

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Of

POLK COUNTY,
NORTH CAROLINA

Columbus, North Carolina
For the Fiscal Year Ended June 30, 2021



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

POLK COUNTY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION
(Unaudited)

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



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October 29, 2021

To the Board of County Commissioners, and the
Citizens of Polk County, North Carolina

Ladies and Gentlemen:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of Polk County (the "County") for the fiscal year ended June 30, 2021. 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 Martin Starnes and Associates, CPAs, P.A., and that firm's unmodified opinion is included in the financial section of this report. The report itself, however, is presented by the County, which is responsible for the accuracy of the data and for the completeness and fairness of its presentation, including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors. The goal of the independent audit was to provide reasonable assurance that the financial statements of Polk County for the fiscal year ended June 30, 2021, are free of material misstatements. The audit involved

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unmodified opinion that Polk County's financial statements for the year ended June 30, 2021 are fairly presented in conformity with GAAP.

REPORTING ENTITY

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

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

DESCRIPTION OF COUNTY

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

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

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

extends financial support to certain agencies such as Vaya Health for Regional Mental Health and Polk County Rescue Squad for back-up assistance.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy – The labor force increased approximately 5.1% from the previous year. The present unemployment rate is 4.6% (down from 6.3% the previous year) and lower than the State unemployment rate of 4.9%. The County had one its' lowest year unemployment rate of 3.3% in 2004 and its' highest of 8.8% in 2009. The County has slowly lost some industries but is gaining new ones. The median age just decreased for the first time in several years. The agriculture and equine industries are continuing to grow. Per capita income continues to grow slightly.

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

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

Polk County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the

citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them.

Major initiatives - The County has been working closely with the school system for financing several major renovations to the schools. The County borrowed \$6.2M in FY21 for the High School HVAC and other renovations.

The County spent many hours of planning and preparation to insure the safety of the citizens and employees during the pandemic and will continue to do so until the threat of COVID-19 is minimal.

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 Annual Comprehensive Financial Report (“ACFR”) for the fiscal year ended June 30, 2020. This marks the twenty-fifth 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 ACFR, 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 Martin Starnes & Associates, CPAs, P.A. for their technical assistance.

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

Respectfully submitted,



County Manager

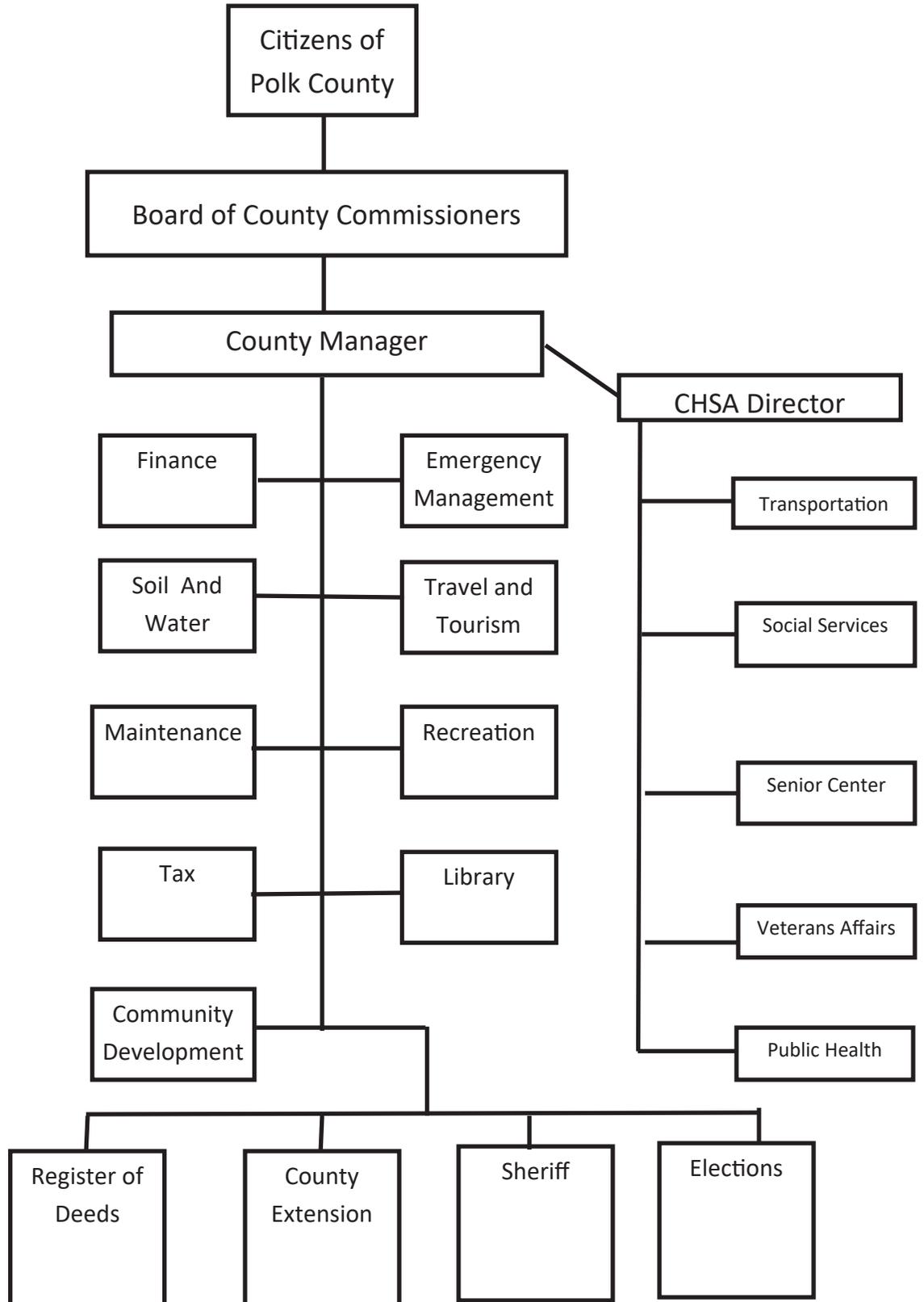


Finance Director

POLK COUNTY, NORTH CAROLINA

Organization Chart

June 30, 2021



POLK COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2021

BOARD OF COUNTY COMMISSIONERS

Tommy Melton, Chairman
Paul Beiler, Vice Chairman
David Moore
Andre Overholt
Myron Yoder

County Officials

Marche Pittman	County Manager
Jana Berg	County Attorney
Ange High	Clerk to the Board
Josh Kennedy	Health and Human Services Director
Sandra Hughes	Finance Director
Sheila Whitmire	Register of Deeds
Timothy Wright	Sheriff
Cliff Marr	Elections Board Director
Melissa Bowlin	Tax Collector/Assessor
Laura Baird	Interim Parks and Recreation Director
Pamela Hyder	Clerk of Court
Bruce Yelton	Information Technology Director
Cathy Ruth	Planning Director
Scott Wellborn	Cooperative Extension
Ryan Searcy	Forest Ranger
Tommy Oakman	Human Resource Officer
Marcie Dowling	County Librarian
Bobby Arledge	Emergency Management Director
Michael Crater	Emergency Medical Director
David Gosnell	Building Inspections Director
Melinda Massey	Tourism Director
Jeremy Gregg	Communications Director
Kelly Gay	Soil and Water Director
Mickey Edwards	Ground and Building Maintenance Director
Dawn Jordan	Agriculture Economic Development Director
Larry Walker	Solid Waste Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Polk County
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



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FINANCIAL SECTION

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



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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To the Board of Commissioners
Polk County
Columbus, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

In our opinion, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, 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 solely 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 effectiveness of Polk County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Polk County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2021



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Management's Discussion and Analysis

The management of Polk County provides the readers of the County's financial statements the following narrative summary and analysis of the financial activities of Polk County for the fiscal year ended June 30, 2021. We encourage readers to read this information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follows this narrative.

Financial Highlights

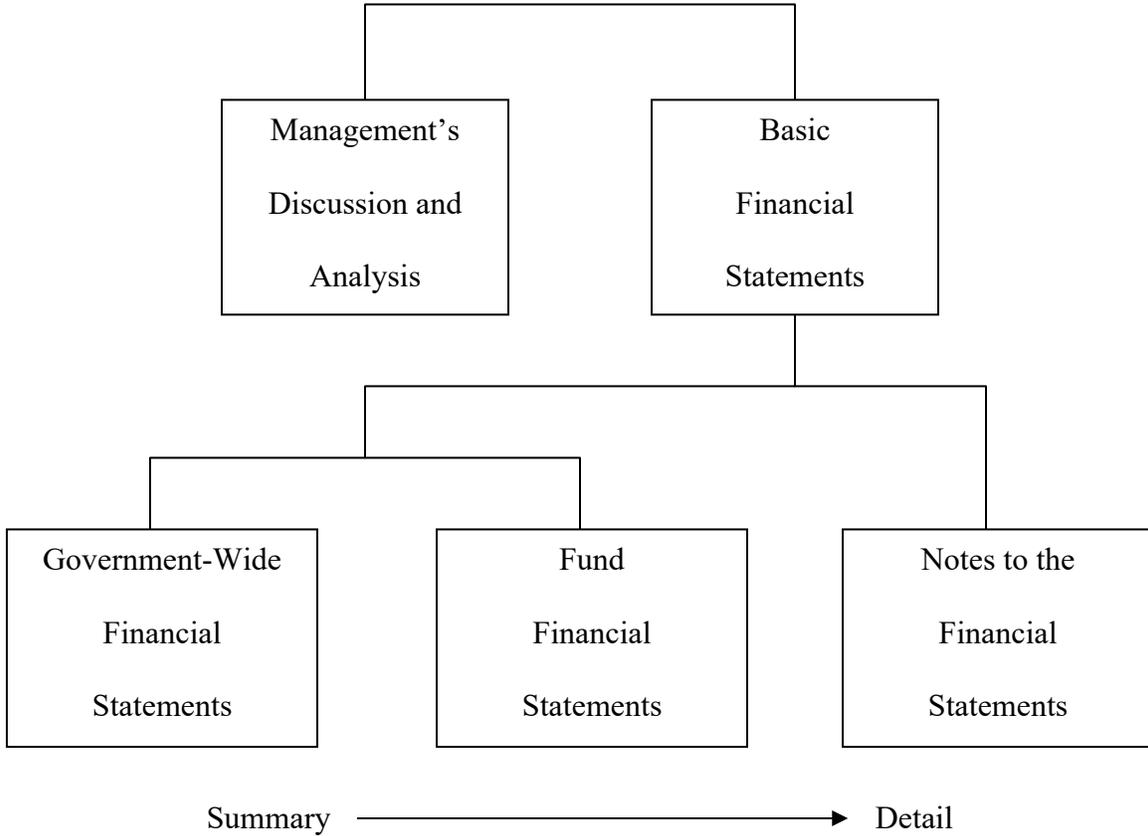
- The assets and deferred outflows of resources of Polk County exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$52,461,266 (net position).
- The County's net position increased by \$3,649,540, primarily due to continued operating efficiencies. Revenues came in higher than budgeted while expenditures came in less than budgeted.
- As of June 30, 2021, Polk County's governmental funds reported combined ending fund balances of \$24,608,719, an increase of \$7,385,269. Approximately 40% of this total amount, or \$9,843,337, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$11,242,177, or 40%, of total General Fund expenditures and transfers to other funds for the fiscal year.
- Polk County's total debt increased by \$3,353,545 during the current fiscal year due to new school debt issued.
- The capital assets of the County increased overall by \$553,593 after depreciation due to new asset acquisitions in the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is 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 A and B) 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 C through L) are **fund financial statements**. These statements focus on the activities of the individual parts of Polk County 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 Polk County's nonmajor governmental funds and internal service fund, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

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 condition as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

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

The government-wide financial statements are found on Exhibits A and B of this report.

Fund Financial Statements

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

Polk County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens and management of the County and the decisions of the Board of Commissioners 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.

Proprietary Funds. Polk County has two difference 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 an enterprise fund to account for its solid waste services. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.
- *Internal Service Funds* are an accounting devise used to accumulate and allocate costs internally among the functions of Polk County. The County uses an internal service fund to account for 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 assets the County holds on behalf of others. Polk County has four fiduciary funds, all of which are agency funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 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 63 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of Polk County exceeded its liabilities and deferred inflows of resources by \$52,461,266 as of June 30, 2021. The County’s net position increased by \$3,649,540 for the fiscal year ended June 30, 2021, which represents an increase of \$3,731,036 for governmental activities and a decrease of (\$81,496) for business-type activities.

Polk County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 28,909,889	\$ 19,981,478	\$ 1,876,832	\$ 1,859,194	\$ 30,786,721	\$ 21,840,672
Capital assets	<u>33,466,285</u>	<u>32,910,508</u>	<u>12,965,948</u>	<u>13,182,561</u>	<u>46,432,233</u>	<u>46,093,069</u>
Total assets	<u>62,376,174</u>	<u>52,891,986</u>	<u>14,842,780</u>	<u>15,041,755</u>	<u>77,218,954</u>	<u>67,933,741</u>
Deferred Outflows of Resources						
	<u>2,943,679</u>	<u>2,314,916</u>	-	-	<u>2,943,679</u>	<u>2,314,916</u>
Liabilities:						
Long-term liabilities outstanding	21,337,811	15,431,413	141,762	149,250	21,479,573	15,580,663
Other liabilities	<u>5,466,055</u>	<u>5,189,074</u>	<u>312,550</u>	<u>422,541</u>	<u>5,778,605</u>	<u>5,611,615</u>
Total liabilities	<u>26,803,866</u>	<u>20,620,487</u>	<u>454,312</u>	<u>571,791</u>	<u>27,258,178</u>	<u>21,192,278</u>
Deferred Inflows of Resources						
	<u>443,189</u>	<u>244,653</u>	-	-	<u>443,189</u>	<u>244,653</u>
Net Position:						
Net investment in capital assets	22,997,270	20,436,021	12,829,828	13,039,405	35,827,098	33,475,426
Restricted	3,453,641	4,926,860	-	-	3,453,641	4,926,860
Unrestricted	<u>11,621,887</u>	<u>8,978,881</u>	<u>1,558,640</u>	<u>1,430,559</u>	<u>13,180,527</u>	<u>10,409,440</u>
Total net position	<u>\$ 38,072,798</u>	<u>\$ 34,341,762</u>	<u>\$ 14,388,468</u>	<u>\$ 14,469,964</u>	<u>\$ 52,461,266</u>	<u>\$ 48,811,726</u>

Several particular aspects of the County's financial operations influenced the total unrestricted governmental net position:

- Increases to education operating funds for school resources officers, and teacher supplements, in addition to increases in debt service from the 2021 installment financing agreement.
- Investment in general government public safety, facilities, and economic development.
- Continued investment in staff compensation in order to get closer to market.

Polk County Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,119,704	\$ 2,228,123	\$ 1,770,088	\$ 1,485,158	\$ 4,889,792	\$ 3,713,281
Operating grants and contributions	4,040,318	3,773,834	-	-	4,040,318	3,773,834
Capital grants and contributions	633,283	142,585	-	-	633,283	142,585
General revenues:						
Property taxes	19,846,984	19,355,973	-	-	19,846,984	19,355,973
Other taxes	6,083,842	5,328,466	-	48,652	6,083,842	5,377,118
Other	491,018	435,418	61,045	-	552,063	435,418
Total revenues	<u>34,215,149</u>	<u>31,264,399</u>	<u>1,831,133</u>	<u>1,533,810</u>	<u>36,046,282</u>	<u>32,798,209</u>
Expenses:						
General government	4,543,328	3,846,916	-	-	4,543,328	3,846,916
Public safety	12,047,218	10,809,062	-	-	12,047,218	10,809,062
Economic and physical development	528,035	869,522	-	-	528,035	869,522
Human services	4,814,256	4,923,381	-	-	4,814,256	4,923,381
Cultural and recreational	1,849,723	1,869,893	-	-	1,849,723	1,869,893
Education	6,441,594	6,925,004	-	-	6,441,594	6,925,004
Interest on long-term debt	297,845	347,575	-	-	297,845	347,575
Solid waste	-	-	-	1,637,101	-	1,637,101
Water	-	-	1,874,743	276,897	1,874,743	276,897
Total expenses	<u>30,521,999</u>	<u>29,591,353</u>	<u>1,874,743</u>	<u>1,913,998</u>	<u>32,396,742</u>	<u>31,505,351</u>
Change in net position before transfers	3,693,150	1,673,046	(43,610)	(380,188)	3,649,540	1,292,858
Transfers	<u>37,886</u>	<u>(145,000)</u>	<u>(37,886)</u>	<u>145,000</u>	<u>-</u>	<u>-</u>
Change in net position	3,731,036	1,528,046	(81,496)	(235,188)	3,649,540	1,292,858
Net Position:						
Beginning of year - July 1	<u>34,341,762</u>	<u>32,813,716</u>	<u>14,469,964</u>	<u>14,705,152</u>	<u>48,811,726</u>	<u>47,518,868</u>
End of year - June 30	<u>\$ 38,072,798</u>	<u>\$ 34,341,762</u>	<u>\$ 14,388,468</u>	<u>\$ 14,469,964</u>	<u>\$ 52,461,266</u>	<u>\$ 48,811,726</u>

Governmental Activities. Net position increased \$3,731,036, mainly due to an increase in property tax and other tax revenues driven by increased local real estate market values and increased collection rates. Property tax revenue is the County's largest source of revenue, accounting for 58 percent of total revenue. Current year property tax base was \$3.14 billion at a rate of .5494 per \$100. The revenues in the governmental activities have increased roughly 9.2 percent from the prior year. Other taxes, which include sales taxes, are up 14.2 percent. Expenses increased over the prior year primarily in public safety and general government.

Business-Type Activities. Net position decreased \$81,496, mainly due to spending in excess of revenue collections.

Financial Analysis of the County's Funds

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

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

At the close of the current fiscal year, Polk County's governmental funds reported a combined ending fund balance of \$24,608,719, an increase of \$7,385,269 in comparison with the prior year. The increase in total fund balance is due primarily to operating efficiencies and good budget practices.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, Polk County's fund balance available in the General Fund was \$11,242,177, while total fund balance reached \$13,959,396. The County currently has an available fund balance of 40% of General Fund expenses and transfers to other funds, while total fund balance represents 50% of the same amount. The available fund balance increased over prior year due to an increase in property tax and other tax revenues driven by increased local real estate market values as well as the County taking a position to drive an increase in collection rates.

The fund balance of other governmental funds was \$10,649,323 at the close of the current fiscal year, an increase of \$5,681,553. The fund balance of the Capital Projects Fund increased \$7,201,836 mainly due to issuance of new debt and ongoing projects. The fund balance of the Grant Projects fund increased \$4,929 due to revenues exceeding spending in the current fiscal year.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,020,362, or 4 percent, of the original budget. The increase in the final budgeted revenues is primarily due to additional sales tax and grants received by the County. Total amendments to the General Fund increased expenditures by \$1,636,795, or 6 percent, of the original budget. As a result of management's efforts to control expenditures in light of current economic conditions, the General Fund's actual expenditures were \$2,330,968 under budgeted expenditures.

Capital Asset and Debt Administration

Capital Assets. Polk County's capital assets for its governmental-type activities as of June 30, 2021 totals \$33,466,285 (net of accumulated depreciation), an increase of \$771,042 as compared to the previous year. Building and improvements decreased primarily due to depreciation while land, equipment and vehicles increased due to new purchases and replacements. Construction also began on the school project.

Polk County's capital assets for its business-type activities as of June 30, 2021 totals \$12,965,948 (net of accumulated depreciation), a decrease of \$217,449 compared to the previous year, primarily due to depreciation exceeding newly acquired fixed assets.

