

Comprehensive Annual Financial Report
of
Polk County
North Carolina

Columbus, North Carolina
For the Fiscal Year Ended June 30, 2007



Prepared by Finance Department
Sandra Q. Hughes, Finance Director

POLK COUNTY, NORTH CAROLINA

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



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

October 30, 2007

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, 2007. 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 PLLC, and that firm's unqualified opinion is included in the financial section of this report. The report itself, however, is presented by the County, which is responsible for the accuracy of the data and for the completeness and fairness of its presentation, including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors. The goal of the independent audit was to provide reasonable assurance that the financial statements of Polk County for the fiscal year ended June 30, 2007, are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and

significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unqualified opinion that Polk County's financial statements for the year ended June 30, 2007 are fairly presented in conformity with GAAP.

REPORTING ENTITY

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

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

DESCRIPTION OF COUNTY

The County was established in 1855 and is located in the foothills of the Blue Ridge Mountains of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. The County is a desirable place to live and work. Two-hundred thirty-eight (238) square miles of mountains, rolling hills, streams, and waterfalls, plus gracious small town living, rural atmosphere, and close proximity to larger cities, all contribute to the excellent quality of life. The population of Polk County is approximately 20,000, with the Towns of Columbus, Tryon, and Saluda. The retirement community makes up a large part of the population base; however, the labor force has actually increased 21% from 1980 to 1990. The present unemployment rate is 3.5% compared to 4.6% for the State. Per capital income is higher than the State average. Transportation options include two major highways. Interstate 26 and U.S. 74 give direct routes to main cities, such as Charlotte, NC and Spartanburg, SC.

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

The County provides its citizens with a wide range of services that include general government administration, economic and physical development, environmental protection, cultural and recreational activities, and others. However, public safety, human services and education represent the vast majority of the annual budget. The county also extends financial support to

certain agencies such as Western Highlands Regional Mental Health and Rutherford-Polk Health Department.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Long-Term Financial Planning. The County develops and maintains a five-year capital improvement plan (CIP). The CIP includes modernization of County facilities, and a school capital building plan that includes school renovations and additions.

Cash and Investments Management Policies and Practices. Cash temporarily idle during the year was invested in investments authorized by North Carolina General Statute 159-30(c). Objectives of the County's investment policy are safety, liquidity, and yield. The County makes the best use of idle cash to ensure funds are available to meet cash flow requirements, yet earn a competitive yield.

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

Employee health insurance is a self-funded plan that assumes a \$35,000 per person maximum loss and a maximum plan cost of \$643,090 in total. Cost saving features are put in place and evaluated annually in an attempt to hold down health care costs.

Pension Plans. Permanent County employees regularly scheduled to work 20 hours or more each week are required to participate in the North Carolina Local Governmental Employee's Retirement System. Six percent of the employee's gross pay is withheld and is matched with 4.93 percent by the County. The employee is vested after five years of service. Also, other optional/supplemental retirement plans are available to employees and the required supplemental retirement plan for law enforcement officers, as discussed in the notes.

AWARDS AND ACKNOWLEDGEMENTS

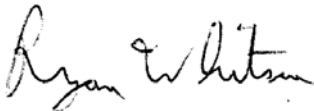
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This marks the twelfth consecutive 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.

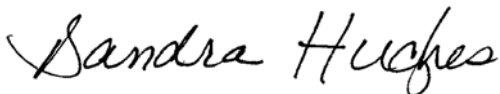
Each County department's strong commitment to the goals, vision and mission statements of the County government is reflected in the services provided to the residents of Polk County. We appreciate the cooperation of all the County departments in conducting financial activities, including the preparation of this report. We would also like to thank Dixon Hughes PLLC 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,



Ryan Whitson
County Manager



Sandra Hughes
Finance Director

POLK COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2007

BOARD OF COUNTY COMMISSIONERS

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

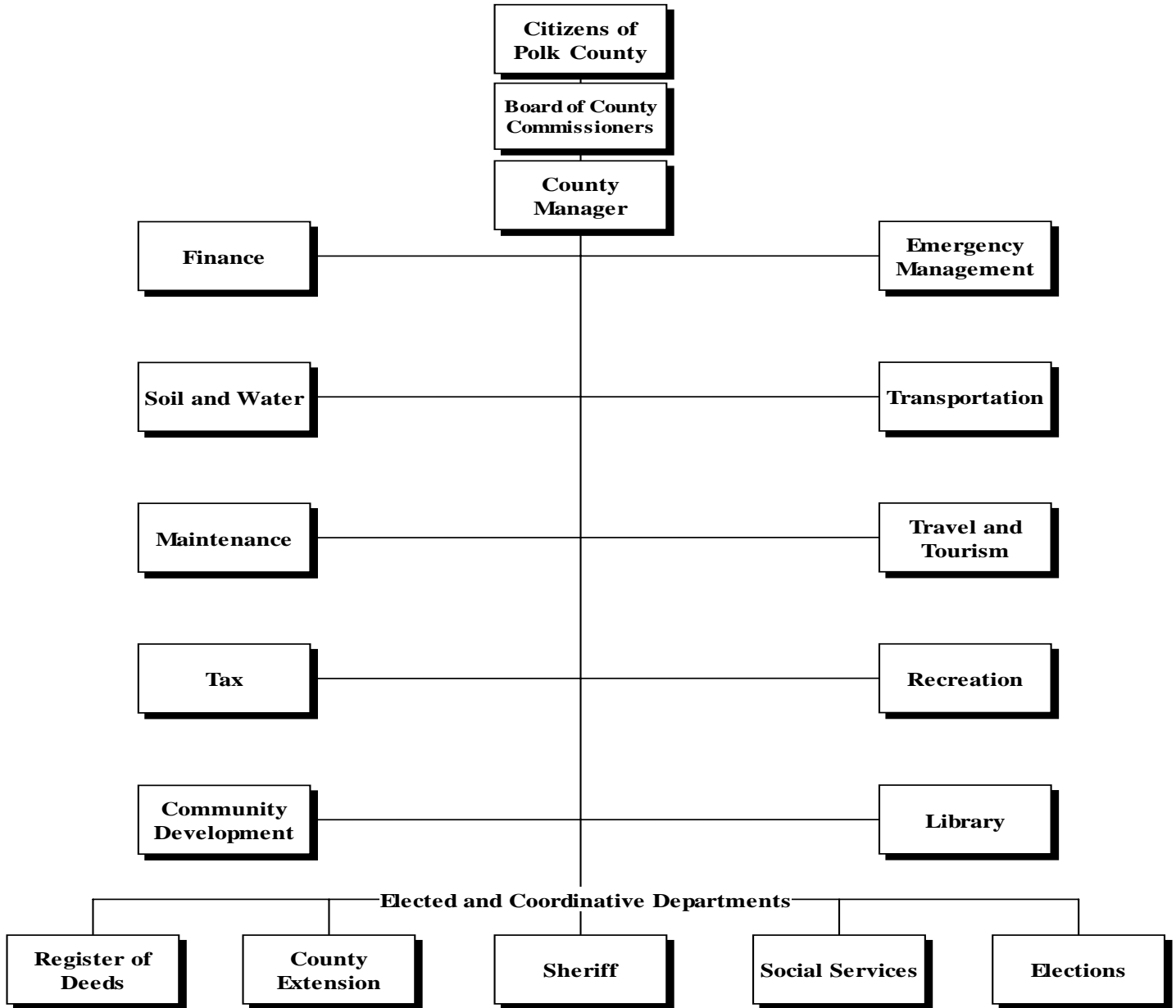
COUNTY OFFICIALS

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

POLK COUNTY, NORTH CAROLINA

Organization Chart

June 30, 2007



- Independent Auditors' Report -

Polk County Board of Commissioners
Columbus, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Polk County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina as of June 30, 2007, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Independent Auditors' Report
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007, on our consideration of Polk County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Polk County, North Carolina. The introductory section, combining and individual non-major fund financial statements and schedules and statistical tables 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 and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 30, 2007

Dixon Hughes PLLC

POLK COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2007

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, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

Government-wide level:

- As of the end of the current fiscal year, the County's assets exceeded its liabilities by \$8,517,296 (net assets).
- The County's net assets increased \$3,850,619 this year due to an increase in cash of approximately \$1.3 million due to positive operating results and a decrease in long-term liabilities of approximately \$2.5 million.

Fund level:

- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$10,647,811; of which, \$1,501,598 is restricted and \$9,146,213 is unreserved.
- The County's governmental funds ending fund balances increased \$595,687 this year due to the General Fund increase netted against the capital construction activity in the Capital Projects Fund.
- The County's main operating fund (General Fund) reported an ending fund balance of \$8,272,095; of which, \$995,302 is restricted and \$7,276,793 was unreserved or available for appropriation. Unreserved fund balance, as a percentage of expenditures and transfers, is 34.6 percent.

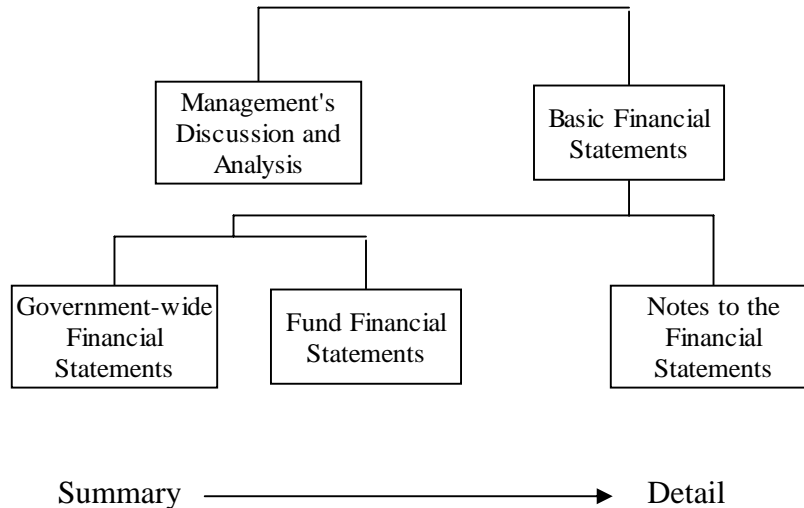
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Polk County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In

addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Polk County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds and internal service fund, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Polk County has four agency funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on Page 23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Polk County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Page 49 of this report.

Government-Wide Financial Analysis

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

Polk County's Net Assets
June 30, 2007 and 2006
 Figure 2

	<u>2007</u>			<u>2006</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government-wide</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government-wide</u>
Assets:						
Current and other assets	\$ 12,765,427	\$ 595,998	\$ 13,361,425	\$ 12,253,032	\$ 392,814	\$ 12,645,846
Capital assets	<u>17,563,640</u>	<u>1,853,589</u>	<u>19,417,229</u>	<u>17,063,555</u>	<u>1,779,890</u>	<u>18,843,445</u>
Total assets	<u>30,329,067</u>	<u>2,449,587</u>	<u>32,778,654</u>	<u>29,316,587</u>	<u>2,172,704</u>	<u>31,489,291</u>
Liabilities:						
Long-term liabilities outstanding	22,999,469	204,781	23,204,250	25,460,470	242,797	25,703,267
Other liabilities	<u>931,756</u>	<u>125,352</u>	<u>1,057,108</u>	<u>1,057,323</u>	<u>62,024</u>	<u>1,119,347</u>
Total liabilities	<u>23,931,225</u>	<u>330,133</u>	<u>24,261,358</u>	<u>26,517,793</u>	<u>304,821</u>	<u>26,822,614</u>
Net assets:						
Invested in capital assets, net of related debt	11,205,743	1,648,808	12,854,551	9,968,179	1,537,093	11,505,272
Restricted for:						
Debt service	196,009	-	196,009	96,740	-	96,740
Unrestricted	<u>(5,003,910)</u>	<u>470,646</u>	<u>(4,533,264)</u>	<u>(7,266,125)</u>	<u>330,790</u>	<u>(6,935,335)</u>
Total net assets	<u>\$ 6,397,842</u>	<u>\$ 2,119,454</u>	<u>\$ 8,517,296</u>	<u>\$ 2,798,794</u>	<u>\$ 1,867,883</u>	<u>\$ 4,666,677</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Polk County exceeded liabilities by \$8,517,296 as of June 30, 2007. The County's net assets increased by \$3,850,619 for the fiscal year ended June 30, 2007, of which \$3,599,048 was for governmental activities and \$251,571 was for business-type activities. The largest portion reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Polk County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Polk County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The reason for the increase in unrestricted governmental activities net assets is due to positive year-end results with less construction activity. The prior year showed a decrease in net assets due to construction of a new middle school. Under North Carolina General Statutes, the title to the new school will be conveyed back to the Board of Education once all restrictions on the financing agreements and all sales tax reimbursements have been met but, the debt used to finance construction will remain on the County's books. Business-type activities increased primarily due to the transfer of funds used to complete the paving of the solid waste transfer station.

