	1,299,615	1,287,300	(12,315)
Expenditures			
Public safety:			
Sunny View Fire Department	285,500	270,899	14,601
Green Creek Fire Department	192,750	193,292	(542)
Tryon Fire Department	150,000	148,278	1,722
Saluda Fire Department	133,190	132,492	698
Mill Springs Fire Department	206,175	211,213	(5,038)
Columbus Fire Department	332,000	331,126	874
Total expenditures	1,299,615	1,287,300	12,315
Net change in fund balance	$ -	-	$ -
Fund balance			
Beginning of year		-	
End of year		$ -	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Occupancy tax	$ 66,354	$ 76,154	$ 9,800
Expenditures			
Economic and physical development:			
Travel	2,250	1,916	334
Administration	64,104	55,237	8,867
Total expenditures	66,354	57,153	9,201
Net change in fund balance	$ -	19,001	$ 19,001
Fund balance			
Beginning of year		24,372	
End of year		$ 43,373	

POLK COUNTY, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual
Emergency Telephone System Fund

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	$ 219,447	$ 204,783	$ (14,664)
Interest earned	-	122	122
Total revenues	219,447	204,905	(14,542)
Expenditures {A}			
Public safety:			
Implementation functions	48,800	45,575	3,225
Telephone	40,403	38,983	1,420
Furniture	75,043	69,956	5,087
Software maintenance	13,020	17,311	(4,291)
Hardware maintenance	42,181	39,026	3,155
Total expenditures	219,447	210,851	8,596
Net change in fund balance	$ -	(5,946)	$ (5,946)
Fund balance			
Beginning of year		437,439	
End of year		$ 431,493	

Note to the above schedule:
{A} The classification of expenditures is presented in accordance with the North Carolina 911 Board. Payments on capital leases are not classified separately.

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, 2014

	Project Authorization	Prior Years	Current Year
Revenues and Other Financing Sources			
Restricted intergovernmental revenue:			
Community Development Block Grant:			
Scattered Sites Housing	$ 400,000	$ 26,112	$ 114,333
Community Investment & Assistance	250,000	27,983	122,300
Tryon Equestrian Properties Water Project	281,250	-	175,512
CYP/Fendrich Employment Incentive:			
NC Rural Center	113,227	-	113,227
One NC Grant Fund	115,000	-	115,000
Restricted contributions:			
Tryon Equestrian Properties Water Project	93,750	-	93,725
Other Financing Sources:			
CYP/Fendrich Employment Incentive:			
Transfer from other funds (Local Match)	120,700	120,700	-
Total revenues and other financing sources	1,373,927	174,795	734,097
Expenditures			
Economic and physical development:			
Scattered Sites Housing	400,000	26,112	114,333
Community Investment & Assistance	250,000	27,983	122,300
Tryon Equestrian Properties Water Project	375,000	-	254,010
CYP/Fendrich Employment Incentive	348,927	1,848	347,079
Total expenditures	1,373,927	55,943	837,722
Revenues and other financing sources over (under) expenditures	$ -	$ 118,852	(103,625)
Fund balance			
Beginning of year			118,852
End of year			$ 15,227

Total to Date	Variance Favorable (Unfavorable)
$ 140,445	$ (259,555)
150,283	(99,717)
175,512	(105,738)
113,227	-
115,000	-
93,725	(25)
120,700	-
908,892	(465,035)
140,445	259,555
150,283	99,717
254,010	120,990
348,927	-
893,665	480,262
$ 15,227	$ 15,227

POLK COUNTY, NORTH CAROLINA

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

From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year
Revenues			
Restricted intergovernmental:			
Contribution for Early College	$ 197,000	$ -	$ -
Investment earnings	-	1,765	14
Miscellaneous	-	214,551	28,369
Total revenues	197,000	216,316	28,383
Expenditures			
Public safety:			
Communications	190,000	171,978	-
Human services:			
DSS building	2,000,000	1,706,952	28,099
Education:			
Early College	997,000	-	646,264
Total expenditures	3,187,000	1,878,930	674,363
Revenues under expenditures	(2,990,000)	(1,662,614)	(645,980)
Other Financing Sources			
Installment purchase obligations issued	2,800,000	1,850,000	-
Appropriated fund balance/closed out projects	190,000	326,651	-
Total other financing sources	2,990,000	2,176,651	-
Revenues over expenditures and other financing sources	$ -	$ 514,037	(645,980)
Fund balance, beginning of year			514,037
Fund balance, end of year - Capital Projects Fund			(131,943)
Amounts reported for Revenue, Expenditures and Changes in Fund Balance are different from the Budget/Actual Statement due to consolidation of the School Capital Reserve Fund:			
Investment earnings			1
Transfers from other funds			109,446
Transfers to other funds			(63,427)
Fund balance, beginning - Capital Reserve Fund			720,435
Fund balance, ending - Combined Capital Projects Fund			$ 634,512

Total to Date	Variance Favorable (Unfavorable)
$ -	$ (197,000)
1,779	1,779
242,920	242,920
244,699	47,699
171,978	18,022
1,735,051	264,949
646,264	350,736
2,553,293	633,707
(2,308,594)	681,406
1,850,000	(950,000)
326,651	136,651
2,176,651	(813,349)
$ (131,943)	$ (131,943)

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Interest earnings	$ -	$ 1	$ 1
Other Financing Sources (Uses)			
Transfer from other funds	100,000	109,446	9,446
Transfer to other funds	(63,427)	(63,427)	-
Contingency	(100,000)	-	100,000
Appropriated fund balance	63,427	-	(63,427)
Total other financing sources (uses)	-	46,019	46,019
Net change in fund balance	$ -	46,020	$ 46,020
Fund balance			
Beginning of year		720,435	
End of year		$ 766,455	