**Polk County's Capital Assets
(net of depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land and easements	\$ 8,641,300	\$ 8,122,766	\$ 2,708,350	\$ 2,708,350	\$ 11,349,650	\$ 10,831,116
Buildings and improvements	21,172,340	21,812,930	915,192	948,960	22,087,532	22,761,890
Equipment	1,068,063	925,698	215,368	270,971	1,283,431	1,196,669
Waterlines and related assets	-	-	8,850,729	9,082,444	8,850,729	9,082,444
Vehicles and motorized equipment	2,040,003	1,833,849	60,150	23,437	2,100,153	1,857,286
Construction in progress	544,579	-	216,159	149,235	760,738	149,235
Total	<u>\$ 33,466,285</u>	<u>\$ 32,695,243</u>	<u>\$ 12,965,948</u>	<u>\$ 13,183,397</u>	<u>\$ 46,432,233</u>	<u>\$ 45,878,640</u>

Additional information on the County's capital assets can be found in Note 2.A. of the basic financial statements.

Long-Term Debt. As of June 30, 2021, Polk County's outstanding balance on direct placement installment purchase contracts was \$17,406,460. The County's total debt increased by \$3,353,545 due to the issuance of \$6.2 million in new school debt less regular principal payments made by the County throughout the year.

**Polk County's Outstanding Debt
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Direct placement installment purchase contracts	<u>\$ 17,270,340</u>	<u>\$ 13,909,760</u>	<u>\$ 136,120</u>	<u>\$ 143,155</u>	<u>\$ 17,406,460</u>	<u>\$ 14,052,915</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Polk County is \$233,823,960.

Additional information regarding the County's long-term debt can be found beginning on page 56 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key indicators reflect the economic condition of the County:

- The County has an unemployment rate of 4.6 percent, lower than the state average of 4.9 percent;
- Overall revenues are up 9%, and expenditures are up 3%;
- The property tax revenue increased mainly due to an increase in the collection rate;
- Tryon International Equestrian Center (TIEC) located in Mill Spring has significantly changed the landscape of Polk County. It has and will continue to increase occupancy, sales, and property taxes. They host events that bring people from across the U.S. and abroad. A luxury resort is expected to be constructed in the near future.

Impact of Coronavirus on the County

During the fiscal year, the state and the nation continue to be affected by the spread of the coronavirus (COVID-19). The County's response included declaring a State of Emergency and activating the Emergency Operating Center. The County also used grant funds to organize remote work stations with supplies and equipment to allow for the continuation of services. A committee was formed to formulate a plan to prioritize the spending of CARES grant funds that were appropriated to Polk County from the State of North Carolina for the purpose of mitigating COVID-19 and were successfully spent.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities – Property taxes are budgeted with a 1.04 tax rate increase based on the revenue neutral tax rate calculation for our four-year cycle revaluation. Revenues from permits and fees are expected to increase based on trends and the addition of the health department permits. Sales tax revenues are budgeted to increase based on estimates from the state. Property tax revenue is budgeted to increase by 3.5 percent due to the increased tax rate and collection rate increase. Overall, total budgeted revenue is expected to increase approximately 5 percent without the consideration of appropriated fund balance. Fund balance was used to balance the fiscal year 2022 budget in the amount of \$403,621 for one-time capital purchases.

The County's largest expenditures are for salaries which are budgeted a 5% salary increase to begin in January. The County has budgeted school capital sales tax set aside as well as new school debt payments on the \$6.2M loan proceeds incurred in FY21. The expenditure budget was increased by approximately 2.5 percent.

Requests for Information

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



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POLK COUNTY, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 17,437,638	\$ 1,461,130	\$ 18,898,768
Ad valorem taxes receivable, net	368,456	-	368,456
Accounts receivable, net	2,555,640	415,702	2,971,342
Prepaid items	115,525	-	115,525
Restricted cash and cash equivalents	8,381,044	-	8,381,044
Total current assets	<u>28,858,303</u>	<u>1,876,832</u>	<u>30,735,135</u>
Non-current assets:			
Net pension asset - ROD	51,586	-	51,586
Capital assets:			
Land, improvements, and construction in progress	9,185,879	2,924,509	12,110,388
Other capital assets, net of accumulated depreciation	24,280,406	10,041,439	34,321,845
Total capital assets	<u>33,466,285</u>	<u>12,965,948</u>	<u>46,432,233</u>
Total non-current assets	<u>33,517,871</u>	<u>12,965,948</u>	<u>46,483,819</u>
Total assets	<u>62,376,174</u>	<u>14,842,780</u>	<u>77,218,954</u>
Deferred Outflows of Resources:			
Pension deferrals	2,943,679	-	2,943,679
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,690,987	293,656	1,984,643
Advance from grantor	1,923,448	-	1,923,448
Accrued interest payable	64,850	-	64,850
Prepaid fees	15,116	-	15,116
Unearned revenue	-	1,425	1,425
Due in less than one year	1,771,654	17,469	1,789,123
Total current liabilities	<u>5,466,055</u>	<u>312,550</u>	<u>5,778,605</u>
Long-term liabilities:			
Net pension liability - LGERS	4,363,510	-	4,363,510
Total pension liability - LEOSSA	718,423	-	718,423
Due in more than one year	16,255,878	141,762	16,397,640
Total long-term liabilities	<u>21,337,811</u>	<u>141,762</u>	<u>21,479,573</u>
Total liabilities	<u>26,803,866</u>	<u>454,312</u>	<u>27,258,178</u>

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

POLK COUNTY, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred Inflows of Resources:			
Pension deferrals	301,136	-	301,136
Prepaid taxes	142,053	-	142,053
Total deferred inflows of resources	<u>443,189</u>	<u>-</u>	<u>443,189</u>
Net Position:			
Net investment in capital assets	22,997,270	12,829,828	35,827,098
Restricted for:			
Stabilization by state statute	2,714,875	-	2,714,875
Public safety	132,313	-	132,313
Tourism	523,284	-	523,284
General government	22,693	-	22,693
School debt service	7,252	-	7,252
Register of Deeds - pension plan	53,224	-	53,224
Unrestricted net position	<u>11,621,887</u>	<u>1,558,640</u>	<u>13,180,527</u>
Total net position	<u>\$ 38,072,798</u>	<u>\$ 14,388,468</u>	<u>\$ 52,461,266</u>

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



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POLK COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 4,543,328	\$ 1,179,639	\$ 2,959,274	\$ -
Public safety	12,047,218	1,309,092	-	-
Economic and physical development	528,035	-	1,081,044	-
Human services	4,814,256	598,140	-	633,283
Cultural and recreational	1,849,723	32,833	-	-
Education	6,441,594	-	-	-
Interest expense and fees	297,845	-	-	-
Total governmental activities	<u>30,521,999</u>	<u>3,119,704</u>	<u>4,040,318</u>	<u>633,283</u>
Business-Type Activities:				
Solid waste	1,643,032	1,744,588	-	-
Water	231,711	25,500	-	-
Total business-type activities	<u>1,874,743</u>	<u>1,770,088</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 32,396,742</u>	<u>\$ 4,889,792</u>	<u>\$ 4,040,318</u>	<u>\$ 633,283</u>

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

POLK COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (404,415)	\$ -	\$ (404,415)
Public safety	(10,738,126)	-	(10,738,126)
Economic and physical development	553,009	-	553,009
Human services	(3,582,833)	-	(3,582,833)
Cultural and recreational	(1,816,890)	-	(1,816,890)
Education	(6,441,594)	-	(6,441,594)
Interest expense and fees	(297,845)	-	(297,845)
Total governmental activities	(22,728,694)	-	(22,728,694)
Business-Type Activities:			
Solid waste	-	101,556	101,556
Water	-	(206,211)	(206,211)
Total business-type activities	-	(104,655)	(104,655)
Total primary government	(22,728,694)	(104,655)	(22,833,349)
General Revenues:			
Taxes:			
Ad valorem taxes	19,846,984	-	19,846,984
Sales tax	6,083,842	-	6,083,842
Real estate transfer taxes	469,788	-	469,788
Investment earnings	21,230	-	21,230
Other taxes	-	61,045	61,045
Total general revenues, excluding transfers	26,421,844	61,045	26,482,889
Total transfers	37,886	(37,886)	-
Total general revenues and transfers	26,459,730	23,159	26,482,889
Change in net position	3,731,036	(81,496)	3,649,540
Net Position:			
Beginning of year - July 1	34,341,762	14,469,964	48,811,726
End of year - June 30	\$ 38,072,798	\$ 14,388,468	\$ 52,461,266

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

POLK COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major			Nonmajor	Total Governmental Funds
	General Fund	Capital Projects Fund	Grant Projects Fund	Other Governmental Funds	
Assets:					
Cash and cash equivalents	\$ 12,415,495	\$ 3,938,250	\$ -	\$ 974,369	\$ 17,328,114
Ad valorem taxes receivable, net	321,700	-	-	46,756	368,456
Accounts receivable	2,466,125	-	-	89,515	2,555,640
Prepaid items	108,273	-	-	7,252	115,525
Restricted cash and cash equivalents	91,369	6,327,395	1,962,280	-	8,381,044
Total assets	<u>\$ 15,402,962</u>	<u>\$ 10,265,645</u>	<u>\$ 1,962,280</u>	<u>\$ 1,117,892</u>	<u>\$ 28,748,779</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 964,697	\$ 415,333	\$ -	\$ 310,957	\$ 1,690,987
Advance from grantor	-	-	1,923,448	-	1,923,448
Deferred revenue	15,116	-	-	-	15,116
Total liabilities	<u>979,813</u>	<u>415,333</u>	<u>1,923,448</u>	<u>310,957</u>	<u>3,629,551</u>
Deferred Inflows of Resources:					
Prepaid taxes	142,053	-	-	-	142,053
Unavailable taxes	321,700	-	-	46,756	368,456
Total deferred inflows of resources	<u>463,753</u>	<u>-</u>	<u>-</u>	<u>46,756</u>	<u>510,509</u>
Fund Balances:					
Non-Spendable:					
Prepays	108,273	-	-	7,252	115,525
Restricted:					
Stabilization by state statute	2,608,946	-	4,929	101,000	2,714,875
Public safety	17,238	6,327,395	-	115,075	6,459,708
School debt service	-	-	-	7,252	7,252
Tourism	-	-	-	523,284	523,284
General government	-	-	-	22,693	22,693
Committed:					
Future projects	-	-	33,903	-	33,903
Tax revaluation	74,131	-	-	-	74,131
Assigned:					
Future school capital	-	768,122	-	-	768,122
Subsequent year's expenditures	403,621	-	-	-	403,621
Capital projects	-	2,754,795	-	-	2,754,795
Unassigned	10,747,187	-	-	(16,377)	10,730,810
Total fund balances	<u>13,959,396</u>	<u>9,850,312</u>	<u>38,832</u>	<u>760,179</u>	<u>24,608,719</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,402,962</u>	<u>\$ 10,265,645</u>	<u>\$ 1,962,280</u>	<u>\$ 1,117,892</u>	<u>\$ 28,748,779</u>

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

POLK COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances, per Exhibit C	\$ 24,608,719
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	33,466,285
Net pension asset - ROD	51,586
Net pension liability - LGERS	(4,363,510)
Total pension liability - LEOSSA	(718,423)
Assets and liabilities of the Self-Insurance Internal Service Fund used by management to account for certain insurance costs are included in governmental activities in the Statement of Net Position.	109,524
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	368,456
Deferred outflows of resources related to pension are not reported in the funds.	2,943,679
Deferred inflows of resources related to pension are not reported in the funds.	(301,136)
Long-term liabilities, compensated absences and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(18,092,382)</u>
Net position of governmental activities, per Exhibit A	<u>\$ 38,072,798</u>

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

POLK COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major			Nonmajor	Total Governmental Funds
	General Fund	Capital Projects Fund	Grant Projects Fund	Other Governmental Funds	
Revenues:					
Ad valorem taxes	\$ 17,298,840	\$ -	\$ -	\$ 2,594,018	\$ 19,892,858
Other taxes and licenses	6,083,842	-	-	469,788	6,553,630
Restricted intergovernmental revenues	3,609,724	-	1,081,044	502,305	5,193,073
Fees, licenses, and permits	680,507	-	-	-	680,507
Sales and services	1,727,869	-	-	-	1,727,869
Investment earnings	6,356	55	-	14,819	21,230
Miscellaneous revenues	100,423	4,273	-	87,160	191,856
Total revenues	<u>29,507,561</u>	<u>4,328</u>	<u>1,081,044</u>	<u>3,668,090</u>	<u>34,261,023</u>
Expenditures:					
Current:					
General government	4,121,900	-	-	336,994	4,458,894
Public safety	7,784,452	91,989	1,076,115	2,875,456	11,828,012
Economic and physical development	671,555	-	-	239,758	911,313
Human services	4,736,247	-	-	-	4,736,247
Cultural and recreational	1,587,599	2,910	-	-	1,590,509
Education	5,989,380	452,214	-	-	6,441,594
Debt service:					
Principal retirement	995,420	-	-	1,844,000	2,839,420
Interest and fees	307,651	-	-	-	307,651
Total expenditures	<u>26,194,204</u>	<u>547,113</u>	<u>1,076,115</u>	<u>5,296,208</u>	<u>33,113,640</u>
Revenues over (under) expenditures	<u>3,313,357</u>	<u>(542,785)</u>	<u>4,929</u>	<u>(1,628,118)</u>	<u>1,147,383</u>
Other Financing Sources (Uses):					
Debt issued	-	6,200,000	-	-	6,200,000
Refinanced debt issued	9,979,742	-	-	-	9,979,742
Payment on refinanced debt	(9,979,742)	-	-	-	(9,979,742)
Transfers in	353,440	1,765,175	-	102,906	2,221,521
Transfers out	(1,963,081)	(220,554)	-	-	(2,183,635)
Total other financing sources (uses)	<u>(1,609,641)</u>	<u>7,744,621</u>	<u>-</u>	<u>102,906</u>	<u>6,237,886</u>
Net change in fund balances	1,703,716	7,201,836	4,929	(1,525,212)	7,385,269
Fund Balances:					
Beginning of year - July 1	<u>12,255,680</u>	<u>2,648,476</u>	<u>33,903</u>	<u>2,285,391</u>	<u>17,223,450</u>
End of year - June 30	<u>\$ 13,959,396</u>	<u>\$ 9,850,312</u>	<u>\$ 38,832</u>	<u>\$ 760,179</u>	<u>\$ 24,608,719</u>

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

POLK COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds (Exhibit E)	\$ 7,385,269
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense with any residual book value expensed if the asset is disposed:

Capital outlay expenditures capitalized during the year;	2,377,674
Depreciation expense recorded during the current year; and	(1,580,136)
Net book value of capital assets disposed during the current year	(241,761)

The issuance of long-term debt provides current financial resources, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net position.

Principal payments	2,839,420
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Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(6,200,000)
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Some expenses reported in the Statement of Activities that do not require current resources to pay are not recorded as expenditures in the fund statements:

Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	28,926
Compensated absences	(88,473)
Pension expense	(724,907)

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

Net change in accrued interest receivable on property taxes; and	(19,102)
Net change in taxes receivable	(45,874)

Change in net position of governmental activities - Exhibit B	<u>\$ 3,731,036</u>
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The accompanying notes are an integral part of the financial statements.

POLK COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Over/Under
Revenues:				
Ad valorem taxes	\$ 17,029,509	\$ 17,029,509	\$ 17,298,840	\$ 269,331
Other taxes and licenses	4,392,424	4,661,851	6,083,842	1,421,991
Restricted intergovernmental revenues	3,578,801	4,137,413	3,609,724	(527,689)
Permits and fees	490,147	490,147	680,507	190,360
Sales and services	1,666,635	1,832,268	1,727,869	(104,399)
Investment earnings	305,000	305,000	6,325	(298,675)
Miscellaneous	68,909	95,599	100,423	4,824
Total revenues	<u>27,531,425</u>	<u>28,551,787</u>	<u>29,507,530</u>	<u>955,743</u>
Expenditures:				
General government	3,754,629	4,504,554	3,921,672	582,882
Public safety	7,781,196	8,032,097	7,784,452	247,645
Economic and physical development	765,865	781,319	671,555	109,764
Human services	5,387,272	5,851,123	4,736,247	1,114,876
Cultural and recreational	1,750,760	1,817,759	1,587,599	230,160
Education	5,942,757	6,034,887	5,989,380	45,507
Principal retirement	995,421	995,420	995,420	-
Interest and fees	310,249	307,785	307,651	134
Total expenditures	<u>26,688,149</u>	<u>28,324,944</u>	<u>25,993,976</u>	<u>2,330,968</u>
Revenues over (under) expenditures	<u>843,276</u>	<u>226,843</u>	<u>3,513,554</u>	<u>3,286,711</u>
Other Financing Sources (Uses):				
Appropriated fund balance	-	1,569,667	-	(1,569,667)
Refinanced debt issued	-	9,979,742	9,979,742	-
Payment on refinanced debt	-	(9,979,742)	(9,979,742)	-
Transfers in	(23,550)	166,571	303,440	136,869
Transfers (out)	(819,726)	(1,963,081)	(1,963,081)	-
Total other financing sources (uses)	<u>(843,276)</u>	<u>(226,843)</u>	<u>(1,659,641)</u>	<u>(1,432,798)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,853,913</u>	<u>\$ 1,853,913</u>
Fund Balances:				
Beginning of year - July 1			<u>12,031,352</u>	
End of year - June 30 - General Fund			13,885,265	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Revenue			31	
Expenditures			(200,228)	
Transfer from other funds			50,000	
Fund balance, beginning of year - Revaluation Fund			<u>224,328</u>	
Fund balance, end of year - Combined General Fund			<u>\$ 13,959,396</u>	

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

POLK COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds			Governmental Activities
	Solid Waste Fund	Water Fund	Total Business-Type Activities	Internal Service Fund
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,143,962	\$ 317,168	\$ 1,461,130	\$ 109,524
Accounts receivable, net	222,361	193,341	415,702	-
Total current assets	<u>1,366,323</u>	<u>510,509</u>	<u>1,876,832</u>	<u>109,524</u>
Non-current assets:				
Land, improvements, and construction in progress	790,805	2,133,704	2,924,509	-
Capital assets, net	2,420,551	11,272,219	13,692,770	-
Accumulated depreciation	<u>(1,229,841)</u>	<u>(2,421,490)</u>	<u>(3,651,331)</u>	<u>-</u>
Total non-current assets	<u>1,981,515</u>	<u>10,984,433</u>	<u>12,965,948</u>	<u>-</u>
Total assets	<u>3,347,838</u>	<u>11,494,942</u>	<u>14,842,780</u>	<u>109,524</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	98,760	194,896	293,656	-
Compensated absences	10,000	-	10,000	-
Current portion of notes payable and capital leases	7,469	-	7,469	-
Unearned revenue	<u>1,425</u>	<u>-</u>	<u>1,425</u>	<u>-</u>
Total current liabilities	<u>117,654</u>	<u>194,896</u>	<u>312,550</u>	<u>-</u>
Non-current liabilities:				
Compensated absences	13,111	-	13,111	-
Notes payable	<u>128,651</u>	<u>-</u>	<u>128,651</u>	<u>-</u>
Total non-current liabilities	<u>141,762</u>	<u>-</u>	<u>141,762</u>	<u>-</u>
Total liabilities	<u>259,416</u>	<u>194,896</u>	<u>454,312</u>	<u>-</u>
Net Position:				
Net investment in capital assets	1,845,395	10,984,433	12,829,828	-
Unrestricted net position	<u>1,243,027</u>	<u>315,613</u>	<u>1,558,640</u>	<u>109,524</u>
Total net position	<u>\$ 3,088,422</u>	<u>\$ 11,300,046</u>	<u>\$ 14,388,468</u>	<u>\$ 109,524</u>