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

**Polk County Changes in Net Assets
For the Years Ending June 30, 2007 and 2006**

Figure 3

	2007			2006		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Government- wide</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Government- wide</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,476,374	\$ 1,246,368	\$ 3,722,742	\$ 2,134,606	\$ 1,069,770	\$ 3,204,376
Operating grants and contributions	2,814,944	-	2,814,944	7,069,648	-	7,069,648
Capital grants and contributions	538,727	-	538,727	176,460	-	176,460
General revenues:						
Property taxes	13,568,221	-	13,568,221	12,678,758	-	12,678,758
Other taxes	4,557,941	-	4,557,941	4,345,652	-	4,345,652
Other	<u>1,367,035</u>	<u>-</u>	<u>1,367,035</u>	<u>759,411</u>	<u>-</u>	<u>759,411</u>
Total revenues	<u>25,323,242</u>	<u>1,246,368</u>	<u>26,569,610</u>	<u>27,164,535</u>	<u>1,069,770</u>	<u>28,234,305</u>
Expenses:						
Governmental activities:						
General government	2,532,464	-	2,532,464	6,346,819	-	6,346,819
Public safety	4,926,153	-	4,926,153	4,768,308	-	4,768,308
Economic and physical development	785,382	-	785,382	3,024,079	-	3,024,079
Human services	5,108,467	-	5,108,467	5,134,463	-	5,134,463
Cultural and recreation	1,531,015	-	1,531,015	1,190,696	-	1,190,696
Education	5,733,765	-	5,733,765	5,326,731	-	5,326,731
Interest on long-term debt	940,279	-	940,279	1,036,483	-	1,036,483
Business-type activities:						
Solid waste	<u>-</u>	<u>1,161,466</u>	<u>1,161,466</u>	<u>-</u>	<u>888,813</u>	<u>888,813</u>
Total expenses	<u>21,557,525</u>	<u>1,161,466</u>	<u>22,718,991</u>	<u>26,827,579</u>	<u>888,813</u>	<u>27,716,392</u>
Change in net assets before transfers	3,765,717	84,902	3,850,619	336,956	180,957	517,913
Transfers	<u>(166,669)</u>	<u>166,669</u>	<u>-</u>	<u>(518,941)</u>	<u>518,941</u>	<u>-</u>
Change in net assets	3,599,048	251,571	3,850,619	(181,985)	699,898	517,913
Net assets, July 1	<u>2,798,794</u>	<u>1,867,883</u>	<u>4,666,667</u>	<u>2,980,779</u>	<u>1,167,985</u>	<u>4,148,764</u>
Net assets, June 30	<u>\$ 6,397,842</u>	<u>\$ 2,119,454</u>	<u>\$ 8,517,286</u>	<u>\$ 2,798,794</u>	<u>\$ 1,867,883</u>	<u>\$ 4,666,667</u>

Governmental Activities - Property tax revenue is the County's largest source of revenue, accounting for 54 percent of total revenue. Current year property tax base was approximately \$1.86 billion at a rate of .68 per \$100. The tax rate did not increase or decrease. It was increased in the prior year due to growth and an increase in debt due to new construction. Property tax revenue increased approximately 7 percent due to the growth of the tax base. The County collected 97.7 percent of this year's levy. Operating Grants revenue along with Economic and Physical Development decreased significantly due to the one-time grant from the Environmental Watershed Protection (EWP) program in the amount of approximately \$2.7 million in the prior year. The purpose of the grant was to repair streambank erosion and damage caused by hurricanes Ivan and Francis. The increase in governmental activities other revenue is due primarily to the revenue in the capital projects fund from the Polk County School System to assist the County with the cost of the elementary school addition in the amount of approximately \$500,000.

The decrease in governmental activities general government expenditures is due to a decrease in the amount spent in the capital project fund related to the community campus/school.

Business-type Activities - Net assets increased due to the completion of the paving at the solid waste transfer station, as well as a profitable year. Revenues and expenses both increased due to volume increase with the new transfer station.

Financial Analysis of the County's Funds

As noted earlier, Polk County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of Polk County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Polk County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, Polk County's governmental funds reported a combined ending fund balances of \$10,647,811, an increase of \$595,687 in comparison with the prior year. The increase in total fund balances is due primarily to an increase in property tax revenues in the General Fund.

The general fund is the chief operating fund of Polk County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$7,276,793 while total fund balance reached \$8,272,095. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total General Fund expenditures. Unreserved fund balance represents 34.6 percent of total General Fund expenditures and transfers.

General Fund Budgetary Highlights - During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$2,238,906, or 12 percent of the original budget. The increase in the final budgeted revenues is due primarily to various grants and the appropriation of fund balance for the purpose of an elementary school addition.

Capital Asset and Debt Administration

Capital Assets - Polk County's capital assets for its governmental type activities as of June 30, 2007, totals \$17,563,640 (net of accumulated depreciation), an increase of only \$500,085 as

compared to approximately \$4.5 million in the previous year. The following major capital projects were completed at June 30, 2007:

- Library; and
- The recreation complex.

Polk County's capital assets for its business-type activities as of June 30, 2007, increased to \$1,853,859 (net of accumulated depreciation). As previously mentioned, this year the County completed paving of the new solid waste transfer station, which is now complete.

Polk County's Capital Assets June 30, 2007 and 2006

Figure 4

	2007			2006		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
Land	\$ 3,078,825	\$ 399,580	\$ 3,478,405	\$ 3,032,485	\$ 399,580	\$ 3,432,065
Construction in progress	4,781,851	-	4,781,851	4,371,023	-	4,371,023
Buildings and improvements	7,487,193	1,319,374	8,806,567	7,639,164	1,231,756	8,870,920
Equipment	1,314,627	134,635	1,449,262	1,222,414	148,554	1,370,968
Vehicles and motor equipment	901,144	-	901,144	798,469	-	798,469
Total	<u>\$ 17,563,640</u>	<u>\$ 1,853,589</u>	<u>\$ 19,417,229</u>	<u>\$ 17,063,555</u>	<u>\$ 1,779,890</u>	<u>\$ 18,843,445</u>

Additional information regarding Polk County's capital assets can be found in the notes to the financial statements on Pages 29, 34 and 35.

Long-Term Debt - As of June 30, 2007, Polk County had total general obligation bonded debt outstanding of \$2,835,000, which was issued for school construction and is backed by the full faith and credit of the County. As of June 30, 2007, Polk County's outstanding balance on installment purchase contracts was \$19,844,043. Overall, the County's total debt decreased \$2,761,430. This decrease is due to timely debt service payments in accordance with the County's debt service schedule.

Polk County's Long-Term Debt June 30, 2007 and 2006

Figure 5

	2007			2006		
	Governmental Activities	Business-type Activities	Total Government-wide	Governmental Activities	Business-type Activities	Total Government-wide
General obligation bonds	\$ 2,835,000	\$ -	\$ 2,835,000	\$ 3,570,000	\$ -	\$ 3,570,000
Installment purchase contracts	<u>19,639,262</u>	<u>204,781</u>	<u>19,844,043</u>	<u>21,324,035</u>	<u>242,797</u>	<u>21,566,832</u>
Total	<u>\$ 22,474,262</u>	<u>\$ 204,781</u>	<u>\$ 22,679,043</u>	<u>\$ 24,894,035</u>	<u>\$ 242,797</u>	<u>\$ 25,136,832</u>

Polk County has maintained an "A" rating from Standard and Poor's Corporation. This bond rating is a good indication of the sound financial condition of a small county such as Polk County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Polk County is \$145,788,578.

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

Economic Factors and Next Year's Budgets and Rates

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

- The County is enjoying a low unemployment rate of 3.8%, lower than the state average of 5.1%;
- Sales tax revenues remain strong;
- The property tax base increased 6.4% and is expected to increase 2.3% in 2008 as a result of minor residential development.

Budget Highlights for the Fiscal Year Ending June 30, 2007

Governmental Activities - Property taxes are budgeted with no tax rate increase and a growth rate of approximately 2.3%. Revenues from permits and fees are expected to continue to increase. Overall, total budgeted revenue is expected to stay constant.

The County's largest expenditures are for salaries which are budgeted to increase 2.5 percent on average. Overall, budgeted expenditures in the General Fund are expected to also remain constant.

Requests for Information

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

POLK COUNTY, NORTH CAROLINA

Statement of Net Assets

June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 9,733,213	\$ 440,854	\$ 10,174,067
Cash--restricted	906,399	-	906,399
Cash with fiscal agent	196,009	-	196,009
Receivables (net)	1,914,723	155,144	2,069,867
Accrued interest receivable	15,083	-	15,083
Capital assets:			
Land and construction in progress	7,860,676	399,580	8,260,256
Other capital assets, net of depreciation	<u>9,702,964</u>	<u>1,454,009</u>	<u>11,156,973</u>
Total capital assets	<u>17,563,640</u>	<u>1,853,589</u>	<u>19,417,229</u>
Total assets	<u>30,329,067</u>	<u>2,449,587</u>	<u>32,778,654</u>
Liabilities:			
Accounts payable and accrued expenses	692,420	125,352	817,772
Unearned revenue	114,104	-	114,104
Accrued interest payable	125,232	-	125,232
Long-term liabilities:			
Due within one year	2,536,909	3,231	2,540,140
Due in more than one year	<u>20,462,560</u>	<u>201,550</u>	<u>20,664,110</u>
Total liabilities	<u>23,931,225</u>	<u>330,133</u>	<u>24,261,358</u>
Net assets:			
Invested in capital assets, net of related debt	11,205,743	1,648,808	12,854,551
Restricted for:			
Debt service	196,009	-	196,009
Unrestricted (deficit)	<u>(5,003,910)</u>	<u>470,646</u>	<u>(4,533,264)</u>
Total net assets	<u>\$ 6,397,842</u>	<u>\$ 2,119,454</u>	<u>\$ 8,517,296</u>

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

POLK COUNTY, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 2,532,464	\$ 462,656	\$ -	\$ -
Public safety	4,926,153	1,286,115	82,141	-
Economic and physical development	785,382	76,016	2,000	225,887
Human services	5,108,467	517,592	2,500,394	-
Cultural and recreational	1,531,015	133,995	228,223	312,840
Education	5,733,765	-	2,186	-
Interest on long-term debt	<u>940,279</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	21,557,525	2,476,374	2,814,944	538,727
Business-type activities:				
Solid waste	<u>1,161,466</u>	<u>1,246,368</u>	<u>-</u>	<u>-</u>
Total government-wide	<u>\$ 22,718,991</u>	<u>\$ 3,722,742</u>	<u>\$ 2,814,944</u>	<u>\$ 538,727</u>

General revenues:

 Taxes:

 Property taxes, levied for general purpose

 Local option sales tax

 Other taxes

 Investment earnings, unrestricted

 Miscellaneous, unrestricted

Transfers

 Total general revenues and transfers

Change in net assets

Net assets--beginning

Net assets--ending

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

Net (Expense)Revenue and Changes in Net Assets		
Total Governmental Activities	Total Business-type Activities	Total
\$ (2,069,808)	\$ -	\$ (2,069,808)
(3,557,897)	-	(3,557,897)
(481,479)	-	(481,479)
(2,090,481)	-	(2,090,481)
(855,957)	-	(855,957)
(5,731,579)	-	(5,731,579)
<u>(940,279)</u>	<u>-</u>	<u>(940,279)</u>
(15,727,480)	-	(15,727,480)
<u>-</u>	<u>84,902</u>	<u>84,902</u>
<u>(15,727,480)</u>	<u>84,902</u>	<u>(15,642,878)</u>
13,568,221	-	13,568,221
3,644,492	-	3,644,492
913,449	-	913,449
705,771	-	705,771
661,264	-	661,264
<u>(166,669)</u>	<u>166,669</u>	<u>-</u>
<u>19,326,528</u>	<u>166,669</u>	<u>19,493,197</u>
3,599,048	251,571	3,850,619
<u>2,798,794</u>	<u>1,867,883</u>	<u>4,666,677</u>
<u>\$ 6,397,842</u>	<u>\$ 2,119,454</u>	<u>\$ 8,517,296</u>

POLK COUNTY, NORTH CAROLINA

Balance Sheet
Governmental Funds

June 30, 2007

<u>Assets</u>	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 7,804,637	\$ -	\$ 1,168,650	\$ 8,973,287
Cash--restricted	-	906,399	-	906,399
Cash with fiscal agent	-	-	196,009	196,009
Receivables (net)	<u>1,526,688</u>	<u>257,604</u>	<u>104,992</u>	<u>1,889,284</u>
Total assets	<u>\$ 9,331,325</u>	<u>\$ 1,164,003</u>	<u>\$ 1,469,651</u>	<u>\$ 11,964,979</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 386,403	\$ 188,552	\$ 13,351	\$ 588,306
Deferred revenue	<u>672,827</u>	<u>-</u>	<u>56,035</u>	<u>728,862</u>
Total liabilities	<u>1,059,230</u>	<u>188,552</u>	<u>69,386</u>	<u>1,317,168</u>
Fund balances:				
Reserved:				
State statute	964,239	257,604	52,683	1,274,526
Encumbrances	31,063	-	-	31,063
Debt service	-	-	196,009	196,009
Unreserved, designated for subsequent year's expenditures	-	-	187,325	187,325
Unreserved, reported in:				
General fund	7,276,793	-	-	7,276,793
Capital projects fund	-	717,847	-	717,847
Special revenue funds	<u>-</u>	<u>-</u>	<u>964,248</u>	<u>964,248</u>
Total fund balances	<u>8,272,095</u>	<u>975,451</u>	<u>1,400,265</u>	<u>10,647,811</u>
Total liabilities and fund balances	<u>\$ 9,331,325</u>	<u>\$ 1,164,003</u>	<u>\$ 1,469,651</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (total capital assets on government-wide statement in governmental activities column)				24,851,714
Less accumulated depreciation				<u>(7,288,074)</u>
Net capital assets				17,563,640
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements				15,083
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide				614,758
Allocation of the permanent accounts of the internal service fund to the government-wide statement of net assets				681,251
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:				
Bonds and installment financing				(22,474,262)
Compensated absences and pension obligation				(525,207)
Accrued interest payable				<u>(125,232)</u>
Net assets of governmental activities				<u>\$ 6,397,842</u>