INTERNAL SERVICE FUND

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

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	$ -	$ 24,337	$ 24,337
Expenditures			
Debt Service:			
Principal	95,706	-	95,706
Revenues over (under) expenditures	(95,706)	24,337	120,043
Other Financing Sources			
Transfers from other funds	95,706	95,706	-
Net change in fund balance	$ -	120,043	$ 120,043
Fund balance			
Beginning of year		856,466	
End of year		$ 976,509	

AGENCY FUNDS

- 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

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Employee contributions	$ 1,048,380	$ 1,066,143	$ 17,763
Expenditures			
Administration fees	421,920	435,997	(14,077)
Claims	976,997	839,671	137,326
Total expenditures	1,398,917	1,275,668	123,249
Revenues under expenditures	(350,537)	(209,525)	141,012
Other Financing Sources			
Appropriated fund balance	350,537	-	(350,537)
Revenues and other financing sources under expenditures	$ -	$ (209,525)	$ (209,525)

POLK COUNTY, NORTH CAROLINA

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Social Services Fund				
Cash and cash equivalents	$ 85,699	$ 372,949	$ 378,763	$ 79,885
Due to others	$ 85,699	$ 372,949	$ 378,763	$ 79,885
Property Tax Fund				
Cash and cash equivalents	$ 11,911	$ 1,086,041	$ 1,062,822	$ 35,130
Due to other governments	$ 11,911	$ 1,086,041	$ 1,062,822	$ 35,130
Fines and Forfeitures Fund				
Cash and cash equivalents	$ 1,897	$ 209,244	$ 203,214	$ 7,927
Due to Polk County Schools	$ -	$ 193,514	$ 193,514	$ -
Due to the State of North Carolina	1,897	15,730	9,700	7,927
	$ 1,897	$ 209,244	$ 203,214	$ 7,927
Other Agency Funds				
Cash and cash equivalents	$ 69,652	$ 87,072	$ 99,420	$ 57,304
Due to others	$ 69,652	$ 87,072	$ 99,420	$ 57,304
All Agency Funds				
Total Assets:				
Cash and cash equivalents	$ 169,159	$ 1,755,306	$ 1,744,219	$ 180,246
Total Liabilities:				
Due to others	$ 155,351	$ 460,021	$ 478,183	$ 137,189
Due to other governments	11,911	1,086,041	1,062,822	35,130
Due to Polk County Schools	-	193,514	193,514	-
Due to the State of North Carolina	1,897	15,730	9,700	7,927
	$ 169,159	$ 1,755,306	$ 1,744,219	$ 180,246

OTHER SUPPLEMENTARY INFORMATION

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

POLK COUNTY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable
General Fund

June 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	$ -	$ 14,513,531	$ 14,144,553	$ 368,978
2012-2013	431,696	-	279,170	152,526
2011-2012	154,927	-	67,546	87,381
2010-2011	111,204	-	29,304	81,900
2009-2010	46,586	-	10,020	36,566
2008-2009	17,522	-	4,510	13,012
2007-2008	9,267	-	2,653	6,614
2006-2007	6,365	-	2,110	4,255
2005-2006	4,266	-	1,578	2,688
2004-2005	4,990	-	521	4,469
2003-2004	2,099	-	2,099	-
Total	$ 788,922	$ 14,513,531	$ 14,544,064	758,389
Less allowance for uncollectible ad valorem taxes receivable				(80,000)
Ad valorem taxes receivable, net				$ 678,389

Reconcilement with Revenues:	
Taxes - Ad valorem - General Fund	$ 14,588,829
Reconciling items:	
Discounts allowed	161,432
Penalties and interest	(114,255)
Other adjustments	(91,942)
Total collections and credits	$ 14,544,064

POLK COUNTY, NORTH CAROLINA

Analysis of Current Year County-Wide Tax Levy

For the Year Ended June 30, 2014

	County Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	$ 2,734,630,145	$ 0.5175	$ 14,151,711	$ 13,008,762	$ 1,142,949
Utilities at current year's rate	82,533,140	$ 0.5175	427,109	427,109	-
Total	2,817,163,285		14,578,820	13,435,871	1,142,949
Discoveries:					
Current year taxes	2,024,348	$ 0.5175	10,476	6,623	3,853
Abatements	(14,640,580)	$ 0.5175	(75,765)	(63,736)	(12,029)
Net Levy	$ 2,804,547,053		14,513,531	13,378,758	1,134,773
Uncollected Taxes at June 30, 2014			368,978	339,420	29,558
Current Year's Taxes Collected			$ 14,144,553	$ 13,039,338	$ 1,105,215
Current Levy Collection %			97.46%	97.46%	97.40%

Secondary Market Disclosures:

Assessed Valuation	
Assessment Ratio [1]	100.00%
Real Property	2,358,372,376
Personal Property	142,781,827
Public Service Companies [2]	82,533,140
Registered Motor Vehicles	220,859,710
Total Assessed Valuation	2,804,547,053
Tax Rate per $100	0.5175
Levy (includes discoveries, releases and abatements)[3]	$ 14,513,531

In addition to the County-wide rate, the following table lists the levies by the County on behalf of Harmon Field, school districts, towns and fire protection districts for the fiscal year ended June 30:

Harmon Field	$ 163,278
School Districts	81,423
Towns	536,772
Fire Protection Districts	1,237,440
Total	$ 2,018,913

[1] Percentage of appraised value has been established by statute.

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

[3] The levy includes interest and penalties.