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

POLK COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Governmental Activities
	Solid Waste Fund	Water Fund	Total Business-Type Activities	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 1,744,588	\$ 25,500	\$ 1,770,088	\$ -
Operating Expenses:				
Operating expenses	1,450,178	-	1,450,178	-
Closure and postclosure care	80,444	-	80,444	-
Depreciation	104,015	231,711	335,726	-
Total operating expenses	1,634,637	231,711	1,866,348	-
Operating income (loss)	109,951	(206,211)	(96,260)	-
Non-Operating Revenues (Expenses):				
Solid waste taxes	61,045	-	61,045	-
Interest expense	(8,395)	-	(8,395)	-
Total non-operating revenues (expenses)	52,650	-	52,650	-
Income (loss) before transfers	162,601	(206,211)	(43,610)	-
Other Financing Sources (Uses):				
Transfers out	(132,886)	-	(132,886)	-
Transfers in	-	95,000	95,000	-
Total other financing sources (uses)	(132,886)	95,000	(37,886)	-
Change in net position	29,715	(111,211)	(81,496)	-
Net Position:				
Beginning of year - July 1	3,058,707	11,411,257	14,469,964	109,524
End of year - June 30	\$ 3,088,422	\$ 11,300,046	\$ 14,388,468	\$ 109,524

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

POLK COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Governmental Activities
	Solid Waste Fund	Water Fund	Total Business-Type Activities	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from customers	\$ 1,693,778	\$ 138,830	\$ 1,832,608	\$ -
Cash paid for goods and services	(1,545,519)	(96,315)	(1,641,834)	-
Net cash provided (used) by operating activities	148,259	42,515	190,774	-
Cash Flows From Non-Capital Financing Activities:				
Transfer in (out)	(132,886)	95,000	(37,886)	-
Solid waste taxes	61,045	-	61,045	-
Net cash (used) provided by non-capital financing activities	(71,841)	95,000	23,159	-
Cash Flows from Capital and Related Financing Activities:				
Principal payments	(7,035)	-	(7,035)	-
Acquisition of capital assets	(51,295)	(66,924)	(118,219)	-
Interest expense	(8,395)	-	(8,395)	-
Net cash provided (used) by capital and related financing activities	(66,725)	(66,924)	(133,649)	-
Net increase (decrease) in cash and cash equivalents	9,693	70,591	80,284	-
Cash and Cash Equivalents:				
Beginning of year - July 1	1,134,269	246,577	1,380,846	109,524
End of year - June 30	\$ 1,143,962	\$ 317,168	\$ 1,461,130	\$ 109,524
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 109,951	\$ (206,211)	\$ (96,260)	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	104,015	231,711	335,726	-
Changes in Assets and Liabilities:				
Increase (decrease) in unearned revenue	(2,329)	-	(2,329)	-
(Increase) decrease in accounts receivable	(53,487)	113,330	59,843	-
Increase (decrease) in prepaid fees	2,802	-	2,802	-
Increase (decrease) in accounts payable	(16,266)	(96,315)	(112,581)	-
Increase (decrease) in accrued payroll and other liabilities	3,573	-	3,573	-
Net cash provided (used) by operating activities	\$ 148,259	\$ 42,515	\$ 190,774	\$ -

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

POLK COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	\$ 43,732
Receivable for other governments, net	<u>59,554</u>
Total assets	<u>103,286</u>
Liabilities:	
Accounts payable and accrued liabilities	<u>24,605</u>
Net Position:	
Restricted For:	
Individuals, organizations, and other governments	<u>78,681</u>
Total net position	<u>\$ 78,681</u>

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

POLK COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>
Additions:	
Ad valorem taxes collected for other governments	\$ 1,904,455
Collections on behalf of inmates	<u>55,547</u>
Total additions	<u>1,960,002</u>
Deductions:	
Tax distributions to other governments	1,907,312
Payments on behalf of inmates	<u>48,046</u>
Total deductions	<u>1,955,358</u>
Net increase (decrease) in fiduciary net position	<u>4,644</u>
Net position - beginning of year	-
Prior period restatement - change in accounting principle	<u>74,037</u>
Net position - beginning, as restated	<u>74,037</u>
Net position - end of year	<u>\$ 78,681</u>

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



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POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Significant Accounting Policies

The accompanying financial statements and the following accounting policies of Polk County, North Carolina (the "County"), conform to accounting principles generally accepted in the United States of America as applicable to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The County had no component units as of June 30, 2021.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government net position. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs and 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 and blended component units. 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 proprietary funds are aggregated and reported as nonmajor funds.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Capital Projects Fund. This fund is used to account for the construction of the new jail and other capital asset construction and acquisition projects.

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

The County reports the following major enterprise funds:

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

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

Additionally, the County reports the following fund types:

Internal Service Fund. The Self-Insurance Fund has been used to account for the accumulation and allocation of costs associated with employees' healthcare. The County was self-insured until June 30, 2014. During the fiscal year June 30, 2016, the County joined the State Health Plan.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following Custodial Funds: the Property Tax Fund, which accounts for property taxes and motor vehicle taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Inmate Commissary Fund, which accounts for inmate deposits and payments.

Nonmajor Funds. The County maintains five legally budgeted nonmajor funds. The Fire District Fund, the Tourism Development Fund, the Emergency Telephone System Fund, and Other Miscellaneous Governmental Activities Fund are reported as nonmajor special revenue funds. The Debt Service Fund is reported as a Debt Service Fund. The Capital Reserve Fund is consolidated in the Capital Projects Fund in accordance with GASB Statement No. 54.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

C. Measurement Focus and Basis of Accounting

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "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 long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as 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 September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the state at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds, the Capital Reserve Fund, the Debt Service Fund, the Solid Waste Fund, and the Water Fund. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Project ordinances are adopted for the Capital Projects Fund, the Grant Project Fund, and the Water Capital Projects Fund, which is consolidated with the Water Fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Board approval is required for all amendments exceeding \$7,500 within any department and \$7,500 between departments. During the year, several immaterial 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.

E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

Deposits and Investments

All deposits of the County are made in Board-designated official depositories and are secured as required by state law [G.S.159-31]. The County may designate, as an official depository, any bank or savings and loan 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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

The County's investments in commercial paper are carried at fair value as determined by quoted market prices. The NCCMT Government Portfolio is an SEC-registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund, which invests in treasuries and government agencies and is rated AAAM by S&P and AAA-mf by Moody Investor Services. The Government Portfolio is reported at fair value.

Cash and Cash Equivalents

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

Restricted Assets

Unspent loan proceeds are restricted to the purpose of the debt issuance in the Capital Projects Fund. American Rescue Plan Act funds are restricted by the grantor for the purpose of reducing the negative impact of COVID and to assist the efforts of recovery from COVID. Money in the General Fund is restricted by the County for the purpose of working towards a drug free community. Money in the Tax Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

<u>Restricted Cash</u>	<u>Amount</u>
Unspent loan proceeds	\$ 6,327,395
American Rescue Plan Act	1,962,280
Tax Revaluation Fund	74,131
General Fund - Drug fund	<u>17,238</u>
Total restricted cash	<u>\$ 8,381,044</u>

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), but penalties and interest do not begin to accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2020. As allowed by state law, the County has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Allowances for Doubtful Accounts

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

Prepaid Items

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

Capital Assets

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

The County holds title to certain Polk County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit certificates of participation financing of acquisition and 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 the straight-line method over their estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements	20 years
Furniture and equipment	5-10 years
Vehicles	8 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet these criteria – contributions made to pension plans in the current fiscal year, benefit payments

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

and administrative costs in the current fiscal year, and other pension-related deferrals. In addition to liabilities, the Statement of Net Position and Balance Sheet can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criteria for this category – prepaid taxes, ad valorem taxes receivable, and pension-related deferrals.

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 Position.

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

Compensated Absences

The vacation policies of the County provides for the accumulation of up to 30 days of earned vacation leave, with such leave being fully vested when earned. This policy is maintained for all departments except for EMS, which is allowed to accumulate up to 45 days. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provides 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

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

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Restricted for Public Safety – portion of fund balance restricted by revenue sources for certain emergency telephone system expenditures and portion of fund balance representing net loan proceeds restricted for construction of the new jail.

Restricted for Tourism – portion of fund balance restricted by revenue source for tourism expenditures.

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

Restricted for General Government – portion of fund balance restricted by revenue source for other agency funds.

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent bond proceeds of \$6,327,395 and restricted for Register of Deeds pension plan and related deferrals of \$53,224, for a net difference of \$6,274,171, as of June 30, 2021.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Committed Fund Balance

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

Committed for Tax Revaluation – portion of fund balance that can only be used for tax revaluation.

Committed for Future Projects – portion of fund balance that can only be used for future projects.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that Polk County intends to use for specific purposes but do not meet the criteria to be classified in restricted or committed. Assignments of fund balance are generally created by action of the County governing body, such as the adoption of an annual budget or project ordinance. However, an additional Board action is not required for removal of an assignment.

Assigned for Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager to modify the appropriations by resource or appropriation within funds up to \$10,000.

Assigned for Capital Projects – portion of fund balance appropriated by the governing body for construction projects.

Assigned for Future School Capital – portion of fund balance appropriated by the governing body from sales tax true-up, which is set aside to be used for school capital or school debt service, as determined by both Boards.

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. Only the General Fund may report a positive unassigned fund balance. However, other governmental funds may report a negative unassigned fund balance if expenditures exceed the amounts restricted, committed or assigned to those purposes.

At times, the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The County has not adopted a formal fund balance policy.

F. Defined Benefit Cost-Sharing Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the state; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

2. Detail Notes On All Funds

A. Assets

Deposits

All of the County's deposits of the County are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in the County's name. The amount of collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral provided for the County under the Pooling Method, the potential exists for under collateralization. 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 has no formal policy regarding custodial risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

At June 30, 2021, the carrying amount of the County's deposits was \$8,736,983, and the related bank balance was \$8,882,239. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and the remaining balance was covered by collateral held under the Pooling Method. The County had cash on hand at June 30, 2021 of \$2,350.

Investments

All investments are stated at cost, which approximates fair value. The County distributes interest earned to the various funds based on each fund's proportionate equity in pooled cash and investments during each month of the year.

At June 30, 2021, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than Six Months</u>
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	<u>\$ 18,584,211</u>	<u>\$ 18,584,211</u>

Because the NCCMT Government Portfolio has a weighed average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody's Investor Service.

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of Fair Value Hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the County's investment policy states that it 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 also limits the County to investing fund primarily in shorter-term securities.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). In order to mitigate against credit risk, the County's investment policy states that investments are limited to the safest types 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. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of rated AAAM by S&P and AAA-mf by Moody's Investors Service as of June 30, 2021.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Receivables

Accounts receivable at the government-wide level at June 30, 2021 were as follows:

	<u>Governmental Funds</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>General</u>	<u>Other</u>		
Receivables:				
Accounts receivable	\$ 472,799	\$ 71,141	\$ 543,940	\$ 225,125
Taxes	391,700	46,756	438,456	-
Due from other governments	2,232,125	18,374	2,250,499	193,341
Less: allowance	<u>(677,255)</u>	<u>-</u>	<u>(677,255)</u>	<u>(2,764)</u>
Total receivables (net)	<u>\$ 2,419,369</u>	<u>\$ 136,271</u>	<u>\$ 2,555,640</u>	<u>\$ 415,702</u>

Due from other governments that is owed to the County consist of:

Sales tax refund	\$ 1,092,234
State/Federal entities	1,158,265
Other entities	<u>193,341</u>
Due from other governments	<u>\$ 2,443,840</u>

Property Tax Use-Value Assessment on Certain Lands

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

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,546,446	\$ 506,462	\$ 2,052,908
2019	1,569,752	372,817	1,942,569
2020	1,660,684	244,951	1,905,635
2021	<u>1,638,259</u>	<u>94,200</u>	<u>1,732,459</u>
Total	<u>\$ 6,415,141</u>	<u>\$ 1,218,430</u>	<u>\$ 7,633,571</u>

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Increases	Decreases	Transfers	Balance June 30, 2021
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 8,122,766	\$ 518,534	\$ -	\$ -	\$ 8,641,300
Construction in progress	-	544,579	-	-	544,579
Total non-depreciable capital assets	8,122,766	1,063,113	-	-	9,185,879
Depreciable Capital Assets:					
Buildings and improvements	30,797,018	86,174	-	-	30,883,192
Equipment	5,274,406	536,591	(69,318)	-	5,741,679
Vehicles and motorized equipment	4,080,148	691,796	(125,568)	-	4,646,376
Total depreciable capital assets	40,151,572	1,314,561	(194,886)	-	41,271,247
Less Accumulated Depreciation:					
Buildings and improvements	8,984,088	726,764	-	-	9,710,852
Equipment	4,348,708	394,226	(69,318)	-	4,673,616
Vehicles and motorized equipment	2,246,299	459,146	(99,072)	-	2,606,373
Total accumulated depreciation	15,579,095	\$ 1,580,136	\$ (168,390)	\$ -	16,990,841
Total depreciable capital assets, net	24,572,477				24,280,406
Governmental activities capital assets, net	\$ 32,695,243				\$ 33,466,285

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 452,022
Public safety	703,577
Economic and physical development	130,287
Human services	93,124
Cultural and recreational	201,126
Total depreciation expense	\$ 1,580,136

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	Balance July 1, 2020	Increases	Decreases	Transfers	Balance June 30, 2021
Business-Type Activities:					
Solid Waste					
Non-Depreciable Capital Assets:					
Land	\$ 790,805	\$ -	\$ -	\$ -	\$ 790,805
Depreciable Capital Assets:					
Buildings and improvements	1,423,863	-	-	-	1,423,863
Equipment	909,910	8,632	(39,879)	-	878,663
Vehicles and motorized equipment	75,362	42,663	-	-	118,025
Total depreciable capital assets	2,409,135	51,295	(39,879)	-	2,420,551
Less Accumulated Depreciation:					
Buildings and improvements	474,841	33,830	-	-	508,671
Equipment	638,939	64,235	(39,879)	-	663,295
Vehicles and motorized equipment	51,925	5,950	-	-	57,875
Total accumulated depreciation	1,165,705	\$ 104,015	\$ (39,879)	\$ -	1,229,841
Total depreciable capital assets, net	1,243,430				1,190,710
Solid Waste capital assets, net	2,034,235				1,981,515
Water					
Non-Depreciable Capital Assets:					
Land	1,917,545	\$ -	\$ -	\$ -	1,917,545
Construction in progress	149,235	66,924	-	-	216,159
Total non-depreciable capital assets	2,066,780	66,924	-	-	2,133,704
Depreciable Capital Assets:					
Water lines and related assets	11,272,219	-	-	-	11,272,219
Less Accumulated Depreciation:					
Water lines and related assets	2,189,779	\$ 231,711	\$ -	\$ -	2,421,490
Total depreciable capital assets, net	9,082,440				8,850,729
Water capital assets, net	11,149,220				10,984,433
Business-type activities capital assets, net	\$ 13,183,455				\$ 12,965,948

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

B. Liabilities

Payables

Payables at June 30, 2021 were as follows:

	<u>Governmental Funds</u>			<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other</u>		
Governmental Activities:					
Accounts payable	\$ 505,981	\$ 415,333	\$ 307,576	\$ 1,228,890	\$ 283,468
Accrued wages	341,398	-	3,381	344,779	10,188
Due to other governments	117,318	-	-	117,318	-
Total accounts payable					
and accrued liabilities	<u>\$ 964,697</u>	<u>\$ 415,333</u>	<u>\$ 310,957</u>	<u>\$ 1,690,987</u>	<u>\$ 293,656</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The state's ACFR 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, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$928,312 for the year ended June 30, 2021.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2021, the County reported a liability of \$4,363,510 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the County's proportion was 0.12211%, (measured as of June 30, 2020), which was an increase of 0.00394% from its proportion measured as of June 30, 2019.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

For the year ended June 30, 2021, the County recognized pension expense of \$1,568,378. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 551,035	\$ -
Changes of assumptions	324,731	-
Net difference between projected and actual earnings on pension plan investments	614,047	-
Changes in proportion and differences between County contributions and proportionate share of contributions	145,023	1,640
County's contributions subsequent to the measurement date	928,312	-
Total	\$ 2,563,148	\$ 1,640

\$928,312 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2022	\$ 484,332
2023	598,602
2024	368,535
2025	181,727
2026	-
Thereafter	-
Total	\$ 1,633,196

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 percent to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The plan actuary currently uses mortality rates based on the RP2014 Total Data Set for Healthy Annuitants mortality table that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 8,853,087	\$ 4,363,510	\$ 632,356

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

Law Enforcement Officers’ Special Separation Allowance

Plan Description. Polk County administers a public employee retirement system (the “Separation Allowance”); a single-employer, defined-benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed five or more years of credible service. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2019, the Separation Allowance’s membership consisted of:

Law Enforcement Officers' Special Separation Allowance	
Retirees receiving benefits	-
Active plan members	<u>32</u>
Total	<u><u>32</u></u>

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures will be made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by one year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back three years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three years. Rates for female members are set forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

At June 30, 2021, the County reported a total pension liability of \$718,423. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$89,988.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 156,807	\$ 277,826
Changes of assumptions and other inputs	215,188	15,417
County plan administrative expenditures subsequent to the measurement date	645	-
Total	\$ 372,640	\$ 293,243

The County paid \$0 in benefit payments and \$645 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions, which will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2022	\$ 28,275
2023	28,275
2024	24,276
2025	13,991
2026	2,454
Thereafter	(18,519)
Total	\$ 78,752

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate. The following presents the County's total pension liability calculated using the discount rate of 1.93%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 794,407	\$ 718,423	\$ 649,679

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 766,223
Service cost	36,070
Interest on the total pension liability	24,979
Difference between expected and actual experience	(322,421)
Changes of assumptions and other inputs	213,572
Net change in total pension liability	(47,800)
Ending balance of the total pension liability	\$ 718,423

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.26% at June 30, 2019 (measurement date) to 1.93% at June 30, 2020 (measurement date).

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The County contributed \$76,512 for the reporting year. No amounts were forfeited.