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

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 12,677,354	\$ -	\$ 917,246	\$ 13,594,600
Local option sales taxes	3,644,492	-	-	3,644,492
Other taxes and licenses	-	-	299,460	299,460
Unrestricted intergovernmental	298,843	-	63,791	362,634
Restricted intergovernmental	2,699,014	250,000	225,887	3,174,901
Permits and fees	705,528	-	-	705,528
Sales and services	1,101,903	-	-	1,101,903
Investment earnings	676,120	17,991	11,660	705,771
Miscellaneous	<u>228,723</u>	<u>672,792</u>	<u>3,159</u>	<u>904,674</u>
Total revenues	<u>22,031,977</u>	<u>940,783</u>	<u>1,521,203</u>	<u>24,493,963</u>
Expenditures:				
Current:				
General government	2,187,748	281,271	50,367	2,519,386
Public safety	3,818,682	159,214	1,074,018	5,051,914
Economic and physical development	393,579	-	346,157	739,736
Human services	4,490,277	-	313,997	4,804,274
Cultural and recreational	1,333,518	176,349	-	1,509,867
Intergovernmental:				
Education	4,214,508	1,519,257	-	5,733,765
Debt service:				
Principal	2,419,773	-	-	2,419,773
Interest and other charges	<u>952,892</u>	<u>-</u>	<u>-</u>	<u>952,892</u>
Total expenditures	<u>19,810,977</u>	<u>2,136,091</u>	<u>1,784,539</u>	<u>23,731,607</u>
Revenues over (under) expenditures	<u>2,221,000</u>	<u>(1,195,308)</u>	<u>(263,336)</u>	<u>762,356</u>
Other financing sources (uses):				
Transfers from other funds	-	903,300	407,511	1,310,811
Transfers to other funds	<u>(1,215,917)</u>	<u>(110,518)</u>	<u>(151,045)</u>	<u>(1,477,480)</u>
Total other financing sources (uses)	<u>(1,215,917)</u>	<u>792,782</u>	<u>256,466</u>	<u>(166,669)</u>
Net change in fund balances	1,005,083	(402,526)	(6,870)	595,687
Fund balances--beginning	<u>7,267,012</u>	<u>1,377,977</u>	<u>1,407,135</u>	<u>10,052,124</u>
Fund balances--ending	<u>\$ 8,272,095</u>	<u>\$ 975,451</u>	<u>\$ 1,400,265</u>	<u>\$ 10,647,811</u>

(continued)

POLK COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balance, Continued
Governmental Funds

For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances--total governmental funds	\$ 595,687
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	1,104,120
Donated asset not recorded in fund statements	62,840
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(616,161)
Cost of disposed capital asset not recorded in fund statements	(50,714)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	2,419,773
Allocation of internal service fund profit	56,041
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	12,613
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	53,175
Pension benefit obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(11,947)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Recording of tax receipts deferred in the fund statements as of 6/30/07	614,758
Increase in accrued taxes receivable for year ended 6/30/07	3,479
Reversal of deferred tax revenue recorded at 7/1/06	<u>(644,616)</u>
Change in net assets--governmental activities	<u>\$ 3,599,048</u>

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

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 12,199,475	\$ 12,199,475	\$ 12,677,354	\$ 477,879
Local option sales taxes	3,329,209	3,329,209	3,644,492	315,283
Unrestricted intergovernmental	375,050	375,050	298,843	(76,207)
Restricted intergovernmental	2,791,348	2,768,851	2,699,014	(69,837)
Permits and fees	611,942	611,942	705,528	93,586
Sales and services	555,050	763,302	1,101,903	338,601
Investment earnings	300,000	300,000	676,121	376,120
Miscellaneous	<u>126,893</u>	<u>259,126</u>	<u>228,723</u>	<u>(30,403)</u>
Total revenues	<u>20,288,967</u>	<u>20,606,955</u>	<u>22,031,977</u>	<u>1,425,022</u>
Expenditures:				
Current:				
General government	2,851,828	2,411,295	2,187,748	223,547
Public safety	3,645,988	3,994,358	3,818,682	175,676
Economic and physical development	403,935	457,934	393,579	64,355
Human services	4,586,367	4,697,516	4,490,277	207,239
Cultural and recreational	1,152,204	1,444,304	1,333,518	110,786
Intergovernmental:				
Education	4,223,740	4,223,740	4,214,508	9,232
Debt service:				
Principal retirement	2,258,100	2,419,998	2,419,773	225
Interest and other charges	<u>953,941</u>	<u>953,941</u>	<u>952,892</u>	<u>1,049</u>
Total expenditures	<u>20,076,103</u>	<u>20,603,086</u>	<u>19,810,977</u>	<u>792,109</u>
Revenues over expenditures	<u>212,864</u>	<u>3,869</u>	<u>2,221,000</u>	<u>2,217,131</u>
Other financing sources (uses):				
Appropriated fund balance	481,720	1,240,870	-	(1,240,870)
Transfers to other funds	<u>(694,584)</u>	<u>(1,244,739)</u>	<u>(1,215,917)</u>	<u>28,822</u>
Total other financing sources (uses)	<u>(212,864)</u>	<u>(3,869)</u>	<u>(1,215,917)</u>	<u>(1,212,048)</u>
Net change in fund balance	\$ <u> -</u>	\$ <u> -</u>	1,005,083	\$ <u>1,005,083</u>
Fund balance--beginning			<u>7,267,012</u>	
Fund balance--ending			<u>\$ 8,272,095</u>	

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

POLK COUNTY, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Enterprise Fund	Internal Service Fund
	<u>Solid Waste Fund</u>	<u>Self- Insurance Fund</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 440,854	\$ 759,926
Receivables (net)	<u>155,144</u>	<u>25,439</u>
Total current assets	<u>595,998</u>	<u>785,365</u>
Capital assets:		
Land and construction in progress	399,580	-
Other capital assets, net of depreciation	<u>1,454,009</u>	<u>-</u>
Total capital assets	<u>1,853,589</u>	<u>-</u>
Total assets	<u>2,449,587</u>	<u>785,365</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	125,352	104,114
Long-term debt, current portion	<u>3,231</u>	<u>-</u>
Total current liabilities	<u>128,583</u>	<u>104,114</u>
Non-current liabilities:		
Long-term debt, less current portion	<u>201,550</u>	<u>-</u>
Total liabilities	<u>330,133</u>	<u>104,114</u>
Net assets:		
Invested in capital assets, net of related debt	1,648,808	-
Unrestricted	<u>470,646</u>	<u>681,251</u>
Total net assets	<u>\$ 2,119,454</u>	<u>\$ 681,251</u>

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

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self- Insurance Fund
Operating revenues:		
Charges for services	\$ 1,246,368	\$ -
Employee contributions	-	824,687
Total operating revenue	<u>1,246,368</u>	<u>824,687</u>
Operating expenses:		
Claims expense	-	600,281
Administration fees	145,009	168,365
Transfer station operations	972,898	-
Depreciation	46,124	-
Total operating expenses	<u>1,164,031</u>	<u>768,646</u>
Operating income	<u>82,337</u>	<u>56,041</u>
Non-operating revenues (expenses):		
Interest expense	(14,135)	-
Gain on sale of assets	16,700	-
Total non-operating revenues (expenses)	<u>2,565</u>	<u>-</u>
Income before transfers	84,902	56,041
Transfers from other funds	<u>166,669</u>	<u>-</u>
Change in net assets	251,571	56,041
Total net assets--beginning	<u>1,867,883</u>	<u>625,210</u>
Total net assets--ending	\$ <u>2,119,454</u>	\$ <u>681,251</u>

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

POLK COUNTY, NORTH CAROLINA

Statement of Cash Flows
Proprietary Fund

For the Year Ended June 30, 2007

	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self- Insurance Fund
Cash flows from operating activities:		
Cash received from customers	\$ 1,213,810	\$ 801,004
Cash paid for goods and services	<u>(1,054,579)</u>	<u>(721,202)</u>
Net cash provided by operating activities	<u>159,231</u>	<u>79,802</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	<u>166,669</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition and constriction of capital assets	(119,823)	-
Proceeds from sale of asset	16,700	-
Principal paid on debt	(38,016)	-
Interest paid on debt	<u>(14,135)</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(155,274)</u>	<u>-</u>
Net increase in cash and cash equivalents	170,626	79,802
Cash and cash equivalents--beginning	<u>270,228</u>	<u>680,124</u>
Cash and cash equivalents--ending	<u>\$ 440,854</u>	<u>\$ 759,926</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 82,337	\$ 56,041
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	46,124	-
Changes in assets and liabilities:		
Increase in receivables	(32,558)	(23,683)
Increase in accounts payable and accrued expenses	<u>63,328</u>	<u>47,444</u>
Net cash provided by operating activities	<u>\$ 159,231</u>	<u>\$ 79,802</u>

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

POLK COUNTY, NORTH CAROLINAStatement of Fiduciary Assets and Liabilities
Fiduciary Fund

June 30, 2007

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>89,054</u>
<u>Liabilities</u>	
Due to others	\$ <u>89,054</u>

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

POLK COUNTY, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2007

I. Summary of Significant Accounting Policies

The accounting policies of Polk County conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. **Reporting Entity** - The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financial accountable. The County had no component units at June 30, 2007.

B. **Basis of Presentation, Basis of Accounting**

1. **Basis of Presentation, Measurement Focus--Basis of Accounting**

Government-Wide Statements. The statement of net assets and the statement of activities display information about the County. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental and business-type* activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that

are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The County reports the following major enterprise fund:

Solid Waste Fund. This fund accounts for the operation and maintenance of the County's solid waste transfer station.

The County reports the following fund types:

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

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

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

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Polk County Board of Education and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Property Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts with the County; and another fund for various individual and private organizations.

2. **Measurement Focus, Basis of Accounting** - In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to customers for sales and services. Operating expenses for the County's enterprise fund 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Polk County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30,

2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2007 registration renewals will vary from 7 to 18 months after December 31, 2006. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

- 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, all Special Revenue Funds, the Debt Service Fund, and the Solid Waste Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and Solid Waste Capital Projects Fund, which is consolidated with the Solid Waste Operating Fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for multi-year budgets. Board approval is required for all amendments exceeding \$5,000 within any department and \$5,000 between departments. During the year, several amendments to the original budget were necessary to adjust for federal and State grants received. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. **Assets, Liabilities, and Net Assets/Fund Balances**

1. **Deposits and Investments** - All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. **Cash and Cash Equivalents** - The County pools moneys 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.

3. **Restricted Assets** - Unexpended debt proceeds in the County's capital projects fund are classified as restricted assets within governmental activities because their use is restricted to the purpose for which the debt was issued.
4. **Ad Valorem Taxes Receivable** - In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (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, 2007. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.
5. **Allowances for Doubtful Accounts** - All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.
6. **Capital Assets** - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The minimum capitalization cost is \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

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

8. **Compensated Absences** - The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

9. **Net Assets/Fund Balances**

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

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

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

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

Reserved for debt service - portion of fund balance reserved for the future principal payments on the QZAB debt.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been appropriated in the adopted 2007 - 2008 budget ordinance.

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

II. **Detail Notes on All Activities/Funds**

A. **Assets**

1. **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 these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State

Treasurer is acting in a fiduciary capacity for the County these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or 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 County does not have a policy regarding custodial credit risk for deposits.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2007, the County's deposits had a carrying amount of \$757,694 and a bank balance of \$1,006,224. Of the bank balance, \$200,017 was covered by federal depository insurance, and \$17,779 in non-interest bearing deposits and \$788,428 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2007, Polk County had \$885 cash on hand.

2. **Investments** - At June 30, 2007, the County had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than Six Months</u>	<u>Six to 12 Months</u>	<u>One - Three Years</u>
US Government treasuries	\$ 999,375	\$ -	\$ 999,375	\$ -
US Government agencies	1,522,614	1,027,299	495,315	-
Commercial paper	5,907,208	5,907,208	-	-
NC Capital Management Trust-- Cash Portfolio	<u>2,177,753</u>	N/A	N/A	N/A
Total	<u>\$ 10,606,950</u>	<u>\$ 6,934,507</u>	<u>\$ 1,494,690</u>	<u>\$ -</u>

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

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (INRSROs). In order to mitigate against credit risk, the County's investment policy states that investments are limited to the safest type of securities, the portfolio should be diversified in order to minimize losses on individual securities, and business is done only with a few selected financial institutions. As of June 30, 2007, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2007. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than five percent of the County's investments are in commercial paper and the Federal Home Loan Bank securities. These investments are 56% and 14%, respectively, of the County's total investments.

3. **Receivables** - Receivables at the fund and government-wide level at June 30, 2007, were as follows:

	Governmental Funds					Business-type Activities
	General	Capital Projects	Other	Accrual Adjustment	Governmental Activities	
Receivables:						
Accounts	\$ 1,211,293	\$ 257,604	\$ 52,683	\$ 25,439	\$ 1,547,019	\$ 137,010
Taxes	642,449	-	52,309	-	694,758	18,431
Less: Allowance	(327,054)	-	-	-	(327,054)	(297)
Receivables (net)	<u>\$ 1,526,688</u>	<u>\$ 257,604</u>	<u>\$ 104,992</u>	<u>\$ 25,439</u>	<u>\$ 1,914,723</u>	<u>\$ 155,144</u>

4. **Capital Assets** - Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,032,485	\$ 62,840	\$ 16,500	\$ 3,078,825
Construction in progress	<u>4,371,023</u>	<u>539,910</u>	<u>129,082</u>	<u>4,781,851</u>
Total capital assets not being depreciate	<u>7,403,508</u>	<u>602,750</u>	<u>145,582</u>	<u>7,860,676</u>
Capital assets being depreciated:				
Buildings and improvements	12,807,208	68,194	-	12,875,402
Equipment	2,118,642	321,340	14,204	2,425,778
Vehicles and motor equipment	<u>1,555,839</u>	<u>303,758</u>	<u>169,739</u>	<u>1,689,858</u>
Total capital assets being depreciate	<u>16,481,689</u>	<u>693,292</u>	<u>183,943</u>	<u>16,991,038</u>
Less accumulated depreciation for:				
Buildings and improvements	5,168,044	220,165	-	5,388,209
Equipment	896,228	229,127	14,204	1,111,151
Vehicles and motor equipment	<u>757,370</u>	<u>166,869</u>	<u>135,525</u>	<u>788,714</u>
Total accumulated depreciation	<u>6,821,642</u>	<u>616,161</u>	<u>149,729</u>	<u>7,288,074</u>
Total capital assets being depreciated, net	<u>9,660,047</u>			<u>9,702,964</u>
Governmental activity capital assets, net	<u>\$ 17,063,555</u>			<u>\$ 17,563,640</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 399,580	\$ -	\$ -	\$ 399,580
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>399,580</u>	<u>-</u>	<u>-</u>	<u>399,580</u>
Capital assets being depreciated:				
Buildings and improvements	1,290,877	115,067	34,772	1,371,172
Equipment	<u>191,504</u>	<u>4,756</u>	<u>-</u>	<u>196,260</u>
Total capital assets being depreciated	<u>1,482,381</u>	<u>119,823</u>	<u>34,772</u>	<u>1,567,432</u>
Less accumulated depreciation for:				
Buildings and improvements	59,121	27,449	34,772	51,798
Equipment	<u>42,950</u>	<u>18,675</u>	<u>-</u>	<u>61,625</u>
Total accumulated depreciation	<u>102,071</u>	<u>46,124</u>	<u>34,772</u>	<u>113,423</u>
Total capital assets being depreciated, net	<u>1,380,310</u>			<u>1,454,009</u>
Business-type activity capital assets, net	<u>\$ 1,779,890</u>			<u>\$ 1,853,589</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 200,780
Public safety	126,756
Economic and physical development	7,962
Human services	157,877
Cultural and recreational	<u>122,786</u>
 Total depreciation expense	 \$ <u>616,161</u>

The government has active construction projects as of June 30, 2007, for the Courthouse cupola. At year-end, the government’s commitments with contractors are approximately \$73,000 for governmental activities.