STATISTICAL SECTION

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

- Financial Trends – These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.
- Revenue Capacity – These schedules contain information to help the reader access 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 County'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 Position by Category

Last Ten Fiscal Years

	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	$ 7,596,271	$ 9,968,179	$ 11,205,743	$ 14,896,379
Restricted	-	96,740	196,009	299,847
Unrestricted	(4,615,492)	(7,266,125)	(5,003,910)	(3,436,761)
Total governmental activities net position	$ 2,980,779	$ 2,798,794	$ 6,397,842	$ 11,759,465
Business-type activities:				
Net investment in capital assets	$ 918,876	$ 1,537,093	$ 1,648,808	$ 1,694,826
Restricted	-	-	-	-
Unrestricted	249,109	330,790	470,646	352,413
Total business-type activities net position	$ 1,167,985	$ 1,867,883	$ 2,119,454	$ 2,047,239
Primary government:				
Net investment in capital assets	$ 8,515,147	$ 11,505,272	$ 12,854,551	$ 16,591,205
Restricted	-	96,740	196,009	299,847
Unrestricted	(4,366,383)	(6,935,335)	(4,533,264)	(3,084,348)
Total primary government net position	$ 4,148,764	$ 4,666,677	$ 8,517,296	$ 13,806,704

NOTE: Business-type activities increased in 2009 as it was the first year for water activities.

Source: Polk County Financial Statements

2009	2010	2011	2012	2013	2014
$ 12,807,648	$ 19,242,095	$ 16,076,619	$ 17,491,725	$ 16,924,056	$ 16,823,252
897,428	514,929	3,359,835	2,343,502	2,357,260	2,513,727
(3,471,180)	(5,965,030)	(1,239,021)	445,749	1,488,679	3,225,200
$ 10,233,896	$ 13,791,994	$ 18,197,433	$ 20,280,976	$ 20,769,995	$ 22,562,179
$ 7,035,005	$ 8,945,463	$ 9,027,773	$ 9,283,387	$ 9,708,668	$ 10,958,504
-	-	-	-	-	-
1,421,280	172,796	673,949	842,565	2,043,592	649,402
$ 8,456,285	$ 9,118,259	$ 9,701,722	$ 10,125,952	$ 11,752,260	$ 11,607,906
$ 19,842,653	$ 28,187,558	$ 25,104,392	$ 26,775,112	$ 26,632,724	$ 27,781,756
897,428	514,929	3,359,835	2,343,502	2,357,260	2,513,727
(2,049,900)	(5,792,234)	(565,072)	1,288,314	3,532,271	3,874,602
$ 18,690,181	$ 22,910,253	$ 27,899,155	$ 30,406,928	$ 32,522,255	$ 34,170,085

POLK COUNTY, NORTH CAROLINA

Revenues, Expenses, and Changes in Net Position

Last Ten Fiscal Years

	2005	2006	2007	2008
Governmental activities				
Program revenues:				
Charges for services:				
General government	$ 357,700	$ 453,077	$ 462,656	$ 1,356,198
Public safety	923,886	994,257	1,286,115	695,145
Economic and physical development	52,906	88,532	76,016	25,292
Human services	458,062	491,807	517,592	243,765
Cultural and recreational	96,101	106,933	133,995	92,965
Operating grants and contributions [1]	3,177,132	7,069,648	2,814,944	2,888,791
Capital grants and contributions	1,033,332	176,460	538,727	71,008
Total program revenues	6,099,119	9,380,714	5,830,045	5,373,164
Expenses:				
General government [2]	9,950,237	6,009,088	2,532,464	2,603,109
Public safety	4,525,259	4,768,308	4,926,153	4,703,673
Economic and physical development [3]	569,652	3,024,079	785,382	669,407
Human services	4,371,574	5,134,463	5,108,467	4,772,975
Cultural and recreational	1,057,652	1,190,696	1,531,015	1,395,294
Education	4,455,323	5,326,731	5,733,765	4,933,837
Interest on long-term debt	1,014,287	1,036,483	940,279	839,020
Total program expenses	25,943,984	26,489,848	21,557,525	19,917,315
Net expenses	(19,844,865)	(17,109,134)	(15,727,480)	(14,544,151)
General revenues and other changes in net position:				
Taxes				
Property taxes	$ 10,719,927	$ 12,678,758	$ 13,568,221	$ 14,110,976
Local option sales tax	3,305,911	3,348,117	3,644,492	3,811,698
Other taxes	1,123,127	997,535	913,449	297,863
Investment earnings, unrestricted	383,640	576,181	705,771	690,768
Miscellaneous, unrestricted	51,780	183,230	661,264	809,899
Loss on sale of assets	-	(337,731)	-	-
Transfers	(939,890)	(518,941)	(166,669)	(15,430)
Total general revenues and transfers	14,644,495	16,927,149	19,326,528	19,705,774
Change in net position	(5,200,370)	(181,985)	3,599,048	5,161,623

2009	2010	2011	2012	2013	2014
$ 864,488	$ 832,957	$ 1,180,459	$ 369,453	$ 370,476	$ 418,126
763,734	746,571	655,485	688,868	429,208	709,506
9,194	-	-	-	-	-
255,638	250,656	230,731	272,605	265,407	245,308
92,667	131,766	104,203	118,711	114,765	118,479
3,029,342	3,250,918	3,210,156	3,003,690	2,952,339	3,377,349
956,449	25,000	1,395,348	232,219	181,457	531,932
5,971,512	5,237,868	6,776,382	4,685,546	4,313,652	5,400,700
2,897,048	2,597,039	2,564,394	2,758,095	2,773,817	2,944,270
5,000,699	5,130,053	5,400,531	5,899,783	5,704,927	6,233,081
733,884	1,016,720	919,265	760,672	811,129	1,577,119
4,687,695	4,259,428	4,366,981	4,604,527	4,873,307	4,445,455
1,712,737	922,727	1,414,145	1,814,164	1,524,910	1,559,705
7,957,032	4,663,770	4,759,096	5,079,611	5,238,727	5,937,254
754,146	663,762	526,997	540,693	381,823	337,287
23,743,241	19,253,499	19,951,409	21,457,545	21,308,640	23,034,171
(17,771,729)	(14,015,631)	(13,175,027)	(16,771,999)	(16,994,988)	(17,633,471)
$ 14,799,647	$ 15,371,932	$ 15,293,427	$ 15,698,882	$ 15,603,425	$ 15,888,653
3,064,046	2,207,319	2,050,123	3,220,416	3,247,594	3,232,234
306,828	298,009	294,499	270,301	287,912	280,937
287,194	56,921	42,466	36,751	39,917	34,432
434,348	263,917	152,021	343,726	125,016	124,889
-	-	-	-	-	-
(2,645,903)	(624,369)	(252,070)	(714,534)	(1,819,857)	(135,490)
16,246,160	17,573,729	17,580,466	18,855,542	17,484,007	19,425,655
(1,525,569)	3,558,098	4,405,439	2,083,543	489,019	1,792,184