Registers of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds Supplemental Pension Fund (RODSPF), a non-contributory, cost-sharing, multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county Register of Deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds Supplemental Pension Fund is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The state's ACFR includes financial statements and required supplementary information for the fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least ten years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contributions this and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,711 for the year ended June 30, 2021.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

At June 30, 2021, the County reported an asset of \$51,586 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuations as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2020 (measurement date), the County's proportion was 0.22509%, which was an increase of .00622% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$(1,787). At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,051
Net difference between projected and actual earnings on pension plan investments	-	4,414
Changes in proportion and differences between County contributions and proportionate share of contributions	5,180	788
County's contributions subsequent to the measurement date	2,711	-
Total	\$ 7,891	\$ 6,253

\$2,711 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2022	\$ 1,428
2023	603
2024	(1,992)
2025	(1,112)
2026	-
Thereafter	-
Total	\$ (1,073)

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2020 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (43,816)	\$ (51,586)	\$ (58,161)

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

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

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019. The total pension liability for LEOSSA was measured as of June 30, 2020, with an actuarial valuation date of December 31, 2019. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	ROD	Total
Proportionate share of net pension liability (asset)	\$ 4,363,510	NA	\$ (51,586)	\$ 4,311,924
Proportion of the net pension liability (asset)	0.122%	NA	0.225%	-
Total pension liability	-	718,423	-	718,423
Pension expense	1,568,378	89,988	(1,787)	1,656,579

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Deferred Outflows of Resources	LGERS	LEOSSA	ROD	Total
Differences between expected and actual experience	\$ 551,035	\$ 156,807	\$ -	\$ 707,842
Changes of assumptions	324,731	215,188	-	539,919
Net difference between projected and actual earnings on pension plan investments	614,047	-	-	614,047
Changes in proportion and differences between County contributions and proportionate share of contributions	145,023	-	5,180	150,203
County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	928,312	645	2,711	931,668
Total deferred outflows of resources	\$ 2,563,148	\$ 372,640	\$ 7,891	\$ 2,943,679

Deferred Inflows of Resources

Differences between expected and actual experience	\$ -	\$ 277,826	\$ 1,051	\$ 278,877
Net difference between projected and actual earnings on pension plan investments	-	-	4,414	4,414
Changes in proportion and differences between County contributions and proportionate share of contributions	1,640	15,417	788	17,845
Total deferred inflows of resources	\$ 1,640	\$ 293,243	\$ 6,253	\$ 301,136

Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension deferrals (LGERS)	\$ 2,563,148	\$ 1,640
Pension deferrals (ROD)	7,891	6,253
Pension deferrals (LEOSSA)	372,640	293,243
Prepaid taxes not yet earned (General Fund)	-	142,053
Taxes receivable, net (Special Revenue)	-	46,756
Ad valorem taxes receivable, net (General Fund)	-	321,700
Total	\$ 2,943,679	\$ 811,645

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Death Benefit Plan

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Polk County provides a supplemental death benefit policy that is payable to the beneficiary through Hartford for an additional benefit of \$15,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property for any one occurrence: general, auto, professional, and employment practices liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to statutory limits. The pools are audited annually by certified public accountants, and the audit financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 retention up to \$2 million for liability coverage. \$1,750,000 of each loss in excess of \$250,000 per occurrence for property and audit physical damage. For workers' compensation, there is a per occurrence retention of \$750,000.

The County provides health insurance to its employees through the North Carolina State Health Plan.

The County's properties are not located in the 100-year flood zone as designated by the Federal Emergency Management Agency. Coverage is maintained for flood and earthquake up to \$25,000 per occurrence.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Sheriff is bonded for \$25,000, the Register of Deeds for \$50,000, and the Tax Collector and Director of Finance for \$50,000. The Director of Soil and Water, department employees, and directors are bonded under a blanket bond for \$40,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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

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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Obligations

Direct Placement Installment Purchase Contracts

As authorized by state law (G.S. 106A-20 and 153A-158.1), the County financed various property acquisitions, construction and improvements in a direct placement for use by Polk County, Polk County Board of Education, and Isothermal Community College during the fiscal year ended June 30, 2021 by installment purchases.

Governmental Activities:

2021 Installment purchase contract for SCHOOL (HVAC), 15 annual payments ranging from \$413,000-414,000, including interest at 2.186% through May 2036. Polk County pledged the school building as collateral.	\$ 6,200,000
2010 \$1.85 million direct placement installment purchase contract for the construction of a DSS building, 15 annual payments ranging from \$189,193 to \$127,724, including interest at 3.56% through December 2025. Polk County pledged the DSS building as collateral.	616,667
2015 \$800,000 direct placement installment purchase contract for the construction improvements to the Polk County Early College, 15 annual payments ranging from \$40,278 to \$74,691, including interest at 2.79% through July 2029. Polk County pledged the early college as collateral.	473,930
2021 \$9.98 million refinancing of an existing direct purchase installment purchase contract for the construction of a new jail facility, semi-annual payments ranging from the initial payment of \$416,799 to remaining payments of \$538,590, including interest at 1.75% through 2032. Polk County pledged the jail facility as collateral.	<u>9,979,742</u>
Total	<u>\$ 17,270,340</u>

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Business-Type Activities:

Direct placement installment purchase contract, 360 monthly payments of \$1,286, including interest at 6% through January 2034. Polk County pledged the land as collateral.

\$ 136,120

For the County, the future minimum payments as of June 30, 2021, including interest, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 1,430,654	\$ 420,467	\$ 7,469	\$ 7,961
2023	1,452,439	381,197	7,930	7,500
2024	1,474,790	345,126	8,419	7,011
2025	1,497,721	308,499	8,939	6,492
2026	1,521,248	271,228	9,490	5,941
2027-2031	7,289,897	807,478	56,984	20,168
2032-2036	2,603,591	142,370	36,889	3,021
Total	<u>\$ 17,270,340</u>	<u>\$ 2,676,365</u>	<u>\$ 136,120</u>	<u>\$ 58,094</u>

All notes payable held by the County for both governmental activities and business-type activities are classified as installment purchases resulting from direct placements. All outstanding debt is collateralized by the full faith, credit, and taxing power of the County. In the event of a default, possession of the asset for which the debt was incurred, passes to the lender.

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, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
Installment purchases payable -					
direct placement	\$ 13,909,760	\$ 16,179,742	\$ (12,819,162)	\$ 17,270,340	\$ 1,430,654
Compensated absences	668,719	157,035	(68,562)	757,192	341,000
Net pension liability (LGERS)	3,227,131	1,136,379	-	4,363,510	-
Total pension liability (LEOSSA)	<u>766,223</u>	<u>-</u>	<u>(47,800)</u>	<u>718,423</u>	<u>-</u>
Total governmental activities	<u>\$ 18,571,833</u>	<u>\$ 17,473,156</u>	<u>\$ (12,935,524)</u>	<u>\$ 23,109,465</u>	<u>\$ 1,771,654</u>
Business-Type Activities:					
Solid Waste					
Installment purchases -					
direct placement	\$ 143,155	\$ -	\$ (7,035)	\$ 136,120	\$ 7,469
Compensated absences	<u>19,540</u>	<u>6,428</u>	<u>(2,857)</u>	<u>23,111</u>	<u>10,000</u>
Total business-type activities	<u>\$ 162,695</u>	<u>\$ 6,428</u>	<u>\$ (9,892)</u>	<u>\$ 159,231</u>	<u>\$ 17,469</u>

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

At June 30, 2021, the legal debt margin for Polk County is \$233,823,960.

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 33,466,285	\$ 12,965,948
Less:		
Installment purchase contracts	(17,270,340)	(136,120)
Add:		
School-related debt	6,673,930	-
Unspent debt proceeds related to debt for assets owned by the County*	<u>127,395</u>	<u>-</u>
Total	<u>(10,469,015)</u>	<u>(136,120)</u>
Net investment in capital assets	<u>\$ 22,997,270</u>	<u>\$ 12,829,828</u>

*Unexpended debt proceeds related to education debt in the amount of \$6,200,000 is not included in the calculation of governmental net investment in capital assets.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

Interfund Balances and Activity

The composition of interfund transfers during the year ended June 30, 2021 is as follows:

Transfer from General Fund to:

Debt Service Fund	For QZAB Sinking Fund payment	\$ 95,706
Tourism Development Fund	To promote tourism	7,200
Capital Projects Fund	To fund future capital projects	985,659
Capital Projects Fund	To fund capital projects	779,516
Water Capital Projects Fund	To fund capital projects	95,000
		<u>\$ 1,963,081</u>

Transfer from Solid Waste Fund to:

General Fund	For debt service payment	<u>\$ 132,886</u>
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Transfer from Capital Project Fund to:

General Fund	For debt service payment	<u>\$ 163,318</u>
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Transfer from Capital Projects Fund to:

General Fund	To purchase land and capital outlay	<u>\$ 57,236</u>
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Fund Balance

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

The following schedule provides management and citizens with information on fund balance of the General Fund:

Total fund balance - General Fund	\$ 13,959,396
Less:	
Prepays	108,273
Stabilization by state statute	<u>2,608,946</u>
Fund balance available for appropriation	<u>\$ 11,242,177</u>

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances for the year ended June 30, 2021 consisted of the following:

	<u>General Fund</u>	<u>Grant Projects Fund</u>	<u>Nonmajor Funds</u>
Encumbrances	\$ 142,821	\$ 4,929	\$ 11,485

4. 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 on additional appointee us 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.

5. Joint Ventures

Mental Health

The County, in conjunctions with 22 other county governments, participates in a joint venture to operate the Vaya Health Local Management Entity (LME), which provides mental health, development disability, and substance abuse services, to residents of the 23-county area. Each of the 23 participants appoints members to the governing body. The County has an ongoing financial responsibility for the joint venture because the LME’s continued existence depends on the participating governments’ continued funding. None of the participating governments have any equity interest in the LME, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$74,991 to the center to supplement its activities. Complete financial statements for Vaya Health may be obtained from their offices at 200 Ridgefield Court, Suite 206, Asheville, NC 28806.

The County, in conjunction with the State of North Carolina, the Polk County Board of Education, the Rutherford County Board of Education, and Rutherford County, participates in a joint venture to operate the Isothermal Community College (Community College). The County appoints two members of the 13-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 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 the funding for the Community College’s facilities. The County contributed \$155,809 to the Community College for operating purposes during the fiscal year

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

ended June 30, 2021. 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, 2021. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 286 ICC Loop Road, Spindale, North Carolina 28160.

6. Jointly Governed Organizations

The County, in conjunction with four other counties and 22 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 \$14,337 to the Commission during the fiscal year ended June 30, 2021.

7. Benefit Payments Issued by the State

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

8. Disclosure of Significant Commitments and Contingencies

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

At June 30, 2021, the County was a defendant to various lawsuits. In the opinion of the County's management, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 may continue to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

Polk County was awarded \$2,012,697 from the Federal American Rescue Plan (ARP) on May 26, 2021. The remaining amount of \$2,012,697 is expected to be received within the next 12 months.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

9. Change in Accounting Principle

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

	Fudiciary Net	Position -	Custodial Fund -	Increase	(Decrease)
\$	59,169	Cash, taxes receivables and liabilities related to collections by the County on behalf of various municipalities were reclassified out of the Agency Fund into a newly created Property Tax Custodial Fund. The portion of liabilities attributable taxes receivable at the beginning of the year were restated as custodial net position.			
	14,868	Cash related to funds held on behalf of incarcerated inmates was reclassified from the Agency Fund into fiduciary net position in a newly created Inmate Commissary Custodial Fund.			
	<u>74,037</u>				
\$	<u>74,037</u>				

REQUIRED SUPPLEMENTAL FINANCIAL DATA

- Law Enforcement Officers' Special Separation Allowance – Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll
 - Local Governmental Employees' Retirement System – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
 - Local Governmental Employees' Retirement System – Schedule of County's Contributions
 - Registers of Deeds' Supplemental Pension Fund – Schedule of County's Proportionate Share of Net Pension Liability (Asset)
 - Registers of Deeds' Supplemental Pension Fund – Schedule of County's Contributions
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POLK COUNTY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 766,223	\$ 528,954	\$ 437,922	\$ 314,014	\$ 284,430
Service cost	36,070	41,296	38,755	32,284	28,540
Interest on the total pension liability	24,979	19,254	13,838	12,121	10,154
Difference between expected and actual experience	(322,421)	150,108	62,074	47,602	-
Changes in assumptions or other inputs	213,572	26,611	(23,635)	31,901	(9,110)
Ending balance of the total pension liability	<u>\$ 718,423</u>	<u>\$ 766,223</u>	<u>\$ 528,954</u>	<u>\$ 437,922</u>	<u>\$ 314,014</u>

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

Note: Information is intended to be shown for ten years; additional years' information will be displayed as it becomes available.

POLK COUNTY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS
A PERCENTAGE OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance					
	2021	2020	2019	2018	2017
Total pension liability	\$ 718,423	\$ 766,223	\$ 528,954	\$ 437,922	\$ 314,014
Covered employee payroll*	1,377,431	1,651,174	1,560,107	1,510,245	1,255,857
Total pension liability as a percentage of covered employee payroll	52.16%	46.40%	33.90%	29.00%	25.00%

Notes to Schedules:

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

Note: Information is intended to be shown for ten years; additional years' information will be displayed as it becomes available.

*Valuation payroll



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POLK COUNTY, NORTH CAROLINA

**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST EIGHT FISCAL YEARS***

Local Government Employees' Retirement System				
	2021	2020	2019	2018
County's proportion of the net pension liability (asset) (%)	0.12211%	0.11817%	0.10768%	0.11001%
County's proportion of the net pension liability (asset) (\$)	\$ 4,363,510	\$ 3,227,131	\$ 2,554,538	\$ 1,680,648
County's covered payroll*	\$ 8,459,379	\$ 7,849,908	\$ 7,125,615	\$ 6,823,860
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.58%	41.11%	35.85%	24.63%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

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

** This will be the same percentage for all participant employers in the LGERS plan.

Note: Information is intended to be shown for ten years; additional years' information will be displayed as it becomes available.

POLK COUNTY, NORTH CAROLINA

**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS***

Local Government Employees' Retirement System				
	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.09673%	0.09766%	0.09752%	0.09240%
County's proportion of the net pension liability (asset) (\$)	\$ 2,052,935	\$ 438,292	\$ (575,120)	\$ 1,113,775
County's covered payroll*	\$ 5,951,154	\$ 5,709,585	\$ 5,577,537	\$ 5,452,559
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.50%	7.68%	-10.31%	20.43%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

POLK COUNTY, NORTH CAROLINA

**POLK COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	2021	2020	2019	2018
Contractually required contribution	\$ 928,312	\$ 775,084	\$ 626,472	\$ 551,335
Contributions in relation to the contractually required contribution	<u>928,312</u>	<u>775,084</u>	<u>626,472</u>	<u>551,335</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 8,975,953	\$ 8,459,379	\$ 7,849,908	\$ 7,125,615
Contributions as a percentage of covered payroll	10.34%	9.16%	7.98%	7.74%

Note: Information is intended to be shown for ten years; additional years' information will be displayed as it becomes available.

POLK COUNTY, NORTH CAROLINA

**POLK COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Local Government Employees' Retirement System				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 512,665	\$ 409,164	\$ 407,190	\$ 396,750
Contributions in relation to the contractually required contribution	<u>512,665</u>	<u>409,164</u>	<u>407,190</u>	<u>396,750</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 6,823,860	\$ 5,951,154	\$ 5,709,585	\$ 5,577,537
Contributions as a percentage of covered payroll	7.51%	6.88%	7.13%	7.11%

POLK COUNTY, NORTH CAROLINA

**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST EIGHT FISCAL YEARS***

	Register of Deeds' Supplemental Pension Fund			
	2021	2020	2019	2018
County's proportion of the net pension liability (asset) (%)	0.22509%	0.21887%	0.27234%	0.23396%
County's proportion of the net pension liability (asset) (\$)	\$ (51,586)	\$ (43,209)	\$ (45,108)	\$ (39,935)
Plan fiduciary net position as a percentage of the total pension liability **	173.62%	164.11%	153.31%	153.77%

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

** This will be the same percentage for all participant employers in the ROD plan.

Note: Information is intended to be shown for ten years; additional years' information will be displayed as it becomes available.

POLK COUNTY, NORTH CAROLINA

COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS*

	<u>Register of Deeds' Supplemental Pension Fund</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.22654%	0.24054%	0.22095%	0.20720%
County's proportion of the net pension liability (asset) (\$)	\$ (42,354)	\$ (55,743)	\$ (50,087)	\$ (44,258)
Plan fiduciary net position as a percentage of the total pension liability **	160.17%	197.29%	193.88%	190.50%

POLK COUNTY, NORTH CAROLINA

**POLK COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Register of Deeds' Supplemental Pension Fund				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,711	\$ 2,155	\$ 2,080	\$ 2,331
Contributions in relation to the contractually required contribution	<u>2,711</u>	<u>2,155</u>	<u>2,080</u>	<u>2,331</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Information is intended to be shown for ten years; additional years' information will be displayed as it becomes available.

POLK COUNTY, NORTH CAROLINA

**POLK COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

Register of Deeds' Supplemental Pension Fund				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,033	\$ 1,851	\$ 1,925	\$ 1,804
Contributions in relation to the contractually required contribution	<u>2,033</u>	<u>1,851</u>	<u>1,925</u>	<u>1,804</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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MAJOR FUNDS

Governmental Fund-Type:

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.

TAX REVALUATION FUND

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

CAPITAL PROJECTS FUND

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

GRANT PROJECTS FUND

The Grant Projects Fund is established to account for the expenditure of grant funds related to community projects.

Proprietary Fund-Type:

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

- **Solid Waste Fund** - accounts for the revenues and expenses associated with operating the County's solid waste transfer station.
 - **Water Fund** - accounts for waterlines and related assets, as well as user fees and expenses associated with County water service.
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POLK COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 16,898,123	\$ 17,136,950	\$ 238,827
Penalties and interest	131,386	161,890	30,504
Total	<u>17,029,509</u>	<u>17,298,840</u>	<u>269,331</u>
Other Taxes and Licenses:			
Local option sales taxes	4,294,760	5,408,616	1,113,856
Article 44 sales tax	367,091	675,226	308,135
Total	<u>4,661,851</u>	<u>6,083,842</u>	<u>1,421,991</u>
Restricted Intergovernmental Revenues:			
Federal grants	3,385,735	2,944,274	(441,461)
State grants	718,628	633,283	(85,345)
Local grants	33,050	32,167	(883)
Total	<u>4,137,413</u>	<u>3,609,724</u>	<u>(527,689)</u>
Fees, Licenses, and Permits:			
Register of Deeds' fees	292,000	448,732	156,732
Building, other permits, inspection fees	198,147	231,775	33,628
Total	<u>490,147</u>	<u>680,507</u>	<u>190,360</u>
Sales and Services:			
Rents, concessions, and fees	122,224	154,233	32,009
Health department	349,018	593,867	244,849
EMS fees	774,800	767,754	(7,046)
Transportation fees	135,000	75,126	(59,874)
Recreation department	114,384	32,833	(81,551)
Court costs, fees, and charges	48,452	43,501	(4,951)
Other charges for services	288,390	60,555	(227,835)
Total	<u>1,832,268</u>	<u>1,727,869</u>	<u>(104,399)</u>
Investment Earnings	<u>305,000</u>	<u>6,325</u>	<u>(298,675)</u>
Miscellaneous Revenue:			
Other	95,599	100,423	4,824
Total revenues	<u>28,551,787</u>	<u>29,507,530</u>	<u>955,743</u>

POLK COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	147,324	141,803	5,521
Operating expenses	137,482	118,123	19,359
Capital outlay	578,217	524,504	53,713
Total governing body	<u>863,023</u>	<u>784,430</u>	<u>78,593</u>
Manager:			
Salaries and employee benefits	240,956	239,857	1,099
Operating expenses	50,589	41,104	9,485
Total manager	<u>291,545</u>	<u>280,961</u>	<u>10,584</u>
Human Resources:			
Salaries and employee benefits	93,867	79,450	14,417
Operating expenses	9,627	6,565	3,062
Total human resources	<u>103,494</u>	<u>86,015</u>	<u>17,479</u>
Board of Elections:			
Salaries and employee benefits	147,000	142,084	4,916
Operating expenses	120,269	122,594	(2,325)
Capital outlay	21,257	17,200	4,057
Total Board of Elections	<u>288,526</u>	<u>281,878</u>	<u>6,648</u>
Personnel:			
Salaries and employee benefits	214,620	4,443	210,177
Operating expenses	45,915	42,910	3,005
Total personnel	<u>260,535</u>	<u>47,353</u>	<u>213,182</u>
Finance:			
Salaries and employee benefits	255,439	253,010	2,429
Operating expenses	50,033	44,900	5,133
Capital outlay	3,195	2,673	522
Total finance	<u>308,667</u>	<u>300,583</u>	<u>8,084</u>
Tax Collections:			
Salaries and employee benefits	496,228	459,314	36,914
Operating expenses	153,300	135,247	18,053
Capital outlay	5,775	5,954	(179)
Total tax collections	<u>655,303</u>	<u>600,515</u>	<u>54,788</u>