B. Liabilities

1. Payables

a. Payables at the fund and government-wide level at June 30, 2007, were as follows:

	<u>Governmental Funds</u>					<u>Business-type Activities</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Accrual Adjustment</u>	<u>Governmental Activities</u>	
Accounts payable	\$ 224,402	\$ 188,552	\$ 11,779	\$ -	\$ 424,733	\$ 125,352
Accrued wages	162,001	-	1,572	-	163,573	-
Claims payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,114</u>	<u>104,114</u>	<u>-</u>
Total payables	<u>\$ 386,403</u>	<u>\$ 188,552</u>	<u>\$ 13,351</u>	<u>\$ 104,114</u>	<u>\$ 692,420</u>	<u>\$ 125,352</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
06/30/06	\$ 37,722	\$ 488,935	\$ 469,987	\$ 56,670
06/30/07	\$ 56,670	\$ 647,725	\$ 600,281	\$ 104,114

2. Pension Plan Obligations**a. Local Governmental Employees' Retirement System**

Plan Description. Polk 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 4.93% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Polk 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, 2007, 2006, and 2005 were \$236,499; \$229,894, and \$202,381, respectively. The contributions made by the County equaled the required contributions for each year.

b. **Law Enforcement Officers' Special Separation Allowance**

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>31</u>
Total	<u><u>33</u></u>

(2) ***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.

- (3) **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, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% - 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the 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, 2006 was 24 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	\$ 17,489
Interest on net pension obligation	7,686
Adjustment to annual required contribution	<u>(6,344)</u>
Annual pension cost	18,831
Other adjustments	<u>(6,884)</u>
Increase (decrease) in net pension obligation	11,947
Net pension obligation, beginning of year	<u>106,017</u>
Net pension obligation, end of year	\$ <u><u>117,964</u></u>

3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 17,501	3.60%	\$ 86,433
6/30/06	\$ 19,979	1.98%	\$ 106,017
6/30/07	\$ 18,831	36.56%	\$ 117,964

c. **Supplemental Retirement Income Plan for Law Enforcement Officers**

Plan Description. The County contributes to the Supplemental Retirement Income Plan (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.

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, 2007 were \$124,388, which consisted of \$46,145 from the County and \$78,243 from the law enforcement officers.

d. **Registers of Deeds Supplemental Pension Fund**

Plan Description. Polk County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of 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.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) 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 fiscal year ended June 30, 2007, the County's required and actual contributions were \$18,387.

3. **Deferred/Unearned Revenues** - The balance in deferred/unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Governmental Funds</u>		<u>Accrual Adjustment</u>	<u>Government- Wide</u>
	<u>General</u>	<u>Other</u>		
Taxes receivable	\$ 562,449	\$ 52,309	\$ (614,758)	\$ -
Prepaid taxes	51,653	3,726	-	55,379
Other	<u>58,725</u>	<u>-</u>	<u>-</u>	<u>58,725</u>
Unearned revenue	<u>\$ 672,827</u>	<u>\$ 56,035</u>	<u>\$ (614,758)</u>	<u>\$ 114,104</u>

4. **Risk Management** - The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, 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, workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

The County is self insured for health and dental claims but carries stop-loss insurance coverage to protect itself from catastrophic claims. Coverage provisions provide for a specific stop-loss of \$35,000 per employee and \$643,090 in aggregate.

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

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and sheriff are each individually bonded for \$10,000 each, the Register of Deeds for \$20,000, and the Tax Collector for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

5. **Long-Term Obligations**a. **Installment Purchase**

The County's installment purchase contracts at June 30, 2007 are comprised of the following:

Governmental activities:

Installment purchase contract, 30 semi-annual payments ranging from \$64,886 to \$36,113, including interest at 4.10% through June 2015.	\$ 561,930
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Installment purchase contract, 30 semi-annual payments ranging from \$133,333 to \$213,933, including interest at 4.030% through December 2018.	3,066,666
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Installment purchase contract, 30 semi-annual payments ranging from \$340,050 to \$534,833, including interest at 4.030% through March 2019.	7,999,999
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Installment purchase contract, 30 semi-annual payments ranging from \$251,736 to \$402,480, including interest at 4.41% through November 2019.	6,166,667
--	-----------

Non-interest bearing, installment financing agreement, 15 annual payments of \$95,705 into escrow with a balloon payment in June 2020.	<u>1,844,000</u>
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Total governmental activities	<u>\$ 19,639,262</u>
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Business-type activities:

Installment purchase contract, 360 monthly payments of \$1,286, including interest at 6% through January 2034.	<u>\$ 204,781</u>
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For Polk County, the future minimum payments as of June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Funds</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,496,909	\$ 707,284	\$ 3,231	\$ 12,199
2009	1,496,909	646,515	3,431	12,000
2010	1,496,909	585,746	3,642	11,788
2011	1,496,909	524,976	3,867	11,563
2012	1,496,909	464,207	4,105	11,325
2013-2017	7,344,055	1,413,815	24,652	52,501
2018-2022	4,810,662	159,322	33,252	43,900
2023-2027	-	-	44,852	32,299
2028-2032	-	-	60,498	16,657
2033-2034	-	-	23,251	1,180
Total	<u>\$ 19,639,262</u>	<u>\$ 4,501,865</u>	<u>\$ 204,781</u>	<u>\$ 205,412</u>

b. **General Obligation Indebtedness**

All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit, and taxing power of the County.

The County's general obligation bonds payable at June 30, 2007 are comprised of the following individual issues:

General obligation bonds:

School bonds, refunding, annual
principal payments due on May 1 and
interest due semi-annually on May 1
and November 1 through 2011 at 4.75% \$ 2,835,000

Annual debt service requirements to maturity for the County's general obligation bonds notes are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 725,000	\$ 141,025
2009	715,000	105,500
2010	705,000	69,750
2011	<u>690,000</u>	<u>34,500</u>
	<u>\$ 2,835,000</u>	<u>\$ 350,775</u>

At June 30, 2007, Polk County had a legal debt margin of \$145,788,578.

c. **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, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 3,570,000	\$ -	\$ 735,000	\$ 2,835,000	\$ 725,000
Installment purchase contracts	21,324,035	-	1,684,773	19,639,262	1,496,909
Compensated absences	460,418	250,466	303,641	407,243	315,000
Pension benefit obligations	<u>106,017</u>	<u>11,947</u>	<u>-</u>	<u>117,964</u>	<u>-</u>
Total governmental activities	<u>\$ 25,460,470</u>	<u>\$ 262,413</u>	<u>\$ 2,723,414</u>	<u>\$ 22,999,469</u>	<u>\$ 2,536,909</u>
Business-type activities:					
Installment purchase contracts	<u>\$ 242,797</u>	<u>\$ -</u>	<u>\$ 38,016</u>	<u>\$ 204,781</u>	<u>\$ 3,231</u>

C. **Net Assets**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets, net of depreciation	\$ 17,563,640	\$ 1,853,589
Less:		
General obligations bonds	(2,835,000)	-
Installment purchase contracts	(19,639,262)	(204,781)
Adjustments:		
School related debt	15,031,032	-
Solid waste debt	<u>1,085,333</u>	<u>-</u>
Invested in capital assets, net of related debt	<u>\$ 11,205,743</u>	<u>\$ 1,648,808</u>

III. Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfers to Capital Projects Fund from:	
General Fund	\$ 752,255
Non-Major Governmental Funds	<u>151,045</u>
	<u>\$ 903,300</u>
Transfers to Non-Major Governmental Funds from:	
General Fund	\$ <u>407,511</u>
Transfers to Solid Waste Fund from:	
General Fund	\$ 56,151
Capital Projects Fund	<u>110,518</u>
	<u>\$ 166,669</u>

Transfers are used to (1) move revenues from the fund that budget requires to collect 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.

IV. 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.

V. **Joint Ventures**

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

A budgetary surplus available from Rutherford Polk Area Authority upon dissolution was distributed to the two counties on the same pro rata basis that the counties appropriated and contributed funds to the authority's budget during the current fiscal year (59.7% Rutherford/ 40.3% Polk). In June 2005 Polk County received \$313,998 that was accounted for in a special revenue fund with funds designated for mental health expenditures. In September 2006, these funds were sent to the Western Highlands LME to fund mental health programs and the special revenue fund was dissolved.

The eight counties participating in the Western Highlands LME are represented by either the county manager, assistant county manager or county commissioner and one at large position that fits certain criteria as outlined in the Reform Bill. Within available resources, the County has an ongoing financial responsibility for the LME because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest the LME, so no equity interest has been reflected in the financial statements at June 30, 2007. The County contributed \$74,991 to the LME to fund operations during fiscal year June 30, 2007. Complete financial statements for the LME may be obtained from the LME's offices at 356 Biltmore Avenue, Asheville, NC 28801.

- B. **Public Health** - The County, in conjunction with two other counties, established the Public Health District (District). The District was established to allocate the cost and coordinate the public health services between the counties. Each county appoints one member to the District governing board. The County paid operating appropriations of \$105,988 to the District during the fiscal year ended June 30, 2007. The County also paid the Public Health District \$137,400 for administration of the transfer station out of the Solid Waste Fund.

- C. **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. 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 \$94,758 to the community college for operating purposes during the fiscal year ended June 30, 2007. 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, 2007. Complete financial statements for the community college may be obtained from the community college's administrative offices at Highway 108 East, Columbus, North Carolina, 28722.

VI. **Jointly Governed Organization**

The County, in conjunction with four other counties and twenty-two municipalities, established the Isothermal Planning and Development Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Commission's governing board. The County paid membership fees of \$3,280 to the Commission during the fiscal year ended June 30, 2007.

VII. **Benefit Payments Issued by the State**

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 119,300	\$ -
Medicaid-Title XIX	10,472,747	5,159,638
Low Income Home Energy Assistance	52,727	-
State/County Special Assistance for Adults	-	195,810
Foster Care	51,826	13,600
Adoption Assistance	118,011	32,784
CWS Adoption Subsidy and vendor	-	22,961
Food Stamp	1,286,863	-
Adult Day Care	1,624	720
Links Independent Living	709	177
Links Transitional Funds	1,228	-
FC at Risk Maximization	<u>-</u>	<u>2,319</u>
Total	<u>\$ 12,105,035</u>	<u>\$ 5,428,009</u>

VIII. **Summary Disclosure of Significant Commitments and Contingencies**

- A. **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 moneys 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 moneys.
- B. **Contingent Liabilities** - At June 30, 2007, 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.

IX. **Subsequent Event**

On September 10, 2007, the Board of Commissioners approved to use \$1.75 million of the General Fund balance for courthouse renovations (\$1 million) and the Sunny View School future renovation (\$750,000). The Board later approved a contract for \$770,000 related to the courthouse renovations.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

POLK COUNTY, NORTH CAROLINA

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

June 30, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/2004	\$ -	\$ 111,076	\$ 111,076	0%	\$ 767,090	14%
12/31/2005	-	103,326	103,326	0%	852,244	12%
12/31/2006	-	137,237	137,237	0%	984,981	14%

POLK COUNTY, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information--Schedule of Employer Contributions

June 30, 2007

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

Notes to the Required Schedules:

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

Valuation date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5 - 12.3%
*Includes inflation at	3.75%
Cost of living adjustments	None

GENERAL FUND

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

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 12,089,475	\$ 12,589,891	\$ 500,416
Penalties and interest	<u>110,000</u>	<u>87,463</u>	<u>(22,537)</u>
Total	<u>12,199,475</u>	<u>12,677,354</u>	<u>477,879</u>
Other taxes:			
Local option sales tax	<u>3,329,209</u>	<u>3,644,492</u>	<u>315,283</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes, outside sources	<u>375,050</u>	<u>298,843</u>	<u>(76,207)</u>
Restricted intergovernmental revenues:			
Federal grants	2,411,519	2,365,243	(46,276)
State grants	315,132	297,063	(18,069)
Local grants	<u>42,200</u>	<u>36,708</u>	<u>(5,492)</u>
Total	<u>2,768,851</u>	<u>2,699,014</u>	<u>(69,837)</u>
Licenses and permits:			
Register of Deeds fees	350,000	414,507	64,507
Building, other permits, inspection fees	<u>261,942</u>	<u>291,021</u>	<u>29,079</u>
Total	<u>611,942</u>	<u>705,528</u>	<u>93,586</u>
Sales and services:			
Rents, concessions, and fees	40,700	63,949	23,249
Jail fees	12,500	19,049	6,549
EMS fees	343,000	614,657	271,657
Transportation fees	203,500	223,252	19,752
Recreation department	61,602	80,550	18,948
Water and service fee	32,000	33,311	1,311
Court costs, fees and charges	<u>70,000</u>	<u>67,135</u>	<u>(2,865)</u>
Total	<u>763,302</u>	<u>1,101,903</u>	<u>338,601</u>