(Continued)

POLK COUNTY, NORTH CAROLINA

Revenues, Expenses, and Changes in Net Position (Continued)

Last Ten Fiscal Years

	2005	2006	2007	2008
Business-type activities				
Program revenues:				
Charges for services:				
Solid waste	$ 813,396	$ 1,069,770	$ 1,246,368	$ 1,307,658
Water	N/A	N/A	N/A	N/A
Water capital projects	N/A	N/A	N/A	N/A
Operating grants and contributions	-	-	-	-
Capital grants and contributions	N/A	N/A	N/A	N/A
Total program revenues	813,396	1,069,770	1,246,368	1,307,658
Expenses:				
Solid waste	585,301	888,813	1,161,466	1,395,303
Water	N/A	N/A	N/A	N/A
Total program expenses	585,301	888,813	1,161,466	1,395,303
Net revenues (expenses)	228,095	180,957	84,902	(87,645)
General revenues and other changes in net position:				
Other taxes	-	-	-	-
Miscellaneous, unrestricted	-	-	-	-
Transfers	939,890	518,941	166,669	15,430
Total general revenues and transfers	939,890	518,941	166,669	15,430
Change in net position	1,167,985	699,898	251,571	(72,215)
Government-wide totals				
Program revenues	6,912,515	10,450,484	7,076,413	6,680,822
Expenses	26,529,285	27,378,661	22,718,991	21,312,618
Net expenses	(19,616,770)	(16,928,177)	(15,642,578)	(14,631,796)
General revenues and other changes in net position	15,584,385	17,446,090	19,493,197	19,721,204
Change in net position	$ (4,032,385)	$ 517,913	$ 3,850,619	$ 5,089,408

NOTES:

2009 was the first year for water activities.

(1) 2006 increase in operating grants and contributions due to Emergency Watershed Protection Grant Project

(2) Increases in 2005 and 2006 due to construction activity on the Community Campus project.

(3) 2006 increase in operating grants and contributions due to Emergency Watershed Protection Grant Project

Source: Polk County Financial Statements

2009	2010	2011	2012	2013	2014
$ 1,185,218	$ 1,166,548	$ 1,185,595	$ 1,252,841	$ 1,261,698	$ 1,323,063
19,200	255,825	59,545	30,521	34,857	17,858
N/A	N/A	135,753	-	-	-
-	-	-	-	15,458	-
4,030,000	21,667	267,995	-	-	-
5,234,418	1,444,040	1,648,888	1,283,362	1,312,013	1,340,921
1,367,129	1,194,725	1,172,556	1,253,339	1,359,559	1,416,362
104,146	211,710	144,939	320,327	221,170	249,315
1,471,275	1,406,435	1,317,495	1,573,666	1,580,729	1,665,677
3,763,143	37,605	331,393	(290,304)	(268,716)	(324,756)
-	-	-	-	44,138	44,912
-	-	-	-	31,029	-
2,645,903	624,369	252,070	714,534	1,819,857	135,490
2,645,903	624,369	252,070	714,534	1,895,024	180,402
6,409,046	661,974	583,463	424,230	1,626,308	(144,354)
11,205,930	6,681,908	8,425,270	5,968,908	5,625,665	6,741,621
25,214,516	20,659,934	21,268,904	23,031,211	22,889,369	24,699,848
(14,008,586)	(13,978,026)	(12,843,634)	(17,062,303)	(17,263,704)	(17,958,227)
18,892,063	18,198,098	17,832,536	19,570,076	19,379,031	19,606,057
$ 4,883,477	$ 4,220,072	$ 4,988,902	$ 2,507,773	$ 2,115,327	$ 1,647,830

POLK COUNTY, NORTH CAROLINA

Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2005	2006	2007	2008
General fund:				
Reserved	$ 941,597	$ 1,022,204	$ 995,302	$ 1,010,102
Restricted:				
Stabilization by State Statute	N/A	N/A	N/A	N/A
Committed:				
Tax revaluation	N/A	N/A	N/A	N/A
Assigned:				
Subsequent year's expenditures	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Unreserved	5,558,675	6,244,808	7,276,793	7,679,650
Total General Fund	$ 6,500,272	$ 7,267,012	$ 8,272,095	$ 8,689,752
Other governmental funds:				
Reserved	$ 29,849	$ 142,344	$ 248,692	$ 344,628
Unreserved, reported in:				
Special revenue funds	1,005,369	1,264,791	1,151,573	865,333
Capital projects fund	9,525,666	1,377,977	975,451	1,156,247
Restricted:				
Stabilization by State Statute	N/A	N/A	N/A	N/A
Public safety	N/A	N/A	N/A	N/A
Construction of new buildings	N/A	N/A	N/A	N/A
Tourism	N/A	N/A	N/A	N/A
Economic and physical development	N/A	N/A	N/A	N/A
School debt service	N/A	N/A	N/A	N/A
Commited:				
Dam repair	N/A	N/A	N/A	N/A
Vehicles	N/A	N/A	N/A	N/A
Communications	N/A	N/A	N/A	N/A
Waterline extension	N/A	N/A	N/A	N/A
Assigned:				
Subsequent year's expenditures	N/A	N/A	N/A	N/A
Capital projects	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A
Total other funds	$ 10,560,884	$ 2,785,112	$ 2,375,716	$ 2,366,208

Note: GASB Statement 54 established new fund balance classifications effective in 2011.