POLK COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Legal:			
Salaries and employee benefits	4,533	5,527	(994)
Operating expenses	62,605	58,672	3,933
Total legal	<u>67,138</u>	<u>64,199</u>	<u>2,939</u>
Register of Deeds:			
Salaries and employee benefits	159,668	161,916	(2,248)
Operating expenses	69,310	29,790	39,520
Capital outlay	800	-	800
Total Register of Deeds	<u>229,778</u>	<u>191,706</u>	<u>38,072</u>
Public Buildings:			
Salaries and employee benefits	379,752	362,938	16,814
Operating expenses	468,055	435,997	32,058
Capital outlay	8,380	8,637	(257)
Total Public buildings	<u>856,187</u>	<u>807,572</u>	<u>48,615</u>
Court Facilities:			
Salaries and employee benefits			
Operating expenses	4,854	1,976	2,878
Capital outlay	946	946	-
Total court facilities	<u>5,800</u>	<u>2,922</u>	<u>2,878</u>
Non-Departmental:			
Salaries and employee benefits	192,491	149,613	42,878
Operating expenses	382,067	323,925	58,142
Total non-departmental	<u>574,558</u>	<u>473,538</u>	<u>101,020</u>
Total general government	<u>4,504,554</u>	<u>3,921,672</u>	<u>582,882</u>
Public Safety:			
Sheriff's Department:			
Salaries and employee benefits	2,199,559	2,102,522	97,037
Operating expenses	407,767	427,956	(20,189)
Capital outlay	479,934	483,178	(3,244)
Total Sheriff's Department	<u>3,087,260</u>	<u>3,013,656</u>	<u>73,604</u>
Jail:			
Salaries and employee benefits	416,045	379,763	36,282
Operating expenses	1,441,628	1,399,976	41,652
Capital outlay	23,380	28,994	(5,614)
Total jail	<u>1,881,053</u>	<u>1,808,733</u>	<u>72,320</u>

POLK COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Emergency Medical Services:			
Salaries and employee benefits	1,384,909	1,354,783	30,126
Operating expenses	320,095	286,162	33,933
Capital outlay	14,267	12,551	1,716
Total emergency medical services	<u>1,719,271</u>	<u>1,653,496</u>	<u>65,775</u>
Emergency Management:			
Salaries and employee benefits	90,037	88,213	1,824
Operating expenses	34,100	24,518	9,582
Capital outlay	43,396	43,153	243
Total emergency management	<u>167,533</u>	<u>155,884</u>	<u>11,649</u>
Communications:			
Salaries and employee benefits	583,634	575,918	7,716
Operating expenses	39,404	35,095	4,309
Capital outlay	1,910	1,910	-
Total communications	<u>624,948</u>	<u>612,923</u>	<u>12,025</u>
Building Inspections:			
Salaries and employee benefits	273,121	271,840	1,281
Operating expenses	18,693	18,712	(19)
Capital outlay	125	125	-
Total building inspections	<u>291,939</u>	<u>290,677</u>	<u>1,262</u>
Animal Control:			
Salaries and employee benefits	96,193	85,441	10,752
Operating expenses	163,900	163,642	258
Total animal control	<u>260,093</u>	<u>249,083</u>	<u>11,010</u>
Total public safety	<u>8,032,097</u>	<u>7,784,452</u>	<u>247,645</u>
Economic and Physical Development:			
Cooperative Extension:			
Salaries and employee benefits	194,734	145,275	49,459
Operating expenses	15,200	14,267	933
Total cooperative extension	<u>209,934</u>	<u>159,542</u>	<u>50,392</u>
Planning and Zoning:			
Salaries and employee benefits	130,290	132,107	(1,817)
Operating expenses	17,412	10,554	6,858
Capital outlay	1,041	989	52
Total planning and zoning	<u>148,743</u>	<u>143,650</u>	<u>5,093</u>

POLK COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Soil and Water Conservation:			
Salaries and employee benefits	114,010	114,118	(108)
Operating expenses	21,419	13,403	8,016
Total soil and water conservation	<u>135,429</u>	<u>127,521</u>	<u>7,908</u>
Agriculture:			
Salaries and employee benefits	94,935	93,980	955
Operating expenses	27,012	20,738	6,274
Capital outlay	879	801	78
Total agriculture	<u>122,826</u>	<u>115,519</u>	<u>7,307</u>
Forestry:			
Operating expenses	<u>68,731</u>	<u>43,790</u>	<u>24,941</u>
Economic Development:			
Salaries and employee benefits	60,397	53,252	7,145
Operating expenses	35,259	28,281	6,978
Total economic development	<u>95,656</u>	<u>81,533</u>	<u>14,123</u>
Total Economic and Physical Development	<u>781,319</u>	<u>671,555</u>	<u>109,764</u>
Human Services:			
Mental Health:			
Operating expenses	<u>80,029</u>	<u>79,256</u>	<u>773</u>
Veteran's Administration:			
Salaries and employee benefits	53,936	54,243	(307)
Operating expenses	12,592	974	11,618
Capital outlay	40	-	40
Total Veteran's Administration	<u>66,568</u>	<u>55,217</u>	<u>11,351</u>
Social Services Administration:			
Salaries and employee benefits	2,067,168	1,956,187	110,981
Operating expenses	94,084	81,503	12,581
Total Social Services Administration	<u>2,161,252</u>	<u>2,037,690</u>	<u>123,562</u>
Social Services Programs:			
Salaries and employee benefits			
Operating expenses	1,386,910	971,610	415,300
Capital outlay	58,370	50,803	7,567
Total Social Services	<u>1,445,280</u>	<u>1,022,413</u>	<u>422,867</u>

POLK COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Over/Under
Public Transportation:			
Salaries and employee benefits	532,065	340,382	191,683
Operating expenses	180,570	93,272	87,298
Capital outlay	216,131	69,157	146,974
Total public transportation	<u>928,766</u>	<u>502,811</u>	<u>425,955</u>
Community-Based Alternatives:			
Operating expenses	<u>99,545</u>	<u>98,630</u>	<u>915</u>
Health Department:			
Salaries and employee benefits	521,356	501,874	19,482
Operating expenses	407,755	367,594	40,161
Capital outlay	15,572	15,184	388
Total Health Department	<u>944,683</u>	<u>884,652</u>	<u>60,031</u>
Drug-Free Communities:			
Salaries and employee benefits	42,202	40,603	1,599
Operating expenses	81,798	14,975	66,823
Capital outlay	1,000	-	1,000
Total drug-free communities	<u>125,000</u>	<u>55,578</u>	<u>69,422</u>
Total Human Services	<u>5,851,123</u>	<u>4,736,247</u>	<u>1,114,876</u>
Cultural and Recreational:			
Recreation:			
Salaries and employee benefits	404,783	314,676	90,107
Operating expenses	257,671	192,333	65,338
Capital outlay	1,804	1,690	114
Total cultural and recreational	<u>664,258</u>	<u>508,699</u>	<u>155,559</u>
Library:			
Salaries and employee benefits	476,298	468,598	7,700
Operating expenses	177,085	164,221	12,864
Capital outlay	30,815	26,828	3,987
Total library	<u>684,198</u>	<u>659,647</u>	<u>24,551</u>
Senior Centers:			
Salaries and employee benefits	215,185	193,979	21,206
Operating expenses	239,513	212,045	27,468
Capital outlay	14,605	13,229	1,376
Total senior centers	<u>469,303</u>	<u>419,253</u>	<u>50,050</u>
Total Cultural and Recreational	<u>1,817,759</u>	<u>1,587,599</u>	<u>230,160</u>

POLK COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Education:			
Public Schools - current	5,130,055	5,130,055	-
Public Schools - capital outlay	312,000	312,000	-
Public Schools - local supplement	391,516	391,516	-
Community colleges - current	201,316	155,809	45,507
Total Education	<u>6,034,887</u>	<u>5,989,380</u>	<u>45,507</u>
Debt Service:			
Principal retirement	995,420	995,420	-
Interest and fees	307,785	307,651	134
Total	<u>1,303,205</u>	<u>1,303,071</u>	<u>134</u>
Total expenditures	<u>28,324,944</u>	<u>25,993,976</u>	<u>2,330,968</u>
Revenues over (under) expenditures	<u>226,843</u>	<u>3,513,554</u>	<u>3,286,711</u>
Other Financing Sources (Uses):			
Appropriated fund balance	1,569,667	-	(1,569,667)
Refinanced debt issued	9,979,742	9,979,742	-
Payment on refinanced debt	(9,979,742)	(9,979,742)	-
Transfers from other funds	166,571	303,440	136,869
Transfers to other funds	(1,963,081)	(1,963,081)	-
Total other financing sources (uses)	<u>(226,843)</u>	<u>(1,659,641)</u>	<u>(1,432,798)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,853,913</u>	<u>\$ 1,853,913</u>
Fund Balance:			
Beginning of year - July 1		<u>12,031,352</u>	
End of year - June 30		<u>\$ 13,885,265</u>	

POLK COUNTY, NORTH CAROLINA

REVALUATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 31	\$ 31
Expenditures:			
General government:			
Revaluation	<u>253,752</u>	<u>200,228</u>	<u>53,524</u>
Other Financing Sources (Uses):			
Appropriated fund balance	203,752	-	(203,752)
Transfers from other funds	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>253,752</u>	<u>50,000</u>	<u>(203,752)</u>
Net change in fund balance	<u>\$ -</u>	(150,197)	<u>\$ (150,197)</u>
Fund Balance:			
Beginning of year - July 1		<u>224,328</u>	
End of year - June 30		<u>\$ 74,131</u>	

POLK COUNTY, NORTH CAROLINA

MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Investment earnings	\$ -	\$ 4,390	\$ 52	\$ 4,442	\$ 4,442
Miscellaneous	110,905	-	4,273	4,273	(106,632)
Total revenues	<u>110,905</u>	<u>4,390</u>	<u>4,325</u>	<u>8,715</u>	<u>(102,190)</u>
Expenditures:					
General government:					
Fuel tank upgrade	30,000	30,711	-	30,711	(711)
Public safety:					
Detention facility	200,000	38,127	2,535	40,662	159,338
Communications equipment	201,510	66,763	89,454	156,217	45,293
Education:					
Polk County High School HVAC	6,036,682	-	452,214	452,214	5,584,468
Recreation:					
Library	110,905	-	-	-	110,905
Wastewater treatment plant	<u>121,551</u>	<u>120,194</u>	<u>2,910</u>	<u>123,104</u>	<u>(1,553)</u>
Total expenditures	<u>6,700,648</u>	<u>255,795</u>	<u>547,113</u>	<u>802,908</u>	<u>5,897,740</u>
Revenues over (under) expenditures	<u>(6,589,743)</u>	<u>(251,405)</u>	<u>(542,788)</u>	<u>(794,193)</u>	<u>5,795,550</u>
Other Financing Sources (Uses):					
Transfers to other funds	(163,318)	-	(163,318)	(163,318)	-
Transfers from other funds	201,510	201,510	779,516	981,026	779,516
Issuance of long-term debt	6,200,000	-	6,200,000	6,200,000	-
Appropriated fund balance	<u>351,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(351,551)</u>
Total other financing sources (uses)	<u>6,589,743</u>	<u>201,510</u>	<u>6,816,198</u>	<u>7,017,708</u>	<u>427,965</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (49,895)</u>	<u>6,273,410</u>	<u>\$ 6,223,515</u>	<u>\$ 6,223,515</u>
Fund Balance:					
Beginning of year - July 1			<u>1,081,491</u>		
End of year - June 30			7,354,901		
Amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit E) are different from the Budget/Actual Schedule due to consolidation of the Capital Reserve Fund (Schedule 14):					
Investment earnings			3		
Transfers from other funds			985,659		
Transfers to other funds			(57,236)		
Fund balance, beginning - Capital Reserve Fund			<u>1,566,985</u>		
Fund balance, ending - Combined Capital Projects Fund			<u>\$ 9,850,312</u>		

POLK COUNTY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Charges for services	\$ 1,437,750	\$ 1,744,588	\$ 306,838
Solid waste taxes	39,200	61,045	21,845
Total revenues	<u>1,476,950</u>	<u>1,805,633</u>	<u>328,683</u>
Expenditures:			
Current:			
Operating	1,530,819	1,446,607	84,212
Closure and postclosure	76,000	80,444	(4,444)
Capital outlay	84,000	51,295	32,705
Debt service:			
Principal retirement	49,961	7,035	42,926
Interest and fees	9,779	8,395	1,384
Total expenditures	<u>1,750,559</u>	<u>1,593,776</u>	<u>156,783</u>
Revenues over (under) expenditures	<u>(273,609)</u>	<u>211,857</u>	<u>485,466</u>
Other Financing Sources (Uses):			
Appropriated fund balance	406,495	-	(406,495)
Intrafund transfer out	(132,886)	(132,886)	-
Total other financing sources (uses)	<u>273,609</u>	<u>(132,886)</u>	<u>(406,495)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	78,971	<u>\$ 78,971</u>
Reconciliation from modified accrual to full accrual basis:			
Capital outlay		51,295	
Depreciation		(104,015)	
Increase in compensated absences		(3,571)	
Principal retirement		<u>7,035</u>	
Change in net position		<u>\$ 29,715</u>	

POLK COUNTY, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Landfill charges	\$ -	\$ 25,500	\$ 25,500
Revenues over (under) expenditures	<u>\$ -</u>	25,500	<u>\$ 25,500</u>
Reconciliation of Modified Accrual to Full Accrual Basis:			
Depreciation		(231,711)	
From Water Capital Projects Fund:			
Transfers from other funds		<u>95,000</u>	
Change in net position		<u>\$ (111,211)</u>	

POLK COUNTY, NORTH CAROLINA

WATER CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND OR THE YEAR ENDED JUNE 30, 2021

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures:					
Capital outlay:					
General	\$ 411,521	\$ 171,322	\$ 66,924	\$ 238,246	\$ 173,275
Other Financing Sources (Uses):					
Interfund transfer in	<u>411,521</u>	<u>383,032</u>	<u>95,000</u>	<u>478,032</u>	<u>66,511</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 211,710</u>	<u>\$ 28,076</u>	<u>\$ 239,786</u>	<u>\$ 239,786</u>

POLK COUNTY, NORTH CAROLINA

MAJOR GRANT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Prior Years	Actual		Variance Over/Under
			Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 5,014,790	\$ -	\$ 1,081,044	\$ 1,081,044	\$ (3,933,746)
Expenditures:					
Public safety:					
CARES Act	<u>5,014,790</u>	<u>-</u>	<u>1,076,115</u>	<u>1,076,115</u>	<u>3,938,675</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,929</u>	<u>4,929</u>	<u>4,929</u>
Other Financing Sources (Uses):					
Intrafund transfer in	<u>-</u>	<u>33,903</u>	<u>-</u>	<u>33,903</u>	<u>33,903</u>
Total other financing sources (uses)	<u>-</u>	<u>33,903</u>	<u>-</u>	<u>33,903</u>	<u>33,903</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 33,903</u>	<u>4,929</u>	<u>\$ 38,832</u>	<u>\$ 38,832</u>
Fund Balance:					
Beginning of year - July 1			<u>33,903</u>		
End of year - June 30			<u>\$ 38,832</u>		



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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

- **Fire District Fund** – This fund is established to account for the ad valorem tax levies of the six fire districts in Polk County.
- **Tourism Development Fund** – This fund is established to account for the occupancy taxes collected from hotels in the County.
- **Emergency Telephone System Fund** – This fund is established to account for the accumulation of funds used to operate the 911 Emergency Service operations.
- **Other Miscellaneous Governmental Activities Fund** – This fund is established to account for the accumulation of funds used to operate Representative Payee, Deed of Trust, Fines and Forfeiture and Miscellaneous other agency operations.

Debt Service Fund:

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

Capital Projects Fund:

- **Capital Reserve Fund** – This fund was established to account for revenues set aside to finance County-wide building improvements. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for financial statement presentation in accordance with GASB Statement No. 54, it is consolidated into the Capital Projects Fund.
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POLK COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	<u>Fire District Fund</u>	<u>Tourism Development Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Other Misc Govt Activities Fund</u>
Assets:				
Cash and cash equivalents	\$ 21,343	\$ 585,960	\$ 115,075	\$ 244,739
Ad valorem taxes receivable, net	46,756	-	-	-
Accounts receivable	16,377	54,764	18,374	-
Prepays	-	-	7,252	-
Total assets	<u>\$ 84,476</u>	<u>\$ 640,724</u>	<u>\$ 140,701</u>	<u>\$ 244,739</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 37,720</u>	<u>\$ 51,191</u>	<u>\$ -</u>	<u>\$ 222,046</u>
Deferred Inflows of Resources:				
Unavailable taxes	<u>46,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Non-spendable:				
Prepays	-	-	7,252	-
Restricted:				
Stabilization by state statute	16,377	66,249	18,374	-
Public safety	-	-	115,075	-
Tourism	-	523,284	-	-
School debt service	-	-	-	-
General government	-	-	-	22,693
Unassigned	<u>(16,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>589,533</u>	<u>140,701</u>	<u>22,693</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,476</u>	<u>\$ 640,724</u>	<u>\$ 140,701</u>	<u>\$ 244,739</u>

POLK COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 967,117	\$ 7,252	\$ 974,369
Ad valorem taxes receivable, net	46,756	-	46,756
Accounts receivable	89,515	-	89,515
Prepays	<u>7,252</u>	<u>-</u>	<u>7,252</u>
Total assets	<u>\$ 1,110,640</u>	<u>\$ 7,252</u>	<u>\$ 1,117,892</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 310,957</u>	<u>\$ -</u>	<u>\$ 310,957</u>
Deferred Inflows of Resources:			
Unavailable taxes	<u>46,756</u>	<u>-</u>	<u>46,756</u>
Fund Balances:			
Non-spendable:			
Prepays	7,252	-	7,252
Restricted:			
Stabilization by state statute	101,000	-	101,000
Public safety	115,075	-	115,075
Tourism	523,284	-	523,284
School debt service	-	7,252	7,252
General government	22,693	-	22,693
Unassigned	<u>(16,377)</u>	<u>-</u>	<u>(16,377)</u>
Total fund balances	<u>752,927</u>	<u>7,252</u>	<u>760,179</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,110,640</u>	<u>\$ 7,252</u>	<u>\$ 1,117,892</u>

POLK COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2021**

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Other Misc Govt Activities Fund
Revenues:				
Ad valorem taxes	\$ 2,594,018	\$ -	\$ -	\$ -
Occupancy taxes	-	469,788	-	-
Restricted intergovernmental revenues	-	15,000	219,257	268,048
Investment earnings	14,690	-	129	-
Miscellaneous revenues	-	-	-	87,160
Total revenues	<u>2,608,708</u>	<u>484,788</u>	<u>219,386</u>	<u>355,208</u>
Expenditures:				
Current:				
General government	-	-	-	332,515
Public safety	2,608,708	-	266,748	-
Economic and physical development	-	239,758	-	-
Principal retirement	-	-	-	-
Total expenditures	<u>2,608,708</u>	<u>239,758</u>	<u>266,748</u>	<u>332,515</u>
Revenues over (under) expenditures	-	245,030	(47,362)	22,693
Other Financing Sources (Uses):				
Transfers in/out	-	7,200	-	-
Net change in fund balances	-	252,230	(47,362)	22,693
Fund Balances:				
Beginning of year - July 1	-	337,303	188,063	-
End of year - June 30	<u>\$ -</u>	<u>\$ 589,533</u>	<u>\$ 140,701</u>	<u>\$ 22,693</u>

