

**POLK COUNTY
NORTH CAROLINA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

This page left blank intentionally.

**POLK COUNTY
NORTH CAROLINA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

PREPARED BY: FINANCE DEPARTMENT

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Introductory Section:	
	Letter of Transmittal	i-iv
	Organizational Chart	v
	List of Principal Officials	vi
	2022 GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
	Financial Section:	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	13-14
B	Statement of Activities	15-16
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	17
D	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
E	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
F	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	20
G	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	21
H	Opioid Settlement Fund - Major Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	22
I	Statement of Net Position - Proprietary Funds	23
J	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	24

POLK COUNTY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Exhibit</u>		Page
	Fund Financial Statements (continued):	
K	Statement of Cash Flows - Proprietary Funds	25
L	Statement of Fiduciary Net Position - Fiduciary Funds	26
M	Statement of Changes in Fiduciary Net Position - Fiduciary Funds	27
	Notes to the Financial Statements	28-68
	Schedule	
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability Last Seven Fiscal Years	69-70
A-2	Law Enforcement Officers' Special Separation Allowance Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll - Last Seven Fiscal Years	71-72
A-3	Local Governmental Employees' Retirement System - County's Proportionate Share of Net Pension Liability (Asset) Last Ten Fiscal Years	73-74
A-4	Local Governmental Employees' Retirement System - Polk County's Contributions - Last Ten Fiscal Years	75-76
A-5	Registers of Deeds' Supplemental Pension Fund - County's Proportionate Share of Net Pension Liability (Asset) Last Ten Fiscal Years	77-78
A-6	Registers of Deeds' Supplemental Pension Fund - Polk County's Contributions - Last Ten Fiscal Years	79-80
	Combining and Individual Fund Financial Statements and Schedules:	
1	Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual - General Fund	81-87
2	Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual - Revaluation Fund	88

POLK COUNTY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Schedule</u>		Page
	Combining and Individual Fund Financial Statements and Schedules - (continued):	
3	Schedule of Revenue, Expenditures and Change in Fund Balance - Budget and Actual - Major Capital Projects Fund	89
4	Major Grant Project Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
5	Schedule of Revenue, Expenditures - Budget and Actual (Non-GAAP) - Solid Waste Fund	91
6	Schedule of Revenue, Expenditures - Budget and Actual (Non-GAAP) - Solid Waste Capital Project Fund	92
7	Schedule of Revenue, Expenditures - Budget and Actual (Non-GAAP) - Water Fund	93
8	Schedule of Revenue, Expenditures - Budget and Actual (Non-GAAP) - Water Capital Projects Fund	94
	Nonmajor Governmental Funds:	
9	Combining Balance Sheet - Nonmajor Governmental Funds	95-96
10	Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	97-98
11	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Fire District Fund	99
12	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Tourism Development Fund	100
13	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Emergency Telephone System Fund	101
14	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Other Miscellaneous Governmental Activities Fund	102
15	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Reserve Fund	103
16	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Debt Service Fund	104

POLK COUNTY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

<u>Schedule</u>		Page
	Custodial Funds:	
17	Combining Statement of Fiduciary Net Position - Custodial Funds	105
18	Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	106
	Other Schedules:	
19	Schedule of Ad Valorem Taxes Receivable	107
20	Analysis of Current Property Tax Levy - General Fund	108
	Statistical Section:	
1	Net Position by Category	109-110
2	Revenues, Expenses and Changes in Net Position	111-114
3	Fund Balances, Governmental Funds	115-116
4	Revenues, Expenditures and Changes in Fund Balances, Governmental Funds	117-118
5	Assessed Value and Actual Value of Taxable Property	119-120
6	Direct and Overlapping Property Tax Rates	121
7	Principal Property Taxpayers	122
8	Property Tax Levies and Collections	123-124
9	Ratios of Outstanding Debt by Type	125-126
10	Direct and Overlapping Governmental Activities Debt	127
11	Legal Debt Margin Information	128-129
12	Demographic and Economic Statistics	130
13	Principal Employers	131
14	Full-Time Equivalent County Government Employees by Function	132
15	Operating Indicators by Function	133-134
16	Capital Asset Statistics by Function	135
	Compliance Section:	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	136-137

POLK COUNTY, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	Page
Compliance Section (continued):	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	138-140
Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act	141-143
Schedule of Findings, Responses, and Questioned Costs	144-145
Schedule of Prior Year Audit Findings	146
Schedule of Expenditures of Federal and State Awards	147-150

This page left blank intentionally.

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.

This page left blank intentionally.



November 20, 2023

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, 2023. 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, 2023, 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, 2023 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 1.4% from the previous year. The present unemployment rate is 3.5% (down from 4.1% the previous year) but higher than the State unemployment rate of 3.5%, just under the State rate of 3.6%. 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 agriculture and equine industries are continuing to grow. Per capita income decreased 0.03% from last year to this year. The median age is slowly increasing since the drop in 2021.

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 worked closely with the State and other organizations on a number of State and Federal funded grant projects (ARPA, SCIF, NC911, StRAP & Opioid Settlement).

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, 2022. This marks the twenty-seventh 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.

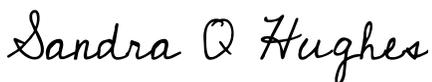
Each County department’s strong commitment to