Source: Polk County Financial Statements

2009	2010	2011	2012	2013	2014
$ 947,259	$ 727,136	N/A	N/A	N/A	N/A
N/A	N/A	1,137,887	1,075,768	785,210	1,047,125
N/A	N/A	682,465	838,533	973,254	938,082
N/A	N/A	79,820	-	445,542	474,719
N/A	N/A	6,044,488	6,011,199	5,738,575	7,047,387
6,107,233	7,058,899	N/A	N/A	N/A	N/A
$ 7,054,492	$ 7,786,035	$ 7,944,660	$ 7,925,500	$ 7,942,581	$ 9,507,313
$ 433,505	$ 548,126	N/A	N/A	N/A	N/A
1,000,878	1,148,062	N/A	N/A	N/A	N/A
914,602	331,799	N/A	N/A	N/A	N/A
N/A	N/A	$ 395,670	$ 25,460	$ -	$ -
N/A	N/A	414,260	376,989	437,439	431,493
N/A	N/A	775,150	107,665	134,921	-
N/A	N/A	10,496	17,926	24,372	43,373
N/A	N/A	-	-	118,852	15,227
N/A	N/A	626,372	739,694	856,466	976,509
N/A	N/A	210,000	-	-	-
N/A	N/A	54,000	-	-	-
N/A	N/A	112,713	-	-	-
N/A	N/A	-	852,206	-	-
N/A	N/A	192,301	-	-	-
N/A	N/A	-	-	1,099,551	634,512
N/A	N/A	(369,488)	-	-	-
$ 2,348,985	$ 2,027,987	$ 2,421,474	$ 2,119,940	$ 2,671,601	$ 2,101,114

POLK COUNTY, NORTH CAROLINA

Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2005	2006	2007	2008
Revenues:				
Ad valorem taxes	$ 10,711,057	$ 12,724,098	$ 13,594,600	$ 13,957,504
Local option sales taxes				3,811,698
Other taxes	3,581,773	3,643,853	3,943,952	297,863
Unrestricted intergovernmental	742,918	385,050	362,634	687,581
Restricted intergovernmental	3,223,590	5,834,283	3,174,901	2,959,799
Restricted contributions	-	-	-	-
Permits and fees	747,943	681,463	705,528	529,134
Sales and services	720,685	846,101	1,101,903	1,196,650
Investment earnings	383,640	576,181	705,771	690,768
Miscellaneous [1]	487,222	1,781,877	904,674	809,899
Total revenues	20,598,828	26,472,906	24,493,963	24,940,896
Expenditures:				
Current:				
General government	2,317,990	2,270,502	2,238,115	2,448,377
Public safety	4,256,003	4,464,257	4,892,700	4,807,317
Economic and physical development	492,543	3,144,470	739,736	675,773
Human services	4,341,356	4,870,201	4,804,274	4,701,856
Cultural and recreational	1,875,547	1,078,858	1,333,518	1,530,732
Intergovernmental:				
Education	4,455,323	4,074,431	4,214,508	4,933,837
Capital outlay	9,551,954	9,681,846	2,136,091	2,347,900
Debt service:				
Principal	2,217,000	3,378,432	2,419,773	2,222,443
Interest	1,002,543	-	952,892	849,082
Total Expenditures	30,510,259	32,962,997	23,731,607	24,517,317
Other financing sources (uses):				
Proceeds from sales of assets	-	-	-	-
Proceeds from capital lease	-	-	-	-
Transfers from other funds	1,101,519	655,774	1,310,811	4,594,492
Transfers to other funds	(1,987,578)	(1,174,715)	(1,477,480)	(4,609,922)
Debt issuance	9,244,000	-	-	-
Total other financing sources (uses)	8,357,941	(518,941)	(166,669)	(15,430)
Net change in fund balances	$ (1,553,490)	$ (7,009,032)	$ 595,687	$ 408,149
Debt service as a percentage of non-capital expenditures	15.4%	14.5%	15.6%	13.9%

[1] Increase in 2006 due to contributions received in the Capital Projects Fund for the library construction project

Source: Polk County Financial Statements

2009	2010	2011	2012	2013	2014
$ 14,882,777	$ 15,124,648	$ 15,392,862	$ 15,437,492	$ 15,530,011	$ 15,876,129
3,064,046	2,207,319	2,050,123	3,220,416	3,247,594	3,232,234
306,828	298,009	294,499	67,713	69,564	76,154
415,750	458,065	821,630	-	-	-
3,985,792	3,275,917	4,605,504	3,438,497	3,353,992	4,020,364
-	-	-	-	-	93,725
321,011	275,786	248,561	309,603	297,483	340,563
1,248,960	1,228,099	1,100,687	1,178,919	1,165,089	1,158,433
287,194	56,921	42,466	36,751	39,917	34,432
434,348	263,917	152,021	343,726	125,016	124,889
24,946,706	23,188,681	24,708,353	24,033,117	23,828,666	24,956,923
2,408,644	2,322,946	2,307,926	2,238,737	2,261,154	2,595,845
5,043,502	5,021,443	5,413,393	5,641,523	5,636,335	5,849,037
738,915	1,026,375	919,971	748,902	806,231	1,562,525
4,766,281	4,098,286	4,599,715	4,238,766	4,305,639	4,248,054
1,566,221	1,256,085	2,475,080	1,471,813	1,190,189	1,293,759
6,052,088	4,736,505	4,759,096	5,079,611	5,238,727	5,937,254
1,687,648	576,650	1,209,750	895,780	589,734	656,314
2,633,357	2,945,425	3,540,000	2,818,743	1,345,878	1,336,449
756,632	663,610	529,240	515,402	392,790	348,255
25,653,288	22,647,325	25,754,171	23,649,277	21,766,677	23,827,492
-	-	-	-	54,579	304
-	-	-	-	282,031	-
729,117	410,261	514,194	339,706	495,878	233,089
(3,375,020)	(541,074)	(766,264)	(1,054,240)	(2,315,735)	(368,579)
1,700,000	-	1,850,000	-	-	-
(945,903)	(130,813)	1,597,930	(714,534)	(1,483,247)	(135,186)
$ (1,652,485)	$ 410,543	$ 552,112	$ (330,694)	$ 578,742	$ 994,245
14.1%	16.4%	16.6%	14.7%	8.2%	7.3%