POLK COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Ad valorem taxes	\$ 2,594,018	\$ -	\$ 2,594,018
Occupancy taxes	469,788	-	469,788
Restricted intergovernmental revenues	502,305	-	502,305
Investment earnings	14,819	-	14,819
Miscellaneous revenues	87,160	-	87,160
Total revenues	<u>3,668,090</u>	<u>-</u>	<u>3,668,090</u>
Expenditures:			
Current:			
General government	332,515	4,479	336,994
Public safety	2,875,456	-	2,875,456
Economic and physical development	239,758	-	239,758
Principal retirement	-	1,844,000	1,844,000
Total expenditures	<u>3,447,729</u>	<u>1,848,479</u>	<u>5,296,208</u>
Revenues over (under) expenditures	220,361	(1,848,479)	(1,628,118)
Other Financing Sources (Uses):			
Transfers in/out	<u>7,200</u>	<u>95,706</u>	<u>102,906</u>
Net change in fund balances	227,561	(1,752,773)	(1,525,212)
Fund Balances:			
Beginning of year - July 1	<u>525,366</u>	<u>1,760,025</u>	<u>2,285,391</u>
End of year - June 30	<u>\$ 752,927</u>	<u>\$ 7,252</u>	<u>\$ 760,179</u>

POLK COUNTY, NORTH CAROLINA

FIRE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 2,609,000	\$ 2,594,018	\$ (14,982)
Penalties and interest	-	14,690	14,690
Total revenues	<u>2,609,000</u>	<u>2,608,708</u>	<u>(292)</u>
Expenditures:			
Public safety:			
Sunny View Fire Department	395,000	390,275	4,725
Green Creek Fire Department	616,000	617,513	(1,513)
Tryon Fire Department	335,500	337,059	(1,559)
Saluda Fire Department	214,000	214,911	(911)
Mill Springs Fire Department	350,000	351,131	(1,131)
Columbus Fire Department	681,000	683,628	(2,628)
Edneyville Fire Department	5,000	4,049	951
Blue Ridge Fire Department	7,000	5,089	1,911
Dana Fire Department	5,500	5,053	447
Total expenditures	<u>2,609,000</u>	<u>2,608,708</u>	<u>292</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ -</u>	

POLK COUNTY, NORTH CAROLINA

**TOURISM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Occupancy tax	\$ 290,000	\$ 469,788	\$ 179,788
CARES - subrecipient	15,000	15,000	-
Total revenues	<u>305,000</u>	<u>484,788</u>	<u>179,788</u>
Expenditures:			
Economic and physical development:			
Salaries and employee benefits	178,407	139,925	38,482
Operating expenditures	131,993	98,145	33,848
Capital outlay	1,800	1,688	112
Total expenditures	<u>312,200</u>	<u>239,758</u>	<u>72,442</u>
Revenues over (under) expenditures	(7,200)	245,030	252,230
Other Financing Sources (Uses):			
Transfers from other funds	<u>7,200</u>	<u>7,200</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	252,230	<u>\$ 252,230</u>
Fund Balance:			
Beginning of year - July 1		<u>337,303</u>	
End of year - June 30		<u>\$ 589,533</u>	

POLK COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 219,257	\$ 219,257	\$ -
Interest earned	<u>-</u>	<u>129</u>	<u>129</u>
Total revenues	<u>219,257</u>	<u>219,386</u>	<u>129</u>
Expenditures:			
Public safety:			
Operating expenses	188,666	167,285	21,381
Capital outlay	<u>132,311</u>	<u>99,463</u>	<u>32,848</u>
Total expenditures	<u>320,977</u>	<u>266,748</u>	<u>54,229</u>
Revenues over (under) expenditures	<u>(101,720)</u>	<u>(47,362)</u>	<u>54,358</u>
Other Financing Sources (Uses):			
Fund balance appropriated	<u>101,720</u>	<u>-</u>	<u>(101,720)</u>
Net change in fund balance	<u>\$ -</u>	<u>(47,362)</u>	<u>\$ (47,362)</u>
Fund Balance:			
Beginning of year - July 1		<u>188,063</u>	
End of year - June 30		<u><u>\$ 140,701</u></u>	

POLK COUNTY, NORTH CAROLINA

OTHER MISCELLANEOUS GOVERNMENTAL ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 145,000	\$ 143,320	\$ (1,680)
Permits and fees - Register of Deeds	15,000	13,594	(1,406)
Sales and services - Penalties, fines and forfeitures	112,600	111,134	(1,466)
Miscellaneous	<u>110,000</u>	<u>87,160</u>	<u>(22,840)</u>
Total revenues	<u>382,600</u>	<u>355,208</u>	<u>(27,392)</u>
Expenditures:			
Human services:			
Payments made for the benefit of beneficiaries	145,000	130,245	14,755
General government:			
Payments of fees collected to the State of North Carolina	15,000	13,084	1,916
Payments of penalties, fines and forfeitures to the BOE	112,600	111,134	1,466
Miscellaneous	<u>110,000</u>	<u>78,052</u>	<u>31,948</u>
Total expenditures	<u>382,600</u>	<u>332,515</u>	<u>50,085</u>
Net change in fund balance	<u>\$ -</u>	22,693	<u>\$ 22,693</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ 22,693</u>	

POLK COUNTY, NORTH CAROLINA

CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 3	\$ 3
Other Financing Sources (Uses):			
Transfers from other funds	679,056	985,659	306,603
Transfers to other funds	<u>(679,056)</u>	<u>(57,236)</u>	<u>621,820</u>
Total other financing sources (uses)	<u>-</u>	<u>928,423</u>	<u>928,423</u>
Net change in fund balance	<u>\$ -</u>	928,426	<u>\$ 928,426</u>
Fund Balance:			
Beginning of year - July 1		<u>1,566,985</u>	
End of year - June 30		<u>\$ 2,495,411</u>	

POLK COUNTY, NORTH CAROLINA

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ (4,479)	\$ (4,479)
Expenditures:			
Debt Service:			
Principal retirement	<u>1,844,000</u>	<u>1,844,000</u>	<u>-</u>
Revenues over (under) expenditures	(1,844,000)	(1,848,479)	(4,479)
Other Financing Sources (Uses):			
Transfers from other funds	<u>1,844,000</u>	<u>95,706</u>	<u>(1,748,294)</u>
Net change in fund balance	<u>\$ -</u>	(1,752,773)	<u>\$ (1,752,773)</u>
Fund Balance:			
Beginning of year - July 1		<u>1,760,025</u>	
End of year - June 30		<u>\$ 7,252</u>	



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CUSTODIAL FUNDS

Custodial Funds are used to account for the assets held by the County as an agent for individuals and/or other governmental entities.

- The County's Custodial Funds are used to account for funds deposited with the Property Tax Fund and the Inmate Commissary Fund.
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POLK COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2021

	<u>Property Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 21,891	\$ 21,841	\$ 43,732
Receivable for others, net	<u>59,026</u>	<u>528</u>	<u>59,554</u>
Total assets	<u>80,917</u>	<u>22,369</u>	<u>103,286</u>
Liabilities:			
Accounts payable and accrued liabilities	<u>24,605</u>	<u>-</u>	<u>24,605</u>
Net Position:			
Restricted For:			
Individuals, organizations, and other governments	<u>56,312</u>	<u>22,369</u>	<u>78,681</u>
Total net position	<u>\$ 56,312</u>	<u>\$ 22,369</u>	<u>\$ 78,681</u>

POLK COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Property Tax Fund	Inmate Commissary Fund	Total
Additions:			
Collections for other governments	\$ 1,904,455	\$ -	\$ 1,904,455
Collections on behalf of inmates	-	55,547	55,547
Total additions	<u>1,904,455</u>	<u>55,547</u>	<u>1,960,002</u>
Deductions:			
Tax distributions to other governments	1,907,312	-	1,907,312
Payments on behalf of inmates	-	48,046	48,046
Total deductions	<u>1,907,312</u>	<u>48,046</u>	<u>1,955,358</u>
Net increase (decrease) in fiduciary net position	<u>(2,857)</u>	<u>7,501</u>	<u>4,644</u>
Net position, beginning of year	-	-	-
Prior period restatement - change in accounting principle	59,169	14,868	74,037
Net position, beginning, as restated	<u>59,169</u>	<u>14,868</u>	<u>74,037</u>
Net position, end of year	<u>\$ 56,312</u>	<u>\$ 22,369</u>	<u>\$ 78,681</u>

OTHER SUPPLEMENTARY INFORMATION

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



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POLK COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 17,293,121	\$ 17,087,108	\$ 206,013
2019-2020	265,915	-	177,308	88,607
2018-2019	63,819	-	29,963	33,856
2017-2018	26,625	-	11,632	14,993
2016-2017	9,839	-	1,544	8,295
2015-2016	5,850	-	117	5,733
2014-2015	5,502	-	92	5,410
2013-2014	6,436	-	222	6,214
2012-2013	8,597	-	824	7,773
2011-2012	15,565	-	759	14,806
2010-2011	13,971	-	13,971	-
Total	<u>\$ 422,119</u>	<u>\$ 17,293,121</u>	<u>\$ 17,323,540</u>	<u>391,700</u>
Less: Allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(70,000)</u>
Ad valorem taxes receivable, net				<u>\$ 321,700</u>
Reconciliation with Revenues:				
General Fund				\$ 17,298,840
Reconciling items:				
Discounts allowed				(191,859)
Garnishment fees				4,181
Foreclosure fees				7
Taxes written off				13,971
Penalties and interest				161,890
Other adjustments				<u>36,510</u>
Total collections and credits				<u>\$ 17,323,540</u>

POLK COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT PROPERTY TAX LEVY - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 3,229,830,371	\$ 0.5494	\$ 17,744,688	\$ 16,417,992	\$ 1,326,696
Penalties	-		39,872	39,872	-
Total	<u>3,229,830,371</u>		<u>17,784,560</u>	<u>16,457,864</u>	<u>1,326,696</u>
Discoveries:					
Current year taxes	397,525	\$ 0.5494	2,184	2,184	-
Abatements					
Current year taxes	<u>(89,847,650)</u>	\$ 0.5494	<u>(493,623)</u>	<u>(493,623)</u>	<u>-</u>
Total property valuation	<u>\$ 3,140,380,246</u>				
Net Levy			17,293,121	15,966,425	1,326,696
Uncollected taxes at June 30, 2021 (General Fund)			<u>206,013</u>	<u>206,013</u>	<u>-</u>
Current Year Taxes Collected			<u>\$ 17,087,108</u>	<u>\$ 15,760,412</u>	<u>\$ 1,326,696</u>
Current Levy Collection Percentage			<u>98.81%</u>	<u>98.71%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed Valuation:					
Assessment ratio*				<u>100.00%</u>	
Real property				\$ 2,641,475,277	
Personal property				110,375,465	
Public service companies**				146,073,037	
Registered motor vehicles				<u>242,456,467</u>	
Total assessed valuation				<u>\$ 3,140,380,246</u>	
Tax rate per \$100				0.5494	
Levy (includes discoveries, releases, and abatements, excludes penalties)***				<u>\$ 17,293,121</u>	
In addition to the County-wide rate, the following table lists the levy by the County on behalf of Harmon Field, school districts, towns, and fire protection districts for the fiscal year ended June 30:					
School Districts				\$ 291,103	
Fire Protection Districts				<u>2,471,744</u>	
Total assessed valuation				<u>\$ 2,762,847</u>	

* Percentage of appraised value has been established by statute.

** Valuation of railroads, telephone companies, and other utilities as determined by North Carolina Property Tax Commission

*** The levy includes interest and penalties.

STATISTICAL SECTION

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

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

Revenue Capacity – These schedules contain information to help the reader assess the factors affecting the County's ability to generate property taxes.

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

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Operating Information – These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

POLK COUNTY, NORTH CAROLINA

Net Position by Category
Last Ten Fiscal Years

	2012	2013	2014 ⁽¹⁾	2015
Governmental activities:				
Net investment in capital assets	\$ 17,491,725	\$ 16,924,056	\$ 16,823,252	\$ 16,778,656
Restricted	2,343,502	2,357,260	2,513,727	3,408,680
Unrestricted	445,749	1,488,679	2,508,175	2,189,288
Total governmental activities net position	<u>\$ 20,280,976</u>	<u>\$ 20,769,995</u>	<u>\$ 21,845,154</u>	<u>\$ 22,376,624</u>
Business-type activities:				
Net investment in capital assets	\$ 9,283,387	\$ 9,708,668	\$ 10,958,504	\$ 12,699,586
Unrestricted	842,565	2,043,592	649,402	784,618
Total business-type activities net position	<u>\$ 10,125,952</u>	<u>\$ 11,752,260</u>	<u>\$ 11,607,906</u>	<u>\$ 13,484,204</u>
Primary government:				
Net investment in capital assets	\$ 26,775,112	\$ 26,632,724	\$ 27,781,756	\$ 29,478,242
Restricted	2,343,502	2,357,260	2,513,727	3,408,680
Unrestricted	1,288,314	3,532,271	3,157,577	2,973,906
Total primary government net position	<u>\$ 30,406,928</u>	<u>\$ 32,522,255</u>	<u>\$ 33,453,060</u>	<u>\$ 35,860,828</u>

NOTES:

⁽¹⁾ 2015 was the first year of implementation for GASB Statement No. 68 and 2014 was retroactively restated as a result of implementation. 2008 - 2013 were not restated.

Source: Polk County Financial Statements

	2016	2017	2018	2019	2020	2021
\$	17,116,720	\$ 19,222,539	\$ 19,705,853	\$ 21,497,816	\$ 20,436,021	\$ 22,997,270
	3,418,452	3,320,069	4,183,324	4,309,526	4,926,860	3,453,641
	2,718,297	3,643,334	5,251,178	7,006,374	8,978,881	11,621,887
\$	<u>23,253,469</u>	<u>\$ 26,185,942</u>	<u>\$ 29,140,355</u>	<u>\$ 32,813,716</u>	<u>\$ 34,341,762</u>	<u>\$ 38,072,798</u>
\$	13,477,068	\$ 13,391,365	\$ 13,335,905	\$ 13,209,319	\$ 13,039,405	\$ 12,829,828
	1,068,528	1,261,377	1,384,089	1,495,833	1,430,561	1,558,640
\$	<u>14,545,596</u>	<u>\$ 14,652,742</u>	<u>\$ 14,719,994</u>	<u>\$ 14,705,152</u>	<u>\$ 14,469,966</u>	<u>\$ 14,388,468</u>
\$	30,593,788	\$ 32,613,904	\$ 33,041,758	\$ 34,707,135	\$ 33,475,426	\$ 35,827,098
	3,418,452	3,320,069	4,183,324	4,309,526	4,926,860	3,453,641
	3,786,825	4,904,711	6,635,267	8,502,207	10,409,442	13,180,527
\$	<u>37,799,065</u>	<u>\$ 40,838,684</u>	<u>\$ 43,860,349</u>	<u>\$ 47,518,868</u>	<u>\$ 48,811,728</u>	<u>\$ 52,461,266</u>

POLK COUNTY, NORTH CAROLINA

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

	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>	<u>2015</u>
Governmental activities				
Program revenues:				
Charges for services:				
General government	\$ 369,453	\$ 370,476	\$ 418,126	\$ 489,951
Public safety	688,868	429,208	709,506	767,946
Human services	272,605	265,407	245,308	246,271
Cultural and recreational	118,711	114,765	118,479	136,669
Operating grants and contributions	3,003,690	2,952,339	3,377,349	3,354,029
Capital grants and contributions	232,219	181,457	531,932	632,886
Total program revenues	<u>4,685,546</u>	<u>4,313,652</u>	<u>5,400,700</u>	<u>5,627,752</u>
Expenses:				
General government	2,758,095	2,773,817	2,944,270	2,742,665
Public safety	5,899,783	5,704,927	6,233,081	6,696,025
Economic and physical development	760,672	811,129	1,577,119	1,092,014
Human services	4,604,527	4,873,307	4,445,455	4,539,628
Cultural and recreational	1,814,164	1,524,910	1,559,705	1,573,950
Education	5,079,611	5,238,727	5,937,254	5,786,491
Interest on long-term debt	540,693	381,823	337,287	305,706
Total program expenses	<u>21,457,545</u>	<u>21,308,640</u>	<u>23,034,171</u>	<u>22,736,479</u>
Net expenses	<u>(16,771,999)</u>	<u>(16,994,988)</u>	<u>(17,633,471)</u>	<u>(17,108,727)</u>
General revenues and transfers:				
Taxes:				
Property taxes	15,698,882	15,603,425	15,888,653	15,806,434
Local option sales tax	3,220,416	3,247,594	3,232,234	3,344,092
Other taxes	270,301	287,912	280,937	317,665
Investment earnings, unrestricted	36,751	39,917	34,432	36,268
Miscellaneous, unrestricted	343,726	125,016	124,889	127,758
Transfers	(714,534)	(1,819,857)	(135,490)	(1,992,020)
Total general revenues and transfers	<u>18,855,542</u>	<u>17,484,007</u>	<u>19,425,655</u>	<u>17,640,197</u>
Change in net position	<u>2,083,543</u>	<u>489,019</u>	<u>1,792,184</u>	<u>531,470</u>

NOTES:

(1) 2015 was the first year of implementation for GASB Statement No. 68 and 2014 was retroactively restated as a result of implementation. 2008 - 2013 were not restated.

2016	2017	2018	2019	2020	2021
\$ 295,730	\$ 352,739	\$ 359,290	\$ 369,492	\$ 416,560	\$ 1,179,639
1,017,988	1,092,754	1,184,666	1,263,867	1,379,314	1,309,092
144,715	165,618	145,281	98,719	333,079	598,140
201,323	199,738	135,678	121,817	99,170	32,833
3,550,592	3,713,449	3,428,648	4,505,063	3,773,834	4,040,318
95,705	244,527	145,705	1,104,185	142,585	633,283
5,306,053	5,768,825	5,399,268	7,463,143	6,144,542	7,793,305
3,108,920	4,402,630	3,127,258	4,124,498	3,846,919	4,543,328
7,200,671	6,297,154	7,952,358	9,445,809	10,809,062	12,047,218
762,832	647,755	851,477	1,006,404	869,522	528,035
4,406,543	4,927,167	4,282,258	4,243,382	4,923,381	4,814,256
1,773,442	1,758,546	1,780,219	1,965,129	1,869,893	1,849,723
5,539,826	5,765,217	5,685,884	6,202,220	6,925,004	6,441,594
122,188	323,545	409,921	342,910	347,575	297,845
22,914,422	24,122,014	24,089,375	27,330,352	29,591,356	30,521,999
(17,608,369)	(18,353,189)	(18,690,107)	(19,867,209)	(23,446,814)	(22,728,694)
15,949,683	16,772,188	16,840,050	17,721,888	19,355,973	19,846,984
3,211,303	4,090,672	4,332,174	4,973,439	5,089,642	6,083,842
149,841	201,098	245,521	289,107	238,824	469,788
62,988	125,981	246,235	389,495	285,586	21,230
140,720	198,271	75,540	261,641	149,832	-
(1,083,315)	(76,190)	(95,000)	(95,000)	(145,000)	37,886
18,431,220	21,312,020	21,644,520	23,540,570	24,974,857	26,459,730
822,851	2,958,831	2,954,413	3,673,361	1,528,043	3,731,036

POLK COUNTY, NORTH CAROLINA

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

	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>	<u>2015</u>
Business-type activities				
Program revenues:				
Charges for services:				
Solid waste	\$ 1,252,841	\$ 1,261,698	\$ 1,323,063	\$ 1,411,327
Water	30,521	34,857	17,858	4,500
Operating grants and contributions	-	15,458	-	-
Total program revenues	<u>1,283,362</u>	<u>1,312,013</u>	<u>1,340,921</u>	<u>1,415,827</u>
Expenses:				
Solid waste	1,253,339	1,359,559	1,416,362	1,370,127
Water	320,327	221,170	249,315	207,665
Total program expenses	<u>1,573,666</u>	<u>1,580,729</u>	<u>1,665,677</u>	<u>1,577,792</u>
Net revenues (expenses)	<u>(290,304)</u>	<u>(268,716)</u>	<u>(324,756)</u>	<u>(161,965)</u>
General revenues and transfers:				
Other taxes	-	44,138	44,912	46,243
Transfers	714,534	1,819,857	135,490	1,992,020
	<u>714,534</u>	<u>1,895,024</u>	<u>180,402</u>	<u>2,038,263</u>
Change in net position	<u>424,230</u>	<u>1,626,308</u>	<u>(144,354)</u>	<u>1,876,298</u>
Primary government				
Program revenues	5,968,908	5,625,665	6,741,621	7,043,579
Expenses	<u>23,031,211</u>	<u>22,889,369</u>	<u>24,699,848</u>	<u>24,314,271</u>
Net expenses	<u>(17,062,303)</u>	<u>(17,263,704)</u>	<u>(17,958,227)</u>	<u>(17,270,692)</u>
General revenues and transfers	<u>19,570,076</u>	<u>19,379,031</u>	<u>19,606,057</u>	<u>19,678,460</u>
Change in net position	<u>\$ 2,507,773</u>	<u>\$ 2,115,327</u>	<u>\$ 1,647,830</u>	<u>\$ 2,407,768</u>

NOTES:

⁽¹⁾ 2015 was the first year of implementation for GASB Statement No. 68 and 2014 was retroactively restated as a result of implementation. 2008 - 2013 were not restated.