(continued)

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues, Continued:			
Investment earnings	\$ 300,000	\$ 676,120	\$ 376,120
Miscellaneous	<u>259,126</u>	<u>228,723</u>	<u>(30,403)</u>
Total revenues	<u>20,606,955</u>	<u>22,031,977</u>	<u>1,425,022</u>
Expenditures:			
General government:			
Governing body	141,960	136,540	5,420
Manager	339,507	289,837	49,670
Board of elections	133,550	122,675	10,875
Personnel	45,739	38,154	7,585
Finance	227,849	217,844	10,005
Tax collections	421,841	402,240	19,601
Legal	41,289	41,288	1
Register of deeds	199,885	172,386	27,499
Public buildings	296,733	280,734	15,999
Court facilities	3,250	2,944	306
Non-departmental	<u>559,692</u>	<u>483,106</u>	<u>76,586</u>
Total general government	<u>2,411,295</u>	<u>2,187,748</u>	<u>223,547</u>
Public safety:			
Sheriff's department	1,608,572	1,549,832	58,740
Jail	436,277	427,622	8,655
Emergency medical services	922,752	873,485	49,267
Emergency management	50,528	39,949	10,579
Rescue squad	85,364	84,622	742
Communications	471,618	445,612	26,006
Building inspections	255,008	248,133	6,875
Animal control	<u>164,239</u>	<u>149,427</u>	<u>14,812</u>
Total public safety	<u>3,994,358</u>	<u>3,818,682</u>	<u>175,676</u>

(continued)

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures, Continued:			
Economic and physical development:			
Cooperative extension	\$ 124,265	\$ 124,022	\$ 243
Soil and water conservation	140,428	97,794	42,634
Planning and zoning	63,082	48,257	14,825
Forestry	45,025	42,191	2,834
Economic development	<u>85,134</u>	<u>81,315</u>	<u>3,819</u>
Total economic and physical development	<u>457,934</u>	<u>393,579</u>	<u>64,355</u>
Human services:			
Health	105,988	105,988	-
Mental health	78,291	78,340	(49)
Veteran's administration	26,191	25,931	260
Social services administration	1,254,062	1,204,085	49,977
Social services programs	2,583,466	2,441,944	141,522
Public transportation	572,639	557,226	15,413
Community based alternatives	<u>76,879</u>	<u>76,763</u>	<u>116</u>
Total human services	<u>4,697,516</u>	<u>4,490,277</u>	<u>207,239</u>
Cultural and recreational:			
Recreation	383,250	308,324	74,926
Library	521,921	508,659	13,262
Senior centers	293,980	291,194	2,786
Other	<u>245,153</u>	<u>225,341</u>	<u>19,812</u>
Total cultural and recreational	<u>1,444,304</u>	<u>1,333,518</u>	<u>110,786</u>
Education:			
Public schools--current	3,905,549	3,905,549	-
Public schools--capital outlay	216,561	216,561	-
Community colleges--current	<u>101,630</u>	<u>92,398</u>	<u>9,232</u>
Total education	<u>4,223,740</u>	<u>4,214,508</u>	<u>9,232</u>

(continued)

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures, Continued:			
Debt service:			
Principal retirement	\$ 2,419,998	\$ 2,419,773	\$ 225
Interest and fees	<u>953,941</u>	<u>952,892</u>	<u>1,049</u>
Total debt service	<u>3,373,939</u>	<u>3,372,665</u>	<u>1,274</u>
Total expenditures	<u>20,603,086</u>	<u>19,810,977</u>	<u>792,109</u>
Revenues over expenditures	<u>3,869</u>	<u>2,221,000</u>	<u>2,217,131</u>
Other financing sources (uses):			
Appropriated fund balance	1,240,870	-	(1,240,870)
Transfers to other funds	<u>(1,244,739)</u>	<u>(1,215,917)</u>	<u>28,822</u>
Total other financing sources (uses)	<u>(3,869)</u>	<u>(1,215,917)</u>	<u>(1,212,048)</u>
Net change in fund balance	\$ <u><u>-</u></u>	1,005,083	\$ <u><u>1,005,083</u></u>
Fund balance:			
Beginning of year, July 1		<u>7,267,012</u>	
End of year, June 30		\$ <u><u>8,272,095</u></u>	

CAPITAL PROJECTS FUND

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

POLK COUNTY, NORTH CAROLINA

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

From Inception and For the Year Ended June 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue	\$ 250,000	\$ -	\$ 250,000	\$ 250,000	\$ -
Investment earnings	159,773	309,849	17,991	327,840	168,067
Other revenue	<u>1,316,079</u>	<u>204,469</u>	<u>672,792</u>	<u>877,261</u>	<u>(438,818)</u>
Total revenues	<u>1,725,852</u>	<u>514,318</u>	<u>940,783</u>	<u>1,455,101</u>	<u>(270,751)</u>
Expenditures:					
General government:					
Public buildings	50,000	-	43,727	43,727	6,273
GIS	261,120	-	-	-	261,120
Community Campus/school	15,818,846	15,672,685	77,104	15,749,789	69,057
Courts	1,113,807	5,613	160,440	166,053	947,754
Public safety:					
Communications	224,145	-	138,464	138,464	85,681
Engineering study	102,700	-	20,750	20,750	81,950
Cultural and recreational:					
Library	184,821	-	48,751	48,751	136,070
Recreation	2,563,467	2,353,715	127,598	2,481,313	82,154
Education:					
School buildings	<u>3,197,700</u>	<u>1,252,300</u>	<u>1,519,257</u>	<u>2,771,557</u>	<u>426,143</u>
Total expenditures	<u>23,516,606</u>	<u>19,284,313</u>	<u>2,136,091</u>	<u>21,420,404</u>	<u>2,096,202</u>
Revenues over (under) expenditures	<u>(21,790,754)</u>	<u>(18,769,995)</u>	<u>(1,195,308)</u>	<u>(19,965,303)</u>	<u>1,825,451</u>
Other financing sources:					
Transfers from other funds	1,549,772	646,472	903,300	1,549,772	-
Transfers to other funds	(1,410,518)	(1,300,000)	(110,518)	(1,410,518)	-
Installment purchase obligations issued	<u>21,651,500</u>	<u>20,801,500</u>	<u>-</u>	<u>20,801,500</u>	<u>(850,000)</u>
Total other financing sources	<u>21,790,754</u>	<u>20,147,972</u>	<u>792,782</u>	<u>20,940,754</u>	<u>(850,000)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>1,377,977</u>	(402,526)	\$ <u>975,451</u>	\$ <u>975,451</u>
Fund balance:					
Beginning of year, July 1			<u>1,377,977</u>		
End of year, June 30			\$ <u>975,451</u>		

MAJOR PROPRIETARY FUNDS ENTERPRISE FUND

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

Major Enterprise Fund

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

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services	\$ <u>1,187,920</u>	\$ <u>1,246,368</u>	\$ <u>58,448</u>
Expenditures:			
Administration	147,237	145,009	2,228
Transfer station operations	1,096,315	972,898	123,417
Capital outlay	3,568	4,755	(1,187)
Principal payments on debt	34,972	34,972	-
Interest and debt service charges	<u>1,748</u>	<u>1,748</u>	<u>-</u>
Total expenditures	<u>1,283,840</u>	<u>1,159,382</u>	<u>124,458</u>
Revenues over (under) expenditures	<u>(95,920)</u>	<u>86,986</u>	<u>182,906</u>
Other financing sources:			
Proceeds from sale of capital assets	13,200	16,700	3,500
Appropriated fund balance	42,000	-	(42,000)
Transfers from other funds	<u>40,720</u>	<u>40,720</u>	<u>-</u>
Total other financing sources	<u>95,920</u>	<u>57,420</u>	<u>(38,500)</u>
Revenues and other sources over expenditures	\$ <u>-</u>	144,406	\$ <u>144,406</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciliation items:			
Depreciation		(46,124)	
Principal payment on debt		34,972	
Capital outlay		4,755	
Solid waste capital project fund activity		125,949	
Interest expense recorded in the solid waste capital project fund		<u>(12,387)</u>	
Change in net assets		\$ <u>251,571</u>	

POLK COUNTY, NORTH CAROLINA

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

From Inception and For the Year Ended June 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Environmental protection:					
Transfer station	\$ 1,428,164	\$ 1,325,548	\$ 115,068	\$ 1,440,616	\$ (12,452)
Debt service:					
Principal	41,410	38,366	3,044	41,410	-
Interest	<u>45,944</u>	<u>33,557</u>	<u>12,387</u>	<u>45,944</u>	<u>-</u>
Total expenditures	<u>1,515,518</u>	<u>1,397,471</u>	<u>130,499</u>	<u>1,527,970</u>	<u>(12,452)</u>
Other financing sources:					
Transfers from other funds	<u>1,515,518</u>	<u>1,405,000</u>	<u>125,949</u>	<u>1,530,949</u>	<u>15,431</u>
Other financing sources over expenditures	\$ <u>-</u>	\$ <u>7,529</u>	\$ <u>(4,550)</u>	\$ <u>2,979</u>	\$ <u>2,979</u>

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- Capital Reserve Fund - This fund is established to set aside funding to finance County-wide building improvements.
- Revaluation Fund - This fund is established to set aside funding to finance the County-wide real property revaluation.
- Fire District Fund - This fund is established to account for the ad valorem tax levies of the six fire districts in Polk County.
- Tourism Development Fund - This fund is established to account for the occupancy taxes collected from motels in the County.
- Communications Fund - This fund is established to account for the accumulation of funds used to operate the 911 Emergency Service operation.
- Grants Projects Fund - This fund is established to account for the expenditure of grant funds related to community projects.

Debt Service Fund

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

POLK COUNTY, NORTH CAROLINA

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2007

	Capital Reserve <u>Fund</u>	Revaluation <u>Fund</u>	Fire District <u>Fund</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 302,677	\$ 535,427	\$ 12,459
Cash with fiscal agent	-	-	-
Taxes receivable, net	-	-	52,309
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 302,677</u>	<u>\$ 535,427</u>	<u>\$ 64,768</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ 3,450	\$ 8,733
Deferred revenue	<u>-</u>	<u>-</u>	<u>56,035</u>
Total liabilities	<u>-</u>	<u>3,450</u>	<u>64,768</u>
Fund balances:			
Reserved:			
State statute	-	-	-
Debt service	-	-	-
Unreserved:			
Designated for subsequent year's budget	-	187,325	-
Undesignated	<u>302,677</u>	<u>344,652</u>	<u>-</u>
Total fund balances	<u>302,677</u>	<u>531,977</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 302,677</u>	<u>\$ 535,427</u>	<u>\$ 64,768</u>

Special Revenue Funds

Tourism Development <u>Fund</u>	Communica- tions <u>Fund</u>	Grant Projects <u>Fund</u>	Total Non-Major Special Revenue <u>Funds</u>	Debt Service <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
\$ 6,350	\$ 311,737	\$ -	\$ 1,168,650	\$ -	\$ 1,168,650
-	-	-	-	196,009	196,009
-	-	-	52,309	-	52,309
<u>11,432</u>	<u>41,251</u>	<u>-</u>	<u>52,683</u>	<u>-</u>	<u>52,683</u>
<u>\$ 17,782</u>	<u>\$ 352,988</u>	<u>\$ -</u>	<u>\$ 1,273,642</u>	<u>\$ 196,009</u>	<u>\$ 1,469,651</u>
\$ 425	\$ 743	\$ -	\$ 13,351	\$ -	\$ 13,351
<u>-</u>	<u>-</u>	<u>-</u>	<u>56,035</u>	<u>-</u>	<u>56,035</u>
<u>425</u>	<u>743</u>	<u>-</u>	<u>69,386</u>	<u>-</u>	<u>69,386</u>
11,432	41,251	-	52,683	-	52,683
-	-	-	-	196,009	196,009
-	-	-	187,325	-	187,325
<u>5,925</u>	<u>310,994</u>	<u>-</u>	<u>964,248</u>	<u>-</u>	<u>964,248</u>
<u>17,357</u>	<u>352,245</u>	<u>-</u>	<u>1,204,256</u>	<u>196,009</u>	<u>1,400,265</u>
<u>\$ 17,782</u>	<u>\$ 352,988</u>	<u>\$ -</u>	<u>\$ 1,273,642</u>	<u>\$ 196,009</u>	<u>\$ 1,469,651</u>

POLK COUNTY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds

For the Year Ended June 30, 2007

	Capital Reserve Fund	Revaluation Fund	Fire District Fund
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ 917,246
Other taxes	-	-	-
Unrestricted intergovernmental revenue	63,791	-	-
Restricted intergovernmental revenue	-	-	-
Investment earnings	428	7,669	-
Miscellaneous	-	-	-
Total revenues	<u>64,219</u>	<u>7,669</u>	<u>917,246</u>
Expenditures:			
Current:			
General government	-	50,367	-
Public safety	-	-	917,246
Economic and physical development	-	-	-
Human services	<u>313,997</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>313,997</u>	<u>50,367</u>	<u>917,246</u>
Revenues over (under) expenditures	<u>(249,778)</u>	<u>(42,698)</u>	<u>-</u>
Other financing sources (uses):			
Transfers from other funds	100,000	162,300	-
Transfers to other funds	<u>(92,900)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>7,100</u>	<u>162,300</u>	<u>-</u>
Net change in fund balances	(242,678)	119,602	-
Fund balances--beginning	<u>545,355</u>	<u>412,375</u>	<u>-</u>
Fund balances--ending	<u>\$ 302,677</u>	<u>\$ 531,977</u>	<u>\$ -</u>