POLK COUNTY, NORTH CAROLINA

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(in thousands)

Assessed Value:	**2005**	**2006**	**2007**	**2008**
Real property	$ 1,611,091	$ 1,667,509	$ 1,700,426	$ 1,740,118
Personal property	210,307	217,259	254,994	301,994
Public service companies	49,552	39,916	46,072	47,030
Less tax exempt property	(180,755)	(178,733)	(143,697)	(144,517)
Total taxable assessed value	$ 1,690,195	$ 1,745,951	$ 1,857,795	$ 1,944,625
Total direct tax rate	0.5876	0.6800	0.6800	0.6800

2009	2010	2011	2012	2013	2014
$ 1,931,780	$ 2,691,983	$ 2,731,694	$ 2,732,468	$ 2,723,284	$ 2,582,280
180,435	161,911	155,922	172,627	171,863	363,642
42,825	71,821	64,304	65,814	76,478	82,533
(150,225)	(189,654)	(216,414)	(215,794)	(220,313)	(223,908)
$ 2,004,815	$ 2,736,061	$ 2,735,506	$ 2,755,115	$ 2,751,312	$ 2,804,547
0.6800	0.5200	0.5200	0.5200	0.5200	0.5175

POLK COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
County direct rate:										
General Fund	0.5876	0.6800	0.6800	0.6800	0.6800	0.5200	0.5200	0.5200	0.5200	0.5175
Harmon Field rate	0.0376	0.0426	0.0426	0.0426	0.0426	0.0350	0.0350	0.0350	0.0350	0.0350
City/town rates:										
Saluda	0.5000	0.5400	0.5400	0.6200	0.6200	0.5050	0.5050	0.5050	0.6050	0.6050
Columbus	0.4000	0.4500	0.4500	0.4500	0.4500	0.3900	0.3900	0.3900	0.4000	0.4000
Tryon	0.6275	0.6175	0.6175	0.6175	0.6175	0.5258	0.5258	0.5258	0.5258	0.5508
Fire district rates:										
Saluda	0.0900	0.0900	0.0900	0.0900	0.0900	0.0650	0.0650	0.0650	0.0650	0.0750
Sunnyview	0.0875	0.0875	0.0875	0.0875	0.0875	0.0600	0.0600	0.0600	0.0600	0.0600
Mill Spring	0.0600	0.0600	0.0600	0.0700	0.0700	0.0500	0.0500	0.0500	0.0500	0.0650
Green Creek	0.0527	0.0527	0.0527	0.0527	0.0527	0.0410	0.0410	0.0410	0.0410	0.0410
Tryon	0.0575	0.0575	0.0575	0.0575	0.0575	0.0480	0.0480	0.0480	0.0480	0.0480
Columbus	0.0420	0.0420	0.0420	0.0420	0.0420	0.0400	0.0400	0.0400	0.0500	0.0500
School district rate:										
Saluda	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
Total Direct and Overlapping Rates	2.5724	2.7498	2.7498	2.8398	2.8398	2.3098	2.3098	2.3098	2.4298	2.4773

POLK COUNTY, NORTH CAROLINA

Principal Property Taxpayers

Current Year and Nine Years Ago

	2014			2005		
Taxpayer	Taxable assessed value	Rank	Percentage of total county taxable assessed value	Taxable assessed value	Rank	Percentage of total county taxable assessed value
Adult Communities Total Services	$ 49,056,758	1	17.49%	$ 42,834,054	1	25.34%
PAR Investments LLC[1]	41,425,253	2	14.77%	6,255,382	7	3.70%
Duke Energy	23,866,280	3	8.51%	14,808,427	3	8.76%
Tryon Investment Properties	11,544,414	4	4.12%			
Rutherford Electric Membership Corporation	11,537,609	5	4.11%	10,391,731	5	6.15%
Tryon Equestrian Properties[2]	10,554,394	6	3.76%			
Green River Farm LLC	9,015,053	7	3.21%			
Byana LLC	8,372,059	8	2.99%			
Travis Oates LLC	7,590,241	9	2.71%			
Hidden Springs Holdings	6,533,183	10	2.33%			
Woodland Mills	-		-	15,858,862	2	9.38%
Alltel Carolina, Inc.	-		-	12,018,323	4	7.11%
Public Service Co. of NC	-		-	6,647,784	6	3.93%
Hatch Mill, Division of Milliken	-		-	6,023,401	8	3.56%
White Oak Manor Inc.	-		-	5,940,655	9	3.51%
Home Realty and Insurance Co.	-		-	4,227,413	10	2.50%
Total	$ 179,495,244		64.00%	$ 125,006,032		73.96%

[1] Previously Bright's Creek Holdings
[2] Previously White Oak Development
Source: Polk County Tax Department

POLK COUNTY, NORTH CAROLINA

Property Tax Levies and Collections

Last Ten Fiscal Years
(In Thousands)