Source: Polk County Financial Statements

	2016	2017	2018	2019	2020	2021
\$	1,393,764	\$ 1,471,321	\$ 1,557,156	\$ 1,668,510	\$ 1,480,658	\$ 1,744,588
	5,099	9,000	85,500	1,500	4,500	25,500
	-	-	-	-	-	-
	<u>1,398,863</u>	<u>1,480,321</u>	<u>1,642,656</u>	<u>1,670,010</u>	<u>1,485,158</u>	<u>1,770,088</u>
	1,220,455	1,273,902	1,447,256	1,560,499	1,637,101	1,643,032
	250,737	227,571	274,585	276,241	276,897	231,711
	<u>1,471,192</u>	<u>1,501,473</u>	<u>1,721,841</u>	<u>1,836,740</u>	<u>1,913,998</u>	<u>1,874,743</u>
	(72,329)	(21,152)	(79,185)	(166,730)	(428,840)	(104,655)
	50,406	52,108	51,437	56,888	48,652	61,045
	1,083,315	76,190	95,000	95,000	145,000	(37,886)
	<u>1,133,721</u>	<u>128,298</u>	<u>146,437</u>	<u>151,888</u>	<u>193,652</u>	<u>23,159</u>
	1,061,392	107,146	67,252	(14,842)	(235,188)	(81,496)
	6,704,916	7,249,146	7,041,924	9,133,153	7,629,700	9,563,393
	24,385,614	25,623,487	25,811,216	29,167,092	31,505,354	32,396,742
	<u>(17,680,698)</u>	<u>(18,374,341)</u>	<u>(18,769,292)</u>	<u>(20,033,939)</u>	<u>(23,875,654)</u>	<u>(22,833,349)</u>
	19,564,941	21,440,318	21,790,957	23,692,458	25,168,509	26,482,889
\$	<u>1,884,243</u>	<u>\$ 3,065,977</u>	<u>\$ 3,021,665</u>	<u>\$ 3,658,519</u>	<u>\$ 1,292,855</u>	<u>\$ 3,649,540</u>

POLK COUNTY, NORTH CAROLINA

Fund Balances - Governmental Funds
Last Ten Fiscal Years

	2012	2013	2014	2015
General fund:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ -
Restricted:				
Stabilization by State Statute	1,075,768	785,210	1,047,125	1,163,570
Public safety	-	-	-	-
Committed:				
Tax Revaluation	838,533	973,254	938,082	919,154
Assigned:				
Subsequent year's expenditure	-	445,542	474,719	888,900
Unassigned	6,011,199	5,738,575	7,047,387	5,906,286
Total General Fund	\$ 7,925,500	\$ 7,942,581	\$ 9,507,313	\$ 8,877,910
Other governmental funds:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ -
Restricted:				
Stabilization by State Statute	25,460	-	-	-
Public safety	376,989	437,439	431,493	445,577
Construction of new buildings	107,665	134,921	-	-
Tourism	17,926	24,372	43,373	99,671
Economic and physical development	-	118,852	15,227	25,691
School debt service	739,694	856,466	976,509	1,099,051
General government	-	-	-	-
Committed:				
Future projects	-	-	-	-
Waterline extension	852,206	-	-	-
Assigned:				
Subsequent year's expenditures	-	-	-	-
Capital projects	-	1,099,551	634,512	1,251,150
Future school projects	-	-	-	-
Public safety	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total other funds	\$ 2,119,940	\$ 2,671,601	\$ 2,101,114	\$ 2,921,140

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

Source: Polk County Financial Statements

2016	2017	2018	2019	2020	2021
\$ 170,561	\$ 168,196	\$ 182,215	\$ 188,873	\$ 489,695	\$ 108,273
1,633,744	1,552,457	2,005,617	2,100,974	2,536,891	2,608,946
-	16,461	16,657	17,011	17,235	17,238
708,468	515,224	490,638	468,810	224,328	74,131
-	546,676	408,240	323,925	-	403,621
6,534,837	6,225,687	6,710,905	8,530,347	8,987,531	10,747,187
\$ 9,047,610	\$ 9,024,701	\$ 9,814,272	\$ 11,629,940	\$ 12,255,680	\$ 13,959,396
\$ 3,266	\$ 479	\$ 1,047	\$ 1,984	\$ 1,697	\$ 7,252
44,120	46,260	102,091	82,820	92,442	105,929
400,698	8,787,238	1,662,015	516,157	519,966	6,442,470
-	-	-	-	-	-
88,809	107,185	160,079	256,846	290,122	523,284
27,690	27,486	-	-	-	-
1,223,391	1,350,067	1,478,019	1,612,982	1,760,025	7,252
-	-	-	-	-	22,693
-	-	-	-	-	33,903
-	-	-	-	-	-
-	-	-	-	-	-
777,107	1,477,203	1,568,815	2,019,315	2,212,865	2,754,795
-	-	-	-	97,066	768,122
-	-	-	12,729	-	-
(8,543)	-	(8,485)	-	(6,413)	(16,377)
\$ 2,556,538	\$ 11,795,918	\$ 4,963,581	\$ 4,502,833	\$ 4,967,770	\$ 10,649,323

POLK COUNTY, NORTH CAROLINA

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

	2012	2013	2014	2015
Revenues:				
Property taxes	\$ 15,437,492	\$ 15,530,011	\$ 15,876,129	\$ 15,671,820
Local option sales taxes	3,220,416	3,247,594	3,232,234	3,344,092
Other taxes	67,713	69,564	76,154	117,868
Restricted intergovernmental	3,438,497	3,353,992	4,020,364	3,399,130
Restricted contributions	-	-	93,725	787,857
Permits and fees	309,603	297,483	340,563	406,966
Sales and services	1,178,919	1,165,089	1,158,433	1,301,164
Investment earnings	36,751	39,917	34,432	36,268
Miscellaneous	343,726	125,016	124,889	127,758
Total revenues	24,033,117	23,828,666	24,956,923	25,192,923
Expenditures:				
Current:				
General government	2,238,737	2,261,154	2,595,845	2,489,437
Public safety	5,641,523	5,636,335	5,849,037	6,410,486
Economic and physical development	748,902	806,231	1,562,525	1,097,371
Human services	4,238,766	4,305,639	4,248,054	4,461,551
Cultural and recreational	1,471,813	1,190,189	1,293,759	1,301,417
Intergovernmental:				
Education	5,079,611	5,238,727	5,937,254	5,786,491
Capital outlay	895,780	589,734	656,314	628,586
Debt service:				
Principal	2,818,743	1,345,878	1,336,449	1,338,613
Interest	515,402	392,790	348,255	296,328
Total expenditures	23,649,277	21,766,677	23,827,492	23,810,280
Other financing sources (uses):				
Proceeds from sales of assets	-	54,579	304	-
Proceeds from capital lease	-	282,031	-	-
Refinanced debt issued	-	-	-	-
Payment on refinanced debt	-	-	-	-
Proceeds from installment purchase contracts	-	-	-	800,000
Transfers from other funds	339,706	495,878	233,089	208,281
Transfers to other funds	(1,054,240)	(2,315,735)	(368,579)	(2,200,301)
Total other financing sources (uses):	(714,534)	(1,483,247)	(135,186)	(1,192,020)
Net change in fund balances	\$ (330,694)	\$ 578,742	\$ 994,245	\$ 190,623
Debt service as a percentage of non-capital expenditures	14.7%	8.2%	7.3%	7.1%

Source: Polk County Financial Statements

	2016	2017	2018	2019	2020	2021
\$	16,150,390	\$ 16,686,794	\$ 16,614,744	\$ 18,328,355	\$ 19,266,873	\$ 19,892,858
	3,513,262	4,090,672	4,332,174	4,973,439	5,089,642	6,083,842
	149,841	201,098	245,521	289,107	238,824	469,788
	3,646,295	3,957,976	3,551,533	4,879,248	3,783,967	5,193,073
	-	-	22,800	730,000	-	-
	365,658	439,525	603,219	475,199	489,393	680,507
	1,294,100	1,371,324	1,221,716	1,378,696	1,871,182	1,727,869
	62,988	125,981	246,235	389,495	285,586	21,230
	140,720	198,271	75,540	261,641	149,832	191,856
	25,323,254	27,071,641	26,913,482	31,705,180	31,175,299	34,261,023
	2,832,665	4,060,235	2,825,501	3,841,536	3,489,065	4,458,894
	6,848,449	5,893,817	7,368,662	8,690,664	9,635,647	11,828,012
	763,494	644,324	838,107	997,507	830,153	911,313
	4,258,143	4,758,052	4,050,988	4,001,694	4,523,232	4,736,247
	1,487,901	1,501,409	1,511,277	1,704,075	1,531,886	1,590,508
	5,539,826	5,765,217	5,685,884	6,202,220	6,925,004	6,441,594
	1,163,108	6,658,814	8,029,631	2,342,214	1,488,562	-
	1,395,210	1,768,942	2,142,457	2,114,551	1,221,391	2,839,420
	156,377	246,192	421,540	376,583	334,660	307,651
	24,445,173	31,297,002	32,874,047	30,271,044	29,979,600	33,113,639
	6,425	18,022	9,173	11,907	37,877	-
	-	-	-	-	-	-
	-	-	-	-	-	9,979,742
	-	-	-	-	-	(9,979,742)
	-	13,500,000	-	-	-	6,200,000
	290,781	366,221	273,156	104,450	659,823	2,221,521
	(1,374,096)	(442,411)	(364,530)	(195,573)	(802,724)	(2,183,636)
	(1,076,890)	13,441,832	(82,201)	(79,216)	(105,024)	6,237,885
\$	(198,809)	\$ 9,216,471	\$ (6,042,766)	\$ 1,354,920	\$ 1,090,675	\$ 7,385,269
	6.7%	8.2%	10.3%	8.9%	5.5%	9.5%

POLK COUNTY, NORTH CAROLINA

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

	2012	2013	2014	2015
Real property	\$ 2,732,468	\$ 2,723,284	\$ 2,582,280	\$ 2,694,037
Personal property	172,627	171,863	363,642	227,145
Public service companies	65,814	76,478	82,533	80,835
Less tax exempt property	(215,794)	(220,313)	(223,908)	(228,599)
Total taxable assessed value	\$ 2,755,115	\$ 2,751,312	\$ 2,804,547	\$ 2,773,418
Total direct tax rate	0.5200	0.5200	0.5175	0.5175

NOTE: Assesseed valuations are established by the Board of County Comissioners at 100% of estimated market value. A revaluation of real property is required by the NC General Statutes at least every eight years. Revaluation were completed in 2009 and 2017. Tax rates are per \$100 of assessed value.

Source: Polk County Tax Department

2016	2017	2018	2019	2020	2021
\$ 2,722,705	\$ 2,778,171	\$ 2,838,747	\$ 2,895,896	\$ 2,969,231	\$ 2,988,580
237,507	265,243	275,372	288,791	332,400	352,831
78,842	72,695	86,418	110,492	116,652	146,073
(230,862)	(233,111)	(316,061)	(341,320)	(349,526)	(347,104)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 2,808,192	\$ 2,882,998	\$ 2,884,476	\$ 2,953,859	\$ 3,068,757	\$ 3,140,380
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
0.5175	0.5375	0.5294	0.5294	0.5494	0.5494
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

POLK COUNTY, NORTH CAROLINA

Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years (rate per \$100 of assessed value)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
County direct rate:										
General Fund	0.5200	0.5200	0.5175	0.5175	0.5175	0.5375	0.5294	0.5294	0.5494	0.5494
Harmon Field rate	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0334	0.0334	0.045	0.045
City/town rates:										
Saluda	0.5050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450	0.665	0.675
Columbus	0.3900	0.4000	0.4000	0.4000	0.4150	0.4200	0.4246	0.4446	0.5246	0.515
Tryon	0.5258	0.5258	0.5508	0.5508	0.5708	0.5708	0.5663	0.6088	0.6088	0.5696
Fire district rates:										
Saluda	0.0650	0.0650	0.0750	0.0750	0.0850	0.0950	0.0940	0.1050	0.1150	0.1150
Sunnyview	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0759	0.0759	0.1059	0.1059
Mill Spring	0.0500	0.0500	0.0650	0.0650	0.0650	0.0700	0.0663	0.0813	0.0813	0.0813
Green Creek	0.0410	0.0410	0.0410	0.0410	0.0410	0.0560	0.0446	0.0646	0.0846	0.0846
Tryon	0.0480	0.0480	0.0480	0.0480	0.0680	0.0680	0.0635	0.1035	0.1035	0.1035
Columbus	0.0400	0.0500	0.0500	0.0650	0.0650	0.0700	0.0746	0.0746	0.1046	0.1046
Edneyville	-	-	-	-	-	-	0.1050	0.1050	0.1050	0.1050
Blue Ridge	-	-	-	-	-	-	0.1200	0.1200	0.1200	0.1200
Dana	-	-	-	-	-	-	0.1300	0.1300	0.1300	0.1300
School district rate:										
Saluda	<u>0.0300</u>									
Total Direct and Overlapping Rates	<u>2.3098</u>	<u>2.4298</u>	<u>2.4773</u>	<u>2.4923</u>	<u>2.5573</u>	<u>2.6173</u>	<u>2.9626</u>	<u>3.1511</u>	<u>3.3727</u>	<u>3.3339</u>

POLK COUNTY, NORTH CAROLINA

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2021			2012		
	Taxable assessed value	Rank	Percentage of total county taxable assessed value	Taxable assessed value	Rank	Percentage of total county taxable assessed value
Tryon Equestrian Properties ⁽¹⁾	\$ 78,129,422	1	2.49%	\$ 11,341,634	4	0.41%
Public Service Co., of NC	66,728,851	2	2.12%	N/A		
Adult Communities Total						
Services	43,777,210	3	1.39%	49,036,758	2	1.78%
Tryon Showgrounds	31,781,955	4	1.01%	N/A		
Duke Energy	25,532,019	5	0.81%	10,650,668	5	0.39%
Mill Spring Resort(2)	19,149,002	6	0.61%	55,464,906	1	2.01%
Rutherford Electric Membership Corporation	17,284,712	7	0.55%	N/A		
Green River Farm LLC	11,289,910	8	0.36%	N/A		
Tryon Arena LLC	9,678,335	9	0.31%			
Tryon Equestrian Properties No.2	8,269,510	10	0.26%			
Tryon Investment Properties				11,727,264	3	0.43%
Byana LLC				9,328,861	6	0.34%
Travis Oates LLC				7,574,566	7	0.27%
Oates, Lemuel & Sandra				7,166,843	8	0.26%
Hidden Springs Holdings				7,058,158	9	0.26%
Ricks Mountain LLC				6,836,631	10	0.25%
Total	\$ 311,620,926		9.92%	\$ 176,186,289		6.39%

⁽¹⁾ Previously White Oak Development⁽²⁾ Previously Bright's Creek

Source: Polk County Tax Department

POLK COUNTY, NORTH CAROLINA

Property Tax Levies and Collections
Last Ten Fiscal Years
(In thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Taxes levied for the year	\$ 14,327	\$ 14,307	\$ 14,514	\$ 14,352
Collected within the fiscal year of the levy:				
Amount	13,849	13,875	14,145	13,886
Percentage	97%	97%	97%	97%
Current uncollected balance	16	9	7	6
Collection in subsequent years	462	423	362	460
Total collections to date:				
Amount	14,311	14,298	14,507	14,346
Percentage	99.89%	99.94%	99.95%	99.96%

Source: Polk County Financial Statements

	2016	2017	2018	2019	2020	2021
\$	14,538	\$ 15,501	\$ 15,283	\$ 15,671	\$ 16,864	\$ 17,293
	14,149	15,115	14,907	15,464	16,599	17,087
	97%	98%	98%	99%	98%	99%
	7	15	55	207	266	206
	382	371	321	-	-	-
	14,531	15,486	15,228	15,464	16,599	17,087
	99.95%	99.90%	99.64%	98.68%	98.43%	98.81%

POLK COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Direct placement installment purchases	11,937,334	10,654,001	9,370,668	8,887,335
Capital leases	53,884	273,370	220,254	164,974
Total governmental activities	<u>11,991,218</u>	<u>10,927,371</u>	<u>9,590,922</u>	<u>9,052,309</u>
Business-type activities:				
Direct placement installment purchases	186,556	182,197	177,570	172,657
Total government-wide	<u>\$ 12,177,774</u>	<u>\$ 11,109,568</u>	<u>\$ 9,768,492</u>	<u>\$ 9,224,966</u>
Total debt as a percent of personal income	1.61%	1.45%	1.20%	1.09%
Total debt per capita	\$ 596	\$ 544	\$ 474	\$ 444
Percentage of bonded debt to estimated actual property value	0.00%	0.00%	0.00%	0.00%
Bonded debt per capita	\$ -	\$ -	\$ -	\$ -

2016	2017	2018	2019	2020	2021
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,549,657	19,340,591	17,245,700	15,131,149	13,909,759	17,270,340
107,442	47,566	-	-	-	-
7,657,099	19,388,157	17,245,700	15,131,149	13,909,759	17,270,340
167,441	161,903	156,024	149,782	143,155	136,120
\$ 7,824,540	\$ 19,550,060	\$ 17,401,724	\$ 15,280,931	\$ 14,052,914	\$ 17,406,460
0.90%	2.20%	N/A	N/A	N/A	N/A
\$ 376	\$ 930	\$ 818	\$ 707	\$ 643	\$ 791
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

POLK COUNTY, NORTH CAROLINA

Direct and Overlapping Governmental Activities Debt

As of June 30, 2021

Governmental Unit:	Debt Outstanding ⁽¹⁾	Estimated Percentage Applicable	Applicable to Primary Government
Town of Columbus ⁽¹⁾	\$ 441,594	100%	\$ 441,594
Town of Tryon ⁽¹⁾	2,304,932	100%	2,304,932
City of Saluda ⁽¹⁾	2,529,717	100%	2,529,717
		Subtotal, overlapping debt	5,276,243
		Polk County direct debt	17,270,340
		Total direct and overlapping debt	\$ 22,546,583