Special Revenue Funds

Tourism Development Fund	Communica- tions Fund	Grant Projects Funds	Total Non- Major Special Revenue Funds	Debt Service Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 917,246	\$ -	\$ 917,246
67,606	231,854	-	299,460	-	299,460
-	-	-	63,791	-	63,791
-	-	225,887	225,887	-	225,887
-	-	-	8,097	3,563	11,660
<u>3,159</u>	<u>-</u>	<u>-</u>	<u>3,159</u>	<u>-</u>	<u>3,159</u>
<u>70,765</u>	<u>231,854</u>	<u>225,887</u>	<u>1,517,640</u>	<u>3,563</u>	<u>1,521,203</u>
-	-	-	50,367	-	50,367
-	156,772	-	1,074,018	-	1,074,018
120,270	-	225,887	346,157	-	346,157
<u>-</u>	<u>-</u>	<u>-</u>	<u>313,997</u>	<u>-</u>	<u>313,997</u>
<u>120,270</u>	<u>156,772</u>	<u>225,887</u>	<u>1,784,539</u>	<u>-</u>	<u>1,784,539</u>
<u>(49,505)</u>	<u>75,082</u>	<u>-</u>	<u>(266,899)</u>	<u>3,563</u>	<u>(263,336)</u>
49,505	-	-	311,805	95,706	407,511
<u>-</u>	<u>(58,145)</u>	<u>-</u>	<u>(151,045)</u>	<u>-</u>	<u>(151,045)</u>
<u>49,505</u>	<u>(58,145)</u>	<u>-</u>	<u>160,760</u>	<u>95,706</u>	<u>256,466</u>
-	16,937	-	(106,139)	99,269	(6,870)
<u>17,357</u>	<u>335,308</u>	<u>-</u>	<u>1,310,395</u>	<u>96,740</u>	<u>1,407,135</u>
<u>\$ 17,357</u>	<u>\$ 352,245</u>	<u>\$ -</u>	<u>\$ 1,204,256</u>	<u>\$ 196,009</u>	<u>\$ 1,400,265</u>

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Unrestricted intergovernmental revenue	\$ -	\$ 63,791	\$ 63,791
Investment earnings	<u>-</u>	<u>428</u>	<u>428</u>
Total revenues	<u>-</u>	<u>64,219</u>	<u>64,219</u>
Expenditures:			
Human Services	<u>313,997</u>	<u>313,997</u>	<u>-</u>
Revenues under expenditures	<u>(313,997)</u>	<u>(249,778)</u>	<u>64,219</u>
Other financing sources (uses):			
Appropriated fund balance	406,897	-	(406,897)
Capital reserve escrow	(100,000)	-	100,000
Transfers from other funds	100,000	100,000	-
Transfers to other funds	<u>(92,900)</u>	<u>(92,900)</u>	<u>-</u>
Other financing sources (uses)	<u>313,997</u>	<u>7,100</u>	<u>(306,897)</u>
Net change in fund balance	\$ <u>-</u>	(242,678)	\$ <u>(242,678)</u>
Fund balance:			
Beginning of year, July 1		<u>545,355</u>	
End of year, June 30		\$ <u><u>302,677</u></u>	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 4,500	\$ 7,669	\$ 3,169
Expenditures:			
General government	<u>166,800</u>	<u>50,367</u>	<u>116,433</u>
Revenues under expenditures	(162,300)	(42,698)	119,602
Other financing sources:			
Transfers from other funds	<u>162,300</u>	<u>162,300</u>	<u>-</u>
Net change in fund balance	\$ <u><u>-</u></u>	119,602	\$ <u><u>119,602</u></u>
Fund balance:			
Beginning of year, July 1		<u>412,375</u>	
End of year, June 30		\$ <u><u>531,977</u></u>	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>
			<u>(Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ 917,827	\$ 911,716	\$ (6,111)
Penalties and interest	<u>-</u>	<u>5,530</u>	<u>5,530</u>
Total revenues	<u>917,827</u>	<u>917,246</u>	<u>(581)</u>
Expenditures:			
Public safety:			
Sunny View Fire Department	178,431	183,911	(5,480)
Green Creek Fire Department	154,000	156,216	(2,216)
Tryon Fire Department	139,000	135,184	3,816
Saluda Fire Department	117,552	115,993	1,559
Mill Springs Fire Department	105,400	104,423	977
Columbus Fire Department	<u>223,444</u>	<u>221,519</u>	<u>1,925</u>
Total expenditures	<u>917,827</u>	<u>917,246</u>	<u>581</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
Fund balance:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		\$ <u>-</u>	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes:			
Occupancy tax	\$ 60,000	\$ 67,606	\$ 7,606
Miscellaneous	<u>-</u>	<u>3,159</u>	<u>3,159</u>
Total revenues	<u>60,000</u>	<u>70,765</u>	<u>10,765</u>
Expenditures:			
Economic and physical development:			
Travel	2,250	1,914	336
Advertising	19,400	15,832	3,568
Contracted services	10,950	10,695	255
Capital outlay	1,000	869	131
Administration	<u>109,726</u>	<u>90,960</u>	<u>18,766</u>
Total expenditures	<u>143,326</u>	<u>120,270</u>	<u>23,056</u>
Revenues under expenditures	(83,326)	(49,505)	33,821
Other financing sources:			
Transfers from other funds	<u>83,326</u>	<u>49,505</u>	<u>(33,821)</u>
Net change in fund balance	\$ <u>-</u>	-	\$ <u>-</u>
Fund balance:			
Beginning of year, July 1		<u>17,357</u>	
End of year, June 30		\$ <u>17,357</u>	

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes:			
Phone tax	\$ 124,259	\$ 115,369	\$ (8,890)
Wireless tax	<u>80,000</u>	<u>116,485</u>	<u>36,485</u>
Total revenues	<u>204,259</u>	<u>231,854</u>	<u>27,595</u>
Expenditures:			
Current:			
Public safety	<u>164,007</u>	<u>156,772</u>	<u>7,235</u>
Revenues over expenditures	<u>40,252</u>	<u>75,082</u>	<u>34,830</u>
Other financing sources:			
Appropriated fund balance	58,145	-	(58,145)
Contingency	(40,252)	-	40,252
Transfers to other funds	<u>(58,145)</u>	<u>(58,145)</u>	<u>-</u>
Total other financing sources (uses)	<u>(40,252)</u>	<u>(58,145)</u>	<u>(17,893)</u>
Net change in fund balance	\$ <u> -</u>	16,937	\$ <u>16,937</u>
Beginning of year, July 1:			
E911 fund		92,181	
Wireless 911 fund		<u>243,127</u>	
Fund balance, July 1		<u>335,308</u>	
End of year, June 30:			
E911 fund		99,411	
Wireless 911 fund		<u>252,834</u>	
Fund balance, June 30		\$ <u>352,245</u>	

POLK COUNTY, NORTH CAROLINA

Schedule of Revenues and Expenditures--Budget and Actual
Grants Projects Fund--Multi-Year Grants

From Inception and For the Year Ended June 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue	\$ 421,237	\$ 119,016	\$ 225,887	\$ 344,903	\$ (76,334)
Expenditures					
Economic and physical development:					
Emergency Management	21,237	-	19,053	19,053	2,184
Scattered Sites	<u>400,000</u>	<u>119,016</u>	<u>206,834</u>	<u>325,850</u>	<u>74,150</u>
Total expenditures	<u>421,237</u>	<u>119,016</u>	<u>225,887</u>	<u>344,903</u>	<u>76,334</u>
Revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ -	\$ 3,563	\$ 3,563
Expenditures:			
Debt service:			
Principal	<u>95,706</u>	<u>-</u>	<u>95,706</u>
Revenues over (under) expenditures	(95,706)	3,563	99,269
Other financing sources:			
Transfers from other funds	<u>95,706</u>	<u>95,706</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	99,269	\$ <u>99,269</u>
Fund balance:			
Beginning of year, July 1		<u>96,740</u>	
End of year, June 30		\$ <u>196,009</u>	

INTERNAL SERVICE FUND

The Internal Service Fund is used to account for the County's activities that are similar to those often found in the private sector. The measurement focus is on the flow of economic resources.

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

POLK COUNTY, NORTH CAROLINA

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

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Employee contributions	\$ <u>741,185</u>	\$ <u>824,687</u>	\$ <u>83,502</u>
Expenditures:			
Claims	<u>601,278</u>	<u>600,281</u>	<u>997</u>
Administration fees	<u>240,000</u>	<u>168,365</u>	<u>71,635</u>
Total expenditures	<u>841,278</u>	<u>768,646</u>	<u>72,632</u>
Revenues over (under) expenditures	<u>(100,093)</u>	<u>56,041</u>	<u>156,134</u>
Other financing sources:			
Appropriated fund balance	<u>100,093</u>	<u>-</u>	<u>(100,093)</u>
Revenues and other sources over expenditures	\$ <u>-</u>	\$ <u>56,041</u>	\$ <u>56,041</u>

AGENCY FUNDS

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

POLK COUNTY, NORTH CAROLINA

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2007

	<u>Social Services Fund</u>	<u>Property Tax Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Other Agency Fund</u>	<u>Total Agency Funds</u>
<u>Assets</u>					
Cash and cash equivalents	\$ <u>16,057</u>	\$ <u>15,289</u>	\$ <u>852</u>	\$ <u>56,856</u>	\$ <u>89,054</u>
<u>Liabilities</u>					
Due to others	\$ 16,057	\$ -	\$ -	\$ 56,856	\$ 73,765
Due to other governments	-	15,289	-	-	15,289
Due to the State of North Carolina	<u>-</u>	<u>-</u>	<u>852</u>	<u>-</u>	<u>852</u>
	\$ <u>16,057</u>	\$ <u>15,289</u>	\$ <u>852</u>	\$ <u>56,856</u>	\$ <u>89,054</u>

POLK COUNTY, NORTH CAROLINA

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Social Services Fund:				
Cash and cash equivalents	\$ <u>48,801</u>	\$ <u>68,711</u>	\$ <u>101,455</u>	\$ <u>16,057</u>
Due to others	\$ <u>48,801</u>	\$ <u>68,711</u>	\$ <u>101,455</u>	\$ <u>16,057</u>
Property Tax Fund:				
Cash and cash equivalents	\$ <u>68,145</u>	\$ <u>719,819</u>	\$ <u>772,675</u>	\$ <u>15,289</u>
Due to other governments	\$ <u>68,145</u>	\$ <u>719,819</u>	\$ <u>772,675</u>	\$ <u>15,289</u>
Fines and Forfeitures Fund:				
Cash and cash equivalents	\$ <u>653</u>	\$ <u>207,346</u>	\$ <u>207,147</u>	\$ <u>852</u>
Due to Polk County Schools	\$ -	\$ 197,911	\$ 197,911	\$ -
Due to the State of North Carolina	<u>653</u>	<u>9,435</u>	<u>9,236</u>	<u>852</u>
	\$ <u>653</u>	\$ <u>207,346</u>	\$ <u>207,147</u>	\$ <u>852</u>
Other Agency Fund:				
Cash and cash equivalents	\$ <u>58,884</u>	\$ <u>74,193</u>	\$ <u>76,221</u>	\$ <u>56,856</u>
Due to others	\$ <u>58,884</u>	\$ <u>74,193</u>	\$ <u>76,221</u>	\$ <u>56,856</u>
Total:				
Cash and cash equivalents	\$ <u>176,483</u>	\$ <u>1,070,069</u>	\$ <u>1,157,498</u>	\$ <u>89,054</u>
Due to others	\$ 107,685	\$ 142,904	\$ 177,676	\$ 72,913
Due to other governments	68,145	719,819	772,675	15,289
Due to Polk County Schools	-	197,911	197,911	-
Due to the State of North Carolina	<u>653</u>	<u>9,435</u>	<u>9,236</u>	<u>852</u>
	\$ <u>176,483</u>	\$ <u>1,070,069</u>	\$ <u>1,157,498</u>	\$ <u>89,054</u>

OTHER SUPPLEMENTARY INFORMATION

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

POLK COUNTY, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable
General Fund

June 30, 2007

	Uncollected Balance <u>July 1, 2006</u>	<u>Additions</u>	Collections, Credits and Other <u>Adjustments</u>	Uncollected Balance <u>June 30, 2007</u>
Fiscal year:				
2006-2007	\$ -	\$ 12,669,366	\$ 12,376,030	\$ 293,336
2005-2006	383,732	-	166,812	216,920
2004-2005	219,755	-	123,113	96,642
2003-2004	19,395	-	10,271	9,124
2002-2003	11,983	-	5,439	6,544
2001-2002	8,386	-	4,295	4,091
2000-2001	6,890	-	1,976	4,914
1999-2000	5,234	-	941	4,293
1998-1999	4,001	-	422	3,579
1997-1998	3,443	-	437	3,006
1996-1997	<u>2,718</u>	<u>-</u>	<u>2,718</u>	<u>-</u>
	<u>\$ 665,537</u>	<u>\$ 12,669,366</u>	<u>\$ 12,692,454</u>	642,449
Less: allowance for uncollectible accounts:				
General Fund				<u>(80,000)</u>
Ad valorem taxes receivable--net:				
General Fund				<u>\$ 562,449</u>
Reconciliation with revenues:				
Ad valorem taxes--General Fund				<u>\$ 12,677,354</u>
Reconciling items:				
Interest collected				(87,463)
Discounts allowed				105,651
Releases and adjustments				(5,802)
Taxes written off				<u>2,718</u>
Total				<u>15,104</u>
Total collections and credits				<u>\$ 12,692,454</u>

POLK COUNTY, NORTH CAROLINA

Analysis of Current Tax Levy
County-Wide Levy

For the Year Ended June 30, 2007

	<u>County-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxes at current year's rate	\$ 1,808,420,847	0.68	\$ 12,291,084	\$ 11,138,744	\$ 1,152,340
Utilities at current year's rate	<u>46,071,763</u>	0.68	<u>313,288</u>	<u>313,288</u>	<u>-</u>
Total	<u>1,854,492,610</u>		<u>12,604,372</u>	<u>11,452,032</u>	<u>1,152,340</u>
Discoveries:					
Current year taxes	16,308,602	0.68	145,058	140,551	4,507
Prior year taxes	<u>647,133</u>	-	<u>3,874</u>	<u>3,874</u>	<u>-</u>
	<u>16,955,735</u>		<u>148,932</u>	<u>144,425</u>	<u>4,507</u>
Abatements	<u>(13,653,617)</u>	0.68	<u>(83,938)</u>	<u>(54,870)</u>	<u>(29,068)</u>
Total property valuation	<u>\$ 1,857,794,728</u>				
Net levy			12,669,366	11,541,587	1,127,779
Uncollected taxes at June 30, 2007			<u>293,336</u>	<u>172,038</u>	<u>121,298</u>
Current year taxes collected			<u>\$ 12,376,030</u>	<u>\$ 11,369,549</u>	<u>\$ 1,006,481</u>
Current levy collection percentage			<u>97.68%</u>	<u>98.51%</u>	<u>89.24%</u>

STATISTICAL SECTION

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

Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

POLK COUNTY, NORTH CAROLINA

Net Assets by Category

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	Governmental Activities			
	Invested in Capital Assets Net of Related Debt	Restricted	Unrestricted	Total
1998	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	\$ 4,193,542	\$ 37,534	\$ 641,126	\$ 4,872,202
2004	6,199,283	-	1,981,866	8,181,149
2005	7,596,271	-	(4,615,492) ⁽¹⁾	2,980,779
2006	9,968,179	96,740	(7,266,125) ⁽¹⁾	2,798,794
2007	11,205,743	196,009	(5,003,910)	6,397,842

Source: Polk County Financial Statements.