	2005	2006	2007	2008
Taxes levied for the year	$ 9,953	$ 11,898	$ 12,669	$ 13,350
Collected within the fiscal year of the levy:				
Amount	$ 9,512	$ 11,514	$ 12,376	$ 12,999
Percentage	96%	97%	98%	97%
Current uncollected balance	$ 4	$ 3	$ 4	$ 7
Collection in subsequent years	$ 437	$ 381	$ 289	$ 344
Total collections to date:				
Amount	$ 9,949	$ 11,895	$ 12,665	$ 13,343
Percentage	99.96%	99.98%	99.97%	99.95%

2009	2010	2011	2012	2013	2014
$ 13,713	$ 14,225	$ 14,234	$ 14,327	$ 14,307	$ 14,514
$ 13,284	$ 13,700	$ 13,759	$ 13,849	$ 13,875	$ 14,145
97%	96%	97%	97%	97%	97%
$ 13	$ 37	$ 82	$ 87	$ 153	$ 369
$ 416	$ 488	$ 393	$ 391	$ 279	$ -
$ 13,700	$ 14,188	$ 14,152	$ 14,240	$ 14,154	$ 14,145
99.91%	99.74%	99.42%	99.39%	98.93%	97.46%

POLK COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

	2005	2006	2007	2008
Governmental activities:				
General obligation bonds	$ 4,315,000	$ 3,570,000	$ 2,835,000	$ 2,110,000
Installment purchases	22,904,951	21,324,035	19,639,262	18,142,353
Capital leases	-	-	-	286,302
Total governmental activities	27,219,951	24,894,035	22,474,262	20,538,655
Business-type activities:				
Installment purchases	278,971	242,797	204,781	201,550
Total government-wide	$ 27,498,922	$ 25,136,832	$ 22,679,043	$ 20,740,205
Total debt as a percent of personal income	3.95%	3.50%	2.94%	2.72%
Total debt per capita	$ 1,447	$ 1,309	$ 1,178	$ 1,069
Percentage of bonded debt to estimated actual property value	0.20%	0.16%	0.12%	0.09%
Bonded debt per capita	$ 227	$ 186	$ 147	$ 109

2009	2010	2011	2012	2013	2014
$ 1,395,000	$ -	$ -	$ -	$ -	$ -
17,923,998	16,383,998	14,694,000	11,937,334	10,654,001	9,370,668
232,052	175,310	115,961	53,884	273,370	220,254
19,551,050	16,559,308	14,809,961	11,991,218	10,927,371	9,590,922
197,920	194,290	190,661	186,556	182,197	177,570
$ 19,748,970	$ 16,753,598	$ 15,000,622	$ 12,177,774	$ 11,109,568	$ 9,768,492
N/A	N/A	N/A	N/A	N/A	N/A
$ 1,038	$ 866	$ 729	$ 596	$ 544	$ 474
0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
$ 73	$ -	$ -	$ -	$ -	$ -

POLK COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt

As of June 30, 2014

Governmental Unit:	Debt Outstanding [1]	Estimated Percentage Applicable	Amount Applicable to Primary Government
Town of Columbus	$ 64,207	100%	$ 64,207
Town of Tryon [2]	505,489	100%	505,489
City of Saluda	-	100%	-
		Subtotal, overlapping debt	569,696
		Polk County direct debt	9,590,922
		Total direct and overlapping debt	$ 10,160,618

[1] Muncipalities' information provided by the individual municipalities within Polk County.

[2] Information for June 30, 2014 was unavailable. Amount reported is as of June 30, 2013.

POLK COUNTY, NORTH CAROLINA

Legal Debt Margin Information

Last Ten Fiscal Years

	2005	2006	2007	2008
Debt limit	$ 135,215,628	$ 139,676,069	$ 148,623,578	$ 155,569,990
Total debt applicable to limit	27,219,951	24,894,035	22,474,262	20,538,655
Legal debt margin	$ 107,995,677	$ 114,782,034	$ 126,149,316	$ 135,031,335
Total debt applicable to the limit as a percentage of debt limit	20.13%	17.82%	15.12%	13.20%

Source: Polk County Financial Statements

2009	2010	2011	2012	2013	2014
$ 160,385,230	$ 218,884,896	$ 219,751,408	$ 220,409,169	$ 220,105,015	$ 224,363,764
19,551,050	16,559,308	14,809,961	11,991,218	10,927,371	9,590,922
$ 140,834,180	$ 202,325,588	$ 204,941,447	$ 208,417,951	$ 209,177,644	$ 214,772,842
12.19%	7.57%	6.74%	5.44%	4.96%	4.27%

Legal Debt Margin Calculation fo Fiscal Year 2014

Assessed value	$ 2,804,547,053
Debt limit (8% of assessed value)	$ 224,363,764
Debt applicable to limit:	
Installment purchase contracts	9,370,668
Capital leases	220,254
Total	9,590,922
Legal debt margin	$ 214,772,842

POLK COUNTY, NORTH CAROLINA

Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population (1)	Personal Income (000's) (2)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (4)
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	760,535	39,740	46.03	2,425	3.8%
2008	19,402	771,759	41,124	46.23	2,477	4.5%
2009	19,018	763,637	39,659	45.22	2,444	8.8%
2010	19,355	719,194	35,174	47.08	2,385	8.1%
2011	20,588	753,316	37,190	47.17	2,355	7.7%
2012	20,433	815,548	40,232	49.58	2,293	8.0%
2013	20,422	N/A	N/A	49.68	2,294	6.9%
2014	20,603	N/A	N/A	50.01	2,246	4.7%

Source:
(1) N.C. Office of State Budget Management
(2) Bureau of Economic Analysis, U. S. Department of Commerce
(3) N.C. Department of Public Instruction, First Month Average Daily Membership
(4) N. C. Employment Security Commission, June
N/A Information not yet available