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



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POLK COUNTY, NORTH CAROLINA

Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 220,409,169	\$ 220,105,015	\$ 224,363,764	\$ 221,873,438
Total debt applicable to limit	<u>11,991,218</u>	<u>10,927,371</u>	<u>9,590,922</u>	<u>9,052,309</u>
Legal debt margin	<u>\$ 208,417,951</u>	<u>\$ 209,177,644</u>	<u>\$ 214,772,842</u>	<u>\$ 212,821,129</u>
Total debt applicable to the limit as a percentage of debt limit	6.74%	5.44%	4.96%	4.27%

Source: Polk County Financial Statements

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 224,655,361	\$ 230,639,810	\$ 230,758,117	\$ 236,308,778	\$ 245,539,130	\$ 251,230,420
7,824,540	19,550,060	17,401,724	15,280,931	13,909,759	17,406,460
<u>\$ 216,830,821</u>	<u>\$ 211,089,750</u>	<u>\$ 213,356,393</u>	<u>\$ 221,027,847</u>	<u>\$ 231,629,371</u>	<u>\$ 233,823,960</u>
4.08%	3.48%	8.48%	6.47%	5.66%	6.93%

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	<u>\$3,140,380,246</u>
Debt limit (8% of assessed value)	\$ 251,230,420
Debt applicable to limit:	
Installment purchase contracts	<u>17,406,460</u>
Legal debt margin	<u>\$ 233,823,960</u>

POLK COUNTY, NORTH CAROLINA

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (000's) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (1)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2012	20,433	755,522	37,312	49.58	2,293	8.0%
2013	20,422	764,328	37,485	49.68	2,294	6.9%
2014	20,603	816,016	40,125	50.01	2,246	4.7%
2015	20,755	844,715	41,477	50.36	2,276	5.7%
2016	20,828	866,459	42,611	51.06	2,167	4.9%
2017	21,020	889,704	43,278	51.29	2,147	4.0%
2018	21,275	933,484	45,291	51.80	2,098	4.1%
2019	21,614	942,090	45,459	52.10	2,099	4.5%
2020	21,852	N/A	N/A	52.40	2,112	6.3%
2021	21,999	N/A	N/A	51.80	2,057	4.6%

Source:

- (1) N.C. Office of State Budget Management
 - (2) Bureau of Economic Analysis, U. S. Department of Commerce
 - (3) N.C. Department of Public Instruction, First Month Average Daily Membership
 - (4) Bureau of Labor Statistics
- N/A Information not yet available

POLK COUNTY, NORTH CAROLINA

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2021</u>			<u>2012</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Polk County Public Schools	250-499	1	2.8% - 5.7%	450	1	4.72%
St. Luke's Hospital Inc	250-499	2	2.8% - 5.7%	324	2	3.40%
Acts Inc	250-499	3	2.8% - 5.7%	270	3	2.83%
Polk County Government	250-499	4	2.8% - 5.7%	225	4	2.42%
Cooper Riis Inc	100-249	5	1.1% - 2.8%	120	6	1.26%
Tryon International Equestrian Ctr	100-249	6	1.1% - 2.8%	N/A	N/A	0.00%
White Oak Management Inc	100-249	7	1.1% - 2.8%	135	5	1.42%
Pavillon International (A Corp)	100-249	8	1.1% - 2.8%	N/A	N/A	0.00%
Polk Vocational Services	50-99	9	.06% - 1.1%	-	-	0.00%
Pure Country	50-99	10	.06% - 1.1%	N/A	N/A	0.00%
Community Choices Inc	50-99	11	.06% - 1.1%	N/A	N/A	0.00%
Autumn Corporation	50-99	12	.06% - 1.1%	110	7	1.15%
Milliken & Co Inc	50-99	13	.06% - 1.1%	N/A	N/A	0.00%
Food Lion	50-99	14	.06% - 1.1%	N/A	N/A	0.00%
Carolina Yarn Processors	N/A		0.00%	46	10	0.48%
Timken Inc	N/A		0.00%	36	11	0.38%
Hatch Plant	N/A		0.00%	61	9	0.64%
Laurel Hurst	N/A		0.00%	63	8	0.66%
Total Workforce & % of:	<u>9,218</u>		<u>16% - 40.6%</u>	<u>9,280</u>		<u>19.36%</u>

NOTE: Percent range for 2021 & as shown for 2012

N/A Information not available.

Source: d4ncommerce.com for 2021 & Local Business Survey for 2012

Table 14

POLK COUNTY, NORTH CAROLINA

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government:										
Governing Body	-	-	-	-	1.0	1.0	0.5	0.5	0.5	0.5
Administration - Co Mgr	3.0	3.0	3.0	4.0	4.0	3.5	4.0	3.5	2.5	2.5
Finance	4.0	4.0	4.0	4.0	4.0	4.5	4.0	4.0	4.0	4.0
Human Resources									1.0	1.0
Tax - collections	8.0	7.5	8.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0
Tag Office				1.5	1.4	2.4	2.4	2.4	2.4	2.4
Board of elections	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Register of deeds	2.9	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Public buildings	3.0	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.2	7.2
Management info systems	3.0	2.5	2.8	3.0	2.5	2.5	2.5	2.5	3.0	3.0
Revaluation									1.0	1.0
Public safety:										
Sheriff's department	27.0	30.0	32.0	33.0	33.0	34.0	34.0	36.0	36.0	36.0
Jail	10.5	10.5	11.0	10.0	11.0	11.0	24.0	24.5	28.0	28.0
Communications	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Emergency management	-	-	-	1.0	1.0	1.0	1.0	1.5	1.5	1.5
Animal control	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.8	1.8	2.0
Community development	3.0	3.0	3.0	4.0	4.0	5.0	6.0	6.0	5.0	4.0
Emergency medical services	17.0	18.0	18.0	17.0	18.0	19.0	20.0	20.0	22.4	22.4
Economic and physical development:										
Planning and zoning	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cooperative extension	4.5	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0
Soil and water conservation	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Economic and development	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Human services:										
Public health									6.5	7.0
Public transportation	16.0	17.5	17.5	17.5	17.5	15.0	17.0	14.5	15.5	15.4
Social service administration	30.0	30.0	30.0	31.0	32.0	33.0	34.5	38.1	38.1	39.0
Veteran's administration	0.8	0.8	0.8	0.85	0.9	1.0	1.0	1.0	1.0	1.0
Cultural and recreational:										
Senior Centers	6.3	6.3	6.3	6.9	6.9	6.9	6.9	6.9	7.9	6.7
Library	9.5	9.5	9.5	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Recreation	5.2	5.2	5.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Total	<u>167.9</u>	<u>171.0</u>	<u>179.9</u>	<u>183.1</u>	<u>194.1</u>	<u>195.7</u>	<u>213.7</u>	<u>218.1</u>	<u>233.3</u>	<u>232.6</u>

Source: Various County Departments.



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POLK COUNTY, NORTH CAROLINA

Operating Indicators by Function
Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government:				
Percentage of registered voters participating in General Election	72%	N/A	49%	N/A
Public Safety:				
Number of inmates processed	757	687	926	1,119
Number of inmate days	10,581	11,392	10,274	10,760
Number of building permits issued	44	44	59	72
Number of EMS calls dispatched	2,617	2,790	2,725	3,237
Human Services:				
Public transportation total route miles	414,106	371,596	332,025	356,307
Public transportation passengers	57,707	46,059	40,420	39,520
Number of children in Foster Care	20	21	17	33
Economic & Physical Development:				
Number of plats recorded	149	128	169	175
Culture and Recreation - Library:				
Volumes in collection	60,939	59,450	63,636	57,368
Circulation	104,502	110,834	110,954	143,291
Education:				
Current expense per ADM	\$ 2,021	\$ 2,086	\$ 2,130	\$ 2,168
Enterprise Fund- Landfill:				
Tons of waste received	18,808	20,894	22,653	21,440

N/A Information not available

Source: Various County Departments

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
68%	N/A	58%	24%	76%	N/A
910	992	965	1,122	955	1,002
10,409	9,269	8,816	17,949	17,252	12,675
59	85	90	78	91	109
3,190	3,105	3,154	3,320	3,056	3,536
368,690	381,076	389,799	434,257	308,928	233,911
40,597	39,448	39,603	39,662	29,713	14,815
30	51	51	39	24	50
141	194	141	173	205	248
53,191	52,304	53,830	54,846	50,126	51,643
157,858	158,968	149,662	152,273	130,441	155,017
\$ 2,323	\$ 2,389	\$ 2,445	\$ 2,444	\$ 2,429	\$ 2,494
21,009	19,156	23,495	23,121	20,876	22,407

POLK COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function
Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	35	38	37	37	43	39	35	39	53	52
Culture and Recreation:										
Libraries	2	2	2	2	2	2	2	2	2	2
Recreation acreage	140	140	140	140	140	140	140	613	613	613
Baseball/softball fields	5	5	5	5	5	5	5	5	5	5
Senior Centers	3	3	3	3	3	3	3	3	3	1
Human Services:										
Transit-Vans	<u>14</u>	<u>14</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>17</u>	<u>20</u>	<u>18</u>	<u>19</u>
	<u>200</u>	<u>203</u>	<u>203</u>	<u>203</u>	<u>209</u>	<u>205</u>	<u>203</u>	<u>683</u>	<u>695</u>	<u>693</u>

Source: Various County Departments

COMPLIANCE SECTION

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



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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Commissioners
Polk County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2021

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Polk County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Polk County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. Polk County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Polk County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2021

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Polk County, North Carolina

Report on Compliance for Each Major State Program

We have audited the compliance of Polk County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Polk County's major state programs for the year ended June 30, 2021. Polk County's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Polk County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2021

POLK COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Non-compliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major federal programs:

<u>Program Title</u>	<u>AL#</u>
Coronavirus Relief Funding	21.019
Foster Care Title IV-E	93.658
Adoption Assistance	93.659

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

POLK COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

No prior year findings.



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POLK COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State / Pass-through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS:					
<u>U. S. Department of Agriculture</u>					
Passed-through the N. C. Department of Health and Human Services:					
<u>Division of Social Services:</u>					
<u>SNAP Cluster:</u>					
<u>Supplemental Nutrition Assistance Program (SNAP) Cluster:</u>					
State Administrative Matching Grants for the Supplemental Nutrition	10.561	215NC406S2514	\$ 131,982	\$ -	\$ -
Total SNAP Cluster			<u>131,982</u>	<u>-</u>	<u>-</u>
<u>Division of Public Health:</u>					
<u>Administration:</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13A254034V(JQ)	34,349	-	-
Total Division of Public Health			<u>34,349</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>166,331</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Transportation</u>					
<u>Federal Transit Administration:</u>					
Passed-through the N.C. Department of Transportation:					
<u>Rural Area Program:</u>					
Formula Grants for Rural Areas and Tribal Transit Program - Administration	20.509	36233.83.22.1	99,883	6,243	-
Formula Grants for Rural Areas and Tribal Transit Program - Operating - Transit	20.509	49233.51.1.2, 49233.51.2.2	213,161	-	-
Formula Grants for Rural Areas and Tribal Transit Program - Capital	20.509	36233.83.21.4	55,668	6,958	-
Total US Department of Transportation			<u>368,712</u>	<u>13,201</u>	<u>-</u>
<u>U. S. Department of Elections</u>					
Passed-through the N.C. State Board of Elections:					
CARES Help America Vote Act (HAVA) 2018 HAVA Election Security Grants	90.404	NC20101001-075	21,257	-	-
Total U.S. Department of Elections			<u>21,257</u>	<u>-</u>	<u>-</u>
<u>U. S. Department of the Treasury</u>					
<u>Department of the Treasury</u>					
<u>Direct Program</u>					
Treasury Equitable Sharing Program	21.016		2,300	-	-
Coronavirus State and Local Fiscal Recovery Funds	21.027		91,648	-	-
Pass-through North Carolina Department of Commerce					
Coronavirus Relief Fund - Tourism Recovery Grant	21.019	60-00-48	15,000	-	-
Pass-through North Carolina Pandemic Recovery Office					
Coronavirus Relief Fund - Division of Public Health	21.019	11754026HN(P5)	43,502	-	-
Coronavirus Relief Fund - Elections CARES	21.019	03-25-75	30,102	-	-
Coronavirus Relief Fund	21.019	02-73	984,467	-	247,349
Total Coronavirus Relief Fund			<u>1,073,071</u>	<u>-</u>	<u>247,349</u>
Total U. S. Department of the Treasury			<u>1,167,019</u>	<u>-</u>	<u>247,349</u>
<u>Institute of Museum and Library Services</u>					
Grants to States	45.310		17,316	-	-
Total IMLS			<u>17,316</u>	<u>-</u>	<u>-</u>
<u>U. S. Department of Health and Human Services</u>					
<u>Administration for Children and Families</u>					
Passed-through the N. C. Department of Health and Human Services:					
<u>Division of Social Services:</u>					
Foster Care, Adoption, and Guardianship Assistance Program Cluster (Note 3):					
<u>Administration:</u>					
Foster Care Title IV-E	93.658	2101NCFOST	21,580	-	-
Foster Care Title IV-E CPS	93.658	2101NCFOST	41,432	8,152	-
Foster Care Title IV-E Foster Care/Off Trn	93.658	2101NCFOST	140,639	-	-
Adoption Assistance Title IV-E Adoption/Off Trn	93.659	2101NCADPT	2,502	-	-
Adoption Assistance Title IV-E Optional Adopt Trn 5	93.659	2101NCADPT	4,010	-	-
<u>Direct Benefit Payments:</u>					
Foster Care Title IV-E Foster Care	93.658	2101NCFOST	197,228	39,118	-
Adoption Assistance Title IV-E Adopt & Vendor & Guardianship	93.659	2101NCADPT	143,144	25,756	-
Total Foster Care, Adoption and Guardianship Assistance Program Cluster (Note 3)			<u>550,535</u>	<u>73,026</u>	<u>-</u>
Special Children Adoption Fund Cluster (Note 3):					
Mary Lee Allen Promoting Safe and Stable Families Program	93.556	2101NCFPSS	3,507	-	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101NCCWSS	4,884	-	-
Temporary Assistance for Needy Families:					
TANF/Work First Administration	93.558	2101NCTANF	13,743	-	-
TANF/Work First Service	93.558	2101NCTANF	108,730	-	-
TANF Payments & Penalties - Direct Benefits	93.558	2101NCTANF	70,078	-	-
Total TANF			<u>192,551</u>	<u>-</u>	<u>-</u>
Total Special Children Adoption Fund Cluster			<u>200,942</u>	<u>-</u>	<u>-</u>

POLK COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State / Pass-through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Passed-through to Subrecipients
<u>Grantor/Pass-Through Grantor/Program Title</u>					
Child Support Enforcement:					
IV-D Offset-Fed	93.563	2101NCCES	877	99	-
IV-D Administration	93.563	2101NCCES	77,767	-	-
Low-Income Home Energy Assistance:					
COVID-19 LIEAP	93.568	2101NCLIEA	30,400	-	-
Crisis Intervention Payments	93.568	2101NCLIEA	70,582	-	-
Low Income Energy Assistance	93.568	2101NCLIEA	10,786	-	-
Low Income Energy Home Assistance	93.568	2101NCLIEA	76,592	-	-
Total Low-Income Home Energy Assistance			188,360	-	-
Social Services Block Grant - Adult Protective Service	93.667	2101NCSOSR	14,585	-	-
Social Services Block Grant - CPS TANF to SSBG	93.667	2101NCSOSR	13,638	-	-
Social Services Block Grant	93.667	2101NCSOSR	87,847	-	-
Total Social Services Block Grant			116,070	-	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101NCC1LP	15,839	3,191	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood Direct Benefit Payments	93.674	2101NCC1LP	4,154	-	-
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			19,993	3,191	-
Passed-through the N.C. Department of Health and Human Services:					
<u>Division of Child Development and Early Education:</u>					
<u>Subsidized Child Care Program Cluster (Note 3):</u>					
<u>Division of Social Services:</u>					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund-Administration	93.596	2101NCCCDF	18,263	-	-
Total Child Care Development Fund Cluster			18,263	-	-
Total Subsidized Child Care Program Cluster (Note 3)			18,263	-	-
Centers for Medicare and Medicaid Services:					
Passed-through the N.C. Department of Health and Human Services:					
<u>Medicaid Cluster:</u>					
<u>Division of Social Services:</u>					
Administration:					
Medical Assistance Program	93.778	XIX-MAP21	568,159	393	-
Total Medicaid Cluster			568,159	393	-
<u>Division of Health Resources and Services Administration:</u>					
COVID 19 - CARES Act Provider Relief Fund	93.498	566000333	34,290	-	-
<u>Division of Social Services:</u>					
Administration:					
Children's Health Insurance Program:					
N.C. Health Choice	93.767	CHIP21	18,027	216	-
<u>Division of Public Health:</u>					
Public Health Emergency Preparedness	93.069	12641680EQ	7,214	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1460272O(A)NF 1331629B4Q; 1331631BEJ;	50	-	-
Immunization Cooperation Agreements	93.268	1331639BP7	115,089	-	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	1175870AWT; 1175878AHH	107,470	-	-
COVID-19 - Public Health Emergency Response:					
Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	12642680CP	52,580	-	-
Preventive Health and Health Services Block Grant	93.991	12615503PH	30,607	-	-
Maternal and Child Health Services Block Grant	93.994	12715745AR	4,734	-	-
Total U.S. Department of Health and Human Services			2,111,027	76,925	-
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Department of Crime Control and Public Safety					
<u>Division of Emergency Management:</u>					
Emergency Management Performance Grants	97.042	EMA-2018-EP00005	39,378	-	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4487-DR-NC	6,310	-	-
Total U. S. Department of Homeland Security			45,688	-	-
Total Federal Awards			3,897,350	90,126	247,349

POLK COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State / Pass-through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures	Passed-through to Subrecipients
STATE AWARDS:					
<u>N.C. Department of Cultural and Natural Resources</u>					
<u>Division of State Library</u>					
COVID-19 State Aid for Public Libraries			-	2,000	-
State Aid for Public Libraries			-	77,540	-
Total N.C. Dept. of Agriculture and Consumer Services			-	79,540	-
<u>N.C. Department of Health and Human Services (NCDHHS)</u>					
<u>Division of Social Services:</u>					
<u>Administration:</u>					
State Child Welfare/CPS			-	24,775	-
COVID-19 APS/CPS Care			-	21,560	-
<u>State Foster Care Program - Direct Benefits:</u>					
State Foster Home			-	22,368	-
Foster Care Stipend			-	15,300	-
SFHF Maximization			-	8,793	-
Total State Foster Care Program - Direct Benefits			-	46,461	-
Total Division of Social Services			-	92,796	-
<u>Division of Public Health:</u>					
Aid-to-Counties			-	30,580	-
General Communicable Disease Control			-	7,029	-
Healthy Communities			-	3,747	-
Child Health			-	2,799	-
School Nursing Funding Initiative			-	150,000	-
Tuberculosis Control			-	282	-
Total Division of Public Health			-	194,437	-
Total NCDHHS			-	287,233	-
<u>N.C. Department of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Program:			-	82,489	-
Total N.C. Department of Juvenile Justice and Delinquency Prevention			-	82,489	-
<u>N.C. Department of Public Instruction (NCDPI)</u>					
<u>Public School Building Capital Fund:</u>					
Lottery Proceeds		Lottery 2021	-	187,835	-
Total NCDPI			-	187,835	-
Total State awards			-	637,097	-
Total Federal and State awards			\$ 3,897,350	\$ 727,223	\$ 247,349

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

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of Polk County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation s Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position or cash flows of Polk County.

2 Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Polk County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3 Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

- Subsidized Child Care Program Cluster
- Foster Care, Adoption, and Guardianship Assistance Program Cluster
- Special Children Adoption Fund Cluster



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