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

⁽¹⁾Decrease caused by various construction projects for the benefit of other organizations.
See Schedule D-3.

<u>Business-Type Activities</u>			<u>Primary Government</u>			
<u>Invested in Capital Assets Net of Related Debt</u>			<u>Invested in Capital Assets Net of Related Debt</u>			
<u>Unrestricted</u>	<u>Total</u>		<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ -	\$ 4,193,542	\$ 37,534	\$ 641,126	\$ 4,872,202
-	-	-	6,199,283	-	1,981,866	8,181,149
918,876	249,109	1,167,985	8,515,147	-	(4,366,383)	4,148,764
1,537,093	330,790	1,867,883	11,505,272	96,740	(6,935,335)	4,666,677
1,648,808	470,646	2,119,454	12,854,551	196,009	(4,533,264)	8,517,296

POLK COUNTY, NORTH CAROLINA

Revenues--Primary Government

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>			
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Property Taxes</u>
1998	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	\$ 1,902,825	\$ 4,082,698	\$ 214,857	\$ 9,372,206
2004	2,187,118	3,904,284	715,000	10,543,238
2005	1,888,655	3,177,132	1,033,332	10,719,927
2006	2,134,606	7,069,648 ⁽¹⁾	176,460	12,678,758
2007	2,476,374	2,814,944	538,727	13,568,221

Source: Polk County Financial Statements.

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

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

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

Business-type Activities

<u>Other Taxes</u>	<u>Other</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total Primary Government</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
\$ 2,778,279	\$ 116,767	\$ -	\$ -	\$ 18,467,632
3,912,693	177,371	-	-	21,439,704
4,429,038	435,420	813,396 ⁽²⁾	-	22,496,900
4,345,652	759,411	1,069,770	-	28,234,305
4,557,941	1,367,035	1,246,368	-	26,569,610

POLK COUNTY, NORTH CAROLINA

Expenses--Primary Government

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>			
	<u>General Government</u>	<u>Public Safety</u>	<u>Economic and Physical Development</u>	<u>Environmental Protection</u>
1998	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	\$ 1,725,494	\$ 3,558,116	\$ 553,997	\$ 531,290
2004	2,211,282	3,932,861	994,463	410,687
2005	9,950,237 ⁽¹⁾	4,525,259	569,652	-
2006	6,346,819 ⁽¹⁾	4,768,308	3,024,079 ⁽²⁾	-
2007	2,532,464	4,926,153	785,382	-

Source: Polk County Financial Statements.

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

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

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

<u>Human Services</u>	<u>Culture and Recreation</u>	<u>Education</u>	<u>Interest on Long-term Debt</u>	<u>Business-type Activities</u> <u>Solid Waste</u>	<u>Total Primary Government</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ 3,525,963	\$ 875,958	\$ 5,647,619	\$ 391,105	\$ -	\$ 16,809,542
3,919,443	977,001	6,704,858	505,891	-	19,656,486
4,371,574	1,057,652	4,455,323	1,014,287	585,301	26,529,285
5,134,463	1,190,696	5,326,731	1,036,483	888,813	27,716,392
5,108,467	1,531,015	5,733,765	940,279	1,161,466	22,718,991

POLK COUNTY, NORTH CAROLINA

Changes in Net Assets

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>			
	<u>Total Revenues</u>	<u>Total Expenses</u>	<u>Transfers In (Out)</u>	<u>Net Change</u>
1998	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	\$ 18,467,632	\$ 16,809,542	\$ -	\$ 1,658,090
2004	21,439,704	19,656,486	-	1,783,218
2005	21,683,504	25,943,984	(939,890)	(5,200,370) ⁽¹⁾
2006	27,164,535	26,827,579	(518,941)	(181,985)
2007	25,323,242	21,557,525	(166,669)	3,599,048

Source: Polk County Financial Statements.

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

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

Business-type Activities				Primary Government		
<u>Total Revenues</u>	<u>Total Expenses</u>	<u>Transfers In (Out)</u>	<u>Net Change</u>	<u>Total Revenues</u>	<u>Total Expenses</u>	<u>Net Change</u>
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
\$ -	\$ -	\$ -	\$ -	\$18,467,632	\$16,809,542	\$ 1,658,090
-	-	-	-	21,439,704	19,656,486	1,783,218
813,396	585,301	939,890	1,167,985	22,496,900	26,529,285	(4,032,385)
1,069,770	888,813	518,941	699,898	27,234,305	27,716,392	517,913
1,246,368	1,161,466	166,669	251,571	26,569,610	22,718,991	3,850,619

POLK COUNTY, NORTH CAROLINA

Fund Balances--Governmental Funds

Last Ten Fiscal Years

General Fund

<u>Fiscal Year Ended June 30,</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Total</u>
1998	\$ 722,510	\$ 549,814	\$ 1,272,324
1999	720,161	101,558	821,719
2000	955,988	90,598	1,046,586
2001	958,534	1,995,781	2,954,315
2002	1,067,851	2,997,824	4,065,675
2003	1,174,845	4,283,142	5,457,987
2004	895,840	4,755,017	5,650,857
2005	941,597	5,558,675	6,500,272
2006	1,022,204	6,244,808	7,267,012
2007	995,302	7,276,793	8,272,095

Source: Polk County Financial Statements.

Other Governmental Funds

<u>Reserved</u>	Unreserved Reported in Special Revenue Funds	Unreserved Reported in Capital Project Funds	<u>Total</u>
\$ 6,576	\$ 682,605	\$ -	\$ 689,181
22,108	259,713	1,070	282,891
12,354	336,283	1,053,623	1,402,260
31,996	317,430	13,639	363,065
31,563	673,945	-	705,508
31,290	421,895	-	453,185
23,339	1,577,507	11,362,943	12,963,789
29,849	1,005,369	9,525,666	10,560,884
142,344	1,264,791	1,377,977	2,785,112
248,692	1,151,573	975,451	2,375,716

POLK COUNTY, NORTH CAROLINA

Revenues--Governmental Funds

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Property</u> <u>Taxes</u>	<u>Other</u> <u>Taxes</u>	<u>Unrestricted</u> <u>Inter-</u> <u>governmental</u> <u>Revenue</u>
1998	\$ 6,237,148	\$ 2,944,622	\$ -
1999	6,358,791	3,166,651	-
2000	6,703,915	3,349,318	-
2001	7,552,212	3,393,116	-
2002	9,167,629	3,544,366	-
2003	9,279,261	2,734,103	-
2004	10,707,374	3,167,330	589,788
2005	10,711,057	3,581,773	742,918
2006	12,724,098	3,643,853	385,050
2007	13,594,600	3,943,952	362,634

Source: Polk County Financial Statements.

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

Restricted Inter- governmental Revenue	Licenses and Permits	Sales and Services	Investment Earnings	Miscellaneous	Total
\$ 1,827,498	\$ 284,914	\$ 695,348	\$ 175,205	\$ 112,665	\$ 12,277,400
2,209,168	300,479	739,623	127,427	177,153	13,079,292
3,142,845	319,720	877,228	134,191	159,394	14,686,611
4,148,930	381,059	1,086,112	255,131	251,993	17,068,553
2,217,229	461,119	1,069,049	135,176	1,112	16,595,680
4,161,345	614,234	1,151,927	94,477	309,163	18,344,510
4,414,605	584,426	1,125,112	82,895	257,258	20,928,788
3,223,590	747,943	720,685	383,640	487,222	20,598,828
5,834,283	681,463	846,101	576,181	1,781,877 ⁽¹⁾	26,472,906
3,174,901	705,528	1,101,903	705,771	904,674	24,493,963

POLK COUNTY, NORTH CAROLINA

Expenditures--Governmental Funds

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Economic and Physical Development</u>	<u>Environmental Protection</u>	<u>Human Services</u>
1998	\$ 1,177,258	\$ 2,566,582	\$ 303,911	\$ 432,392	\$ 2,579,317
1999	1,227,683	2,785,217	329,624	468,367	2,842,813
2000	1,295,567	3,167,136	734,461	533,457	2,853,989
2001	1,580,388	2,600,049	1,978,766	479,826	3,032,347
2002	1,648,347	3,093,151	336,867	491,537	3,766,044
2003	1,539,137	3,353,499	549,220	523,249	3,458,189
2004	1,870,111	3,921,187	1,019,284	491,569	3,819,693
2005	2,317,990	4,256,003	492,543	-	4,094,634
2006	2,270,502	4,464,257	3,144,470	-	4,870,201
2007	2,238,115	4,892,700	739,736	-	4,804,274

Source: Polk County Financial Statements.

	<u>Culture and Recreation</u>	<u>Education</u>	<u>Capital Projects</u>	<u>Debt Service</u>		<u>Total</u>	<u>Debt Service as a % of Non-capital Expenditures</u>
				<u>Principal</u>	<u>Interest</u>		
\$	557,608	\$ 3,005,374	\$ 567,809	\$ 828,477	\$ 532,904	\$ 12,551,632	12.8%
	672,735	3,148,384	1,375,241	900,109	505,613	14,255,786	12.3%
	603,045	3,527,546	963,183	901,992	468,721	15,049,097	10.8%
	607,727	3,159,153	1,361,047	964,563	438,721	16,202,587	10.4%
	501,472	3,735,895	-	978,963	428,833	14,981,109	10.4%
	845,256	5,647,619	51,642	1,011,506	397,407	17,376,724	8.9%
	992,450	5,318,027	3,408,014	1,162,526	412,968	22,415,829	9.0%
	969,104	4,455,323	10,705,119	2,217,000	1,002,543	30,510,259	19.4%
	1,078,858	4,074,431	9,681,846	2,325,655	1,052,777	32,962,997	17.0%
	1,333,518	4,214,508	2,136,091	2,419,773	952,892	23,731,607	18.5%

POLK COUNTY, NORTH CAROLINA

Changes in Fund Balances--Governmental Funds

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other</u> <u>Financing</u> <u>Sources (Uses)</u>	<u>Net</u> <u>Change</u>
1998	\$ 12,277,400	\$ 12,551,632	\$ 180,000	\$ (94,232)
1999	13,079,292	14,255,786	115,500	(1,060,994)
2000	14,686,611	15,049,097	1,706,722	1,344,236
2001	17,068,553	16,202,587	-	865,966
2002	16,595,680	14,981,109	116,484	1,731,055
2003	18,344,510	17,376,724	(110,313)	857,473
2004	20,928,788	22,415,829	14,190,515 ⁽¹⁾	12,703,474
2005	20,598,828	30,510,259	8,357,941 ⁽¹⁾	(1,553,490)
2006	26,472,906	32,962,997	(518,941)	(7,009,032)
2007	24,493,963	23,731,607	(166,669)	595,687

Source: Polk County Financial Statements.

⁽¹⁾Increase due to issuance of debt to finance the previously mentioned construction projects.

POLK COUNTY, NORTH CAROLINA

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Less: Tax Exempt Property</u>
1998	\$ 880,741 ⁽²⁾	\$ 137,972	\$ 35,709	N/A
1999	860,065 ⁽²⁾	155,635	38,502	N/A
2000	870,233 ⁽²⁾	158,604	39,295	N/A
2001	891,930 ⁽²⁾	171,298	32,292	N/A
2002 ⁽¹⁾	1,049,504 ⁽²⁾	199,906	37,101	N/A
2003	1,525,241	219,396	49,525	\$ 206,139
2004	1,588,160	210,181	49,591	189,504
2005	1,611,091	210,307	49,552	180,755
2006	1,667,509	217,259	39,916	178,733
2007	1,700,426	254,994	46,072	143,697

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

Source: Polk County Tax Department.

⁽¹⁾The increase in 2002 is due to the revaluation completed in 2001.

⁽²⁾Prior to 2003, the exempt values were netted against the real property values.

⁽³⁾Estimate of actual real values based on Real Estate Assessment Sales Ratio Study. Personal and Public Service companies' actual real values equal assessed values.

N/A - Information not available.

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value⁽³⁾	Assessed Value as a Percentage of Actual Value
\$ 1,054,422	\$ 0.5433	\$ 1,159,953	91%
1,054,172	0.5433	1,254,992	84%
1,068,132	0.5633	1,241,094	86%
1,095,520	0.6563	1,272,794	86%
1,286,511	0.5376	1,286,511	100%
1,588,023	0.5376	1,976,153	80%
1,658,428	0.5876	1,929,610	86%
1,690,195	0.5876	2,133,498	79%
1,745,951	0.6800	2,226,455	78%
1,857,795	0.6800	2,360,231	79%

POLK COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates

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

	Year Taxes are Payable									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
County direct rates:										
General	0.5433	0.5433	0.5633	0.6563	0.5376	0.5376	0.5876	0.5876	0.6800	0.6800
Harmon Field	0.0276	0.0276	0.0276	0.0276	0.0276	0.0276	0.0376	0.0376	0.0426	0.0426
City and town rates:										
Saluda	0.4500	0.5200	0.5200	0.5200	0.5000	0.5000	0.5000	0.5000	0.5400	0.5400
Columbus	0.2500	0.4000	0.4000	0.4000	0.2800	0.3400	0.3500	0.4000	0.4500	0.4500
Tryon	0.5800	0.6400	0.6400	0.6400	0.5800	0.6375	0.6375	0.6275	0.6175	0.6175
Fire district rates:										
Saluda	0.0700	0.0700	0.0700	0.0700	0.0700	0.0900	0.0900	0.0900	0.0900	0.0900
Sunnyview	0.0900	0.0900	0.0900	0.0900	0.0800	0.0800	0.0875	0.0875	0.0875	0.0875
Mill Spring	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
Green Creek	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527	0.0527
Tryon	0.0600	0.0600	0.0600	0.0600	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575
Columbus	0.0500	0.0500	0.0500	0.0500	0.0400	0.0420	0.0420	0.0420	0.0420	0.0420
School district rates:										
Saluda	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300

Source: Polk County Tax Department.

POLK COUNTY, NORTH CAROLINA

Principal Property Tax Payers

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Bright's Creek Holdings	\$ 65,701,094	1	3.54%	\$ -		
Adult Communities Total Services	42,834,054	2	2.31%	30,844,600	1	2.93%
The Timkin Company	7,196,474	3	0.39%	-		
Tryon/Columbus Retirement Associates, LLC	6,430,639	4	0.35%	-		
White Oak Manor, Inc.	5,558,794	5	0.30%	5,100,545	7	0.48%
Green River Farms	5,177,631	6	0.28%	-		
Hatch Mill, Division of Milliken	4,337,579	7	0.23%	11,311,212	3	1.07%
Home Realty and Insurance Co.	4,198,479	8	0.23%	-		
Duke Power	4,013,277	9	0.22%	-		
Public Service Co. of NC	3,934,693	10	0.21%	13,465,645	2	1.28%
Alltel Carolina, Inc.	-			9,225,938	4	0.87%
Rutherford Electric Membership Corp.	-			6,401,927	5	0.61%
Champion International	-			5,478,400	6	0.52%
Lake Lure Developers	-			4,412,800	8	0.42%
Pavillion International	-			4,205,400	9	0.40%
Story, Jack and Louise	-			3,950,300	10	0.37%
	<u>\$ 149,382,714</u>		<u>8.06%</u>	<u>\$ 94,396,767</u>		<u>8.95%</u>

Source: Polk County Tax Department.

POLK COUNTY, NORTH CAROLINA

Property Tax Levies and Collections

Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>			<u>Total Collections to Date</u>		
		<u>Amount</u>	<u>Percentage of Levy</u>	<u>Current Uncollected Balance</u>	<u>Collected in Subsequent Years</u>	<u>Amount</u>	<u>Percentage of Levy</u>
1998	\$ 5,714	\$ 5,420	95%	\$ 4	\$ 290	\$ 5,710	99.93%
1999	5,727	5,478	96%	4	245	5,723	99.93%
2000	6,149	5,881	96%	5	263	6,144	99.92%
2001	6,310	6,125	97%	7	178	6,303	99.89%
2002	7,592	7,344	97%	8	240	7,584	99.89%
2003	8,682	8,196	94%	12	474	8,670	99.86%
2004	9,723	9,332	96%	19	372	9,704	99.80%
2005	9,953	9,512	96%	220	221	9,733	97.79%
2006	11,898	11,514	97%	384	-	11,514	96.77%
2007	12,669	12,376	98%	293	-	12,376	97.69%

Source: Polk County Financial Statements.

POLK COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Percentage of Estimated Actual Property Value</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Installment Purchases</u>	<u>Installment Purchases</u>				
1998	\$ 9,725,000	\$ 223,705	\$ -	\$ 9,948,705	1.91%	0.84%	\$ 563
1999	8,950,000	250,132	-	9,200,132	1.67%	0.71%	511
2000	8,170,000	1,839,581	-	10,009,581	1.77%	0.66%	544
2001	7,390,000	1,590,619	-	8,980,619	1.54%	0.58%	479
2002	6,610,000	1,725,935	-	8,335,935	1.42%	0.51%	443
2003	5,835,000	1,329,962	-	7,164,962	1.23%	0.30%	380
2004	5,070,000	15,122,951	-	20,192,951	3.30%	0.26%	1,068
2005	4,315,000	22,904,951	278,971	27,498,922	3.95%	0.20%	1,447
2006	3,570,000	21,324,035	242,797	25,136,832	N/A	0.16%	1,309
2007	2,835,000	19,639,262	204,781	22,679,043	N/A	0.12%	1,178

Source: Polk County Financial Statements.

N/A - Information not available.

POLK COUNTY, NORTH CAROLINA

Legal Debt Margin Information

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Debt Limit</u>	<u>Total Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Debt Applicable to the Limit as a Percentage of Debt Limit</u>
1998	\$ 84,353,795	\$ 9,725,000	\$ 74,628,795	11.53%
1999	84,333,797	8,950,000	75,383,797	10.61%
2000	87,327,364	8,170,000	79,157,364	9.36%
2001	87,641,580	7,390,000	80,251,580	8.43%
2002 ⁽¹⁾	102,920,889	6,610,000	96,310,889	6.42%
2003	128,550,843	5,835,000	122,715,843	4.54%
2004	131,265,520	5,070,000	126,195,520	3.86%
2005	135,215,628	4,315,000	130,900,628	3.19%
2006	139,676,069	3,750,000	135,926,069	2.68%
2007	148,623,578	2,835,000	145,788,578	1.91%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ <u>1,857,794,728</u>
Debt limit (8% of assessed value)	\$ 148,623,578
Debt applicable to limit:	
Less: General obligation bonds outstanding	<u>2,835,000</u>
Legal debt margin	\$ <u>145,788,578</u>

Source: Polk County Financial Statements.

⁽¹⁾Increase due to revaluation completed in 2001.

POLK COUNTY, NORTH CAROLINA

Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Fiscal Year Ending June 30,</u>	<u>Population⁽¹⁾</u>	<u>Personal Income⁽²⁾ (thousands of dollars)</u>	<u>Per Capita Personal Income⁽²⁾</u>	<u>Median Age⁽¹⁾</u>	<u>School Enrollment⁽³⁾</u>	<u>Unemployment Rate⁽⁴⁾</u>
1998	17,676	\$ 522,149	\$ 29,457	45.88	2,202	2.6%
1999	18,018	550,741	30,556	N/A	2,258	2.2%
2000	18,394	566,456	30,767	44.93	2,290	1.6%
2001	18,750	582,690	31,252	44.90	2,389	2.8%
2002	18,832	585,942	31,151	44.70	2,430	3.9%
2003	18,865	581,398	30,955	45.20	2,366	3.5%
2004	18,905	612,421	32,309	45.39	2,392	3.3%
2005	19,006	696,299	69,528	45.58	2,431	4.2%
2006	19,207	N/A	N/A	45.80	2,472	3.5%
2007	19,247	N/A	N/A	46.03	2,425	3.8%

Sources:

⁽¹⁾N.C. State Data Center.

⁽²⁾Bureau of Economic Analysis, U.S. Department of Commerce.

⁽³⁾N.C. Department of Public Instruction, first month average daily membership.

⁽⁴⁾ N.C. Employment Security Commission, June.

N/A--Information not available.

POLK COUNTY, NORTH CAROLINA

Principal Employers

Current Year and Five Years Ago

Employer:	2007			2003		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Polk County Schools	400	1 st	3.77%	340	1 st	3.67%
St. Lukes Hospital	397	2 nd	3.74%	300	2 nd	3.24%
Tryon Estates	350	3 rd	3.30%	N/A	N/A	N/A
Polk County Government	192	4 th	1.81%	130	4 th	1.40%
Hatch Plant	180	5 th	1.70%	N/A	N/A	N/A
Milliken & Co.	150	6 th	1.41%	185	3 rd	2.00%
Woodland Mills	115	7 th	1.08%	N/A	N/A	N/A
Autumn Care	100	8 th	0.94%	N/A	N/A	N/A
White Oak Manor	100	8 th	0.94%	N/A	N/A	N/A
Grover Industries	100	8 th	0.94%	N/A	N/A	N/A
Carolina Yarn Processors	90	9 th	0.85%	100	5 th	1.08%
Laurel Hurst	60	10 th	0.57%		N/A	N/A
Quality Textiles	53	11 th	0.50%	35	9 th	
Timken Inc.	50	12 th	0.47%	70	6 th	0.76%
Wayne Wire Company	50	12 th	0.47%	48	7 th	0.52%
Totals	<u>2,387</u>		22.50%	<u>1,208</u>		13.04%

Sources:

2007 Reference USA.com
 NC Department of Commerce

Note: Employer data not available for 9 years prior. 2003 is the oldest available history.
 Percentages based on a work force of 10,608 and 9,261 for 2007 and 2003, respectively.

N/A--Information not available.

POLK COUNTY, NORTH CAROLINA

Full-time Equivalent County Government Employees by Function/Program

Last Ten Fiscal Years

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government:										
Administration--County Manager	N/A	N/A	N/A	N/A	N/A	3	3	3	3	3
Finance	N/A	N/A	N/A	N/A	N/A	3	4	4	4	4
Tax--collections	N/A	N/A	N/A	N/A	N/A	5.6	6	6	6.5	7.5
Board of Elections	N/A	N/A	N/A	N/A	N/A	1.5	1.5	2	2	2
Register of Deeds	N/A	N/A	N/A	N/A	N/A	2	2.2	2.7	2.9	2.9
Public Buildings	N/A	N/A	N/A	N/A	N/A	3.2	3.2	3.7	3.7	3.7
Management Information Systems	N/A	N/A	N/A	N/A	N/A	1.7	2	3	3	3
Public safety:										
Sheriff's Department	N/A	N/A	N/A	N/A	N/A	20	22.8	25	26.4	28.3
Jail	N/A	N/A	N/A	N/A	N/A	6	7.5	7.4	7.4	8
Communications	N/A	N/A	N/A	N/A	N/A	7.5	8.3	9	10	7.3
Emergency Management	N/A	N/A	N/A	N/A	N/A	0	1	0	0	0
Animal Control	N/A	N/A	N/A	N/A	N/A	1.5	1	1	2	2
Community Development	N/A	N/A	N/A	N/A	N/A	3	3.2	5	5	4
Emergency Medical Service	N/A	N/A	N/A	N/A	N/A	13.3	13	12.7	15.7	16
Economic and physical development:										
Planning and Zoning	N/A	N/A	N/A	N/A	N/A	1	2	0	0	1
Cooperative Extension	N/A	N/A	N/A	N/A	N/A	6	7	5.4	4.2	5.1
Soil and Water conservation	N/A	N/A	N/A	N/A	N/A	1.5	1.8	1.8	1.8	1.8
Economic and Development	N/A	N/A	N/A	N/A	N/A	0	0	0	1	1
Human Services:										
Public Transportation	N/A	N/A	N/A	N/A	N/A	10	10.5	12.6	12.6	13.5
Social Service Administration	N/A	N/A	N/A	N/A	N/A	24	24	26	26	26.5
Veteran's Administration	N/A	N/A	N/A	N/A	N/A	0.5	0.5	0.5	0.6	0.6
Cultural and Recreational:										
Senor Centers	N/A	N/A	N/A	N/A	N/A	6.4	5.7	4.7	5.7	5.7
Library	N/A	N/A	N/A	N/A	N/A	7.5	8.5	7.4	9.3	9.3
Recreation	N/A	N/A	N/A	N/A	N/A	2	2	2	2	4.3
Total						130	141	145	155	160.5

Source: Various County Departments.

N/A--Information not available prior to 2003.

POLK COUNTY, NORTH CAROLINA

Operating Indicators by Function/Program

Last Ten Fiscal Years

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government:										
Percentage of registered voters participating in General Election	49%	N/A	56%	N/A	45%	N/A	69%	N/A	56%	N/A
Public safety:										
Number of inmates processed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	640	648	N/A
Number of building permits issued	74	161	153	157	205	189	197	166	211	180
Number of emergency calls dispatched	1,935	1,985	1,964	1,982	1,882	1,933	2,071	2,062	2,329	2,404
Human Services:										
Public transportation total route miles	N/A	N/A	N/A	N/A	N/A	232,213	301,100	317,213	352,996	335,404
Public transportation passengers	N/A	N/A	N/A	N/A	N/A	43,679	41,774	44,818	44,034	48,857
Number of children in foster care	N/A	N/A	N/A	20	32	28	47	48	64	64
Economic and physical development:										
Number of plats recorded	N/A	N/A	N/A	N/A	N/A	292	256	249	322	337
Cultural and Recreational:										
Volumes in collection	N/A	N/A	N/A	N/A	N/A	57,277	61,037	60,592	62,497	59,355
Circulation	N/A	N/A	N/A	N/A	N/A	90,901	93,901	103,223	93,586	111,733
Education:										
Current expense per ADM	1,216	1,244	1,291	1,289	1,381	1,447	1,488	1,483	1,520	1,611
Enterprise Fund--Landfill:										
Tons of waste received	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10,030	14,370	23,595

Source: Various County Departments.

N/A--Information not available.

POLK COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function

Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	N/A	N/A	N/A	N/A	N/A	34	34	39	36	39
Cultural and Recreational:										
Libraries	1	1	2	2	2	2	2	2	2	2
Recreation acreage	N/A	N/A	N/A	N/A	N/A	14	128	145	145	145
Baseball/softball diamonds	1	1	1	1	1	1	3	3	3	3
Senior centers	3	3	3	3	3	3	3	3	3	3
Human Services:										
Transit--vans	14	14	14	13	14	13	13	14	13	11

Source: Various County Departments.