POLK COUNTY, NORTH CAROLINA

Principal Employers

Current Year and Eight Years Ago

	2014			2006		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Polk County Schools	473	1	4.85%	366	2	3.83%
St. Luke's Hospital	321	2	3.29%	398	1	4.16%
Tryon Estates	262	3	2.69%	250	3	2.61%
Polk County Government	224	4	2.30%	155	4	1.62%
Cooper Riis	181	5	1.86%	N/A	N/A	N/A
White Oak Manor	135	6	1.39%	N/A	N/A	N/A
Autumn Care	110	7	1.13%	N/A	N/A	N/A
Carolina Yarn Processors	70	8	0.72%	67	7	0.70%
Laurel Hurst	66	9	0.68%	57	8	0.60%
Hatch Plant	42	10	0.43%	N/A	N/A	N/A
Timken Inc.	38	11	0.39%	50	9	0.52%
Wayne Wire Company	29	12	0.30%	43	10	0.45%
Kangaroo Products	27	13	0.28%	30	11	0.31%
Larkins Restaurant	22	14	0.23%	N/A	N/A	N/A
HomeTown Trust	6	15	0.06%	N/A	N/A	N/A
Woodland Mills	-	-	0.00%	105	5	1.10%
Quality Textiles	-	-	0.00%	100	6	1.05%
Totals	2,006		20.59%	1,621		16.95%

NOTE: Employer data not available for nine years prior. 2006 is the oldest available history.
NOTE: Percentages based on work force of 9,744 for 2014 and 9,568 for 2006
N/A Information not available.

Source: Local Business Survey

POLK COUNTY, NORTH CAROLINA

Full-time Equivalent County Government Employees by Function

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
Administration - Co Mgr	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Tax - collections	6.0	6.5	7.5	7.5	8.0	8.3	7.3	8.0	7.5	8.0
Board of elections	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Register of deeds	2.7	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.8
Public buildings	3.7	3.7	3.7	3.7	4.7	3.4	3.4	3.0	6.9	6.9
Management info systems	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.5	2.8
Public safety:										
Sheriff's department	25.0	26.4	28.3	28.0	24.4	22.5	23.5	27.0	30.0	32.0
Jail	7.4	7.4	8.0	10.0	10.5	10.5	10.0	10.5	10.5	11.0
Communications	9.0	10.0	7.3	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Animal control	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community development	5.0	5.0	4.0	5.0	4.0	3.0	3.0	3.0	3.0	3.0
Emergency medical services	12.7	15.7	16.0	18.5	18.5	18.5	17.0	17.0	18.0	18.0
Economic and physical development:										
Planning and zoning	-	-	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cooperative extension	5.4	4.2	5.1	5.1	5.3	5.3	5.5	4.5	5.0	5.0
Soil and water conservation	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Economic and development	-	1.0	1.0	1.0	2.0	2.0	1.0	1.0	1.0	1.0
Human services:										
Public transportation	12.6	12.6	13.5	14.5	15.5	15.0	15.0	16.0	17.5	17.5
Social service administration	26.0	26.0	26.5	29.5	31.5	31.5	32.0	30.0	30.0	30.0
Veteran's administration	0.5	0.6	0.6	0.6	0.6	0.6	0.8	0.8	0.8	0.8
Cultural and recreational:										
Senior Centers	4.7	5.7	5.7	5.7	5.7	5.7	5.7	6.3	6.3	6.3
Library	7.4	9.3	9.3	10.5	10.5	10.5	9.5	9.5	9.5	9.5
Recreation	2.0	2.0	4.3	4.0	4.0	4.0	5.0	5.2	5.2	5.2
Total	144.9	154.8	160.5	172.8	174.4	170.0	167.9	171.0	179.9	183.1

Source: Various County Departments.

POLK COUNTY, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

	2005	2006	2007	2008
General Government:				
Percentage of registered voters participating in General Election	N/A	56%	N/A	71%
Public Safety:				
Number of inmates processed	640	648	N/A	561
Number of inmate days	N/A	N/A	N/A	N/A
Number of building permits issued	166	211	180	127
Number of EMS calls dispatched	2,062	2,329	2,404	2,661
Human Services:				
Public transportation total route miles	317,213	352,996	335,044	386,082
Public transportation passengers	44,818	44,034	48,857	50,385
Number of children in Foster Care	48	64	64	25
Economic & Physical Development:				
Number of plats recorded	249	322	337	305
Culture and Recreation - Library:				
Volumes in collection	60,592	62,497	59,355	55,761
Circulation	103,223	93,586	111,733	105,104
Education:				
Current expense per ADM	$ 1,483	$ 1,520	$ 1,611	$ 1,639
Enterprise Fund- Landfill:				
Tons of waste received	10,030	14,370	23,595	22,061

N/A Information not available

Source: Various County Departments

2009	2010	2011	2012	2013	2014
N/A	53%	N/A	72%	N/A	N/A
761	761	715	757	687	926
N/A	8,602	7,397	10,581	11,392	10,274
60	54	34	44	44	59
2,783	2,917	2,639	2,617	2,790	2,725
394,279	403,153	410,156	414,106	371,596	332,025
52,883	55,061	56,081	57,707	46,059	40,420
31	22	24	20	21	17
192	143	157	149	128	169
59,800	60,233	60,509	60,939	59,450	63,636
101,374	101,406	103,761	104,502	110,834	110,954
$ 1,733	$ 1,866	$ 1,862	$ 2,021	$ 2,086	$ 2,130
19,473	17,892	17,775	18,808	20,894	22,653

POLK COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	39	36	39	35	31	31	31	35	38	37
Culture and Recreation:										
Libraries	2	2	2	2	2	2	2	2	2	2
Recreation acreage	145	145	145	140	140	140	140	140	140	140
Baseball/softball fields	3	3	3	6	6	5	5	5	5	5
Senior Centers	3	3	3	3	3	3	3	3	3	3
Human Services:										
Transit-Vans	14	13	11	11	13	11	14	14	14	15
	207	203	204	198	196	193	196	200	203	203

Source: Various County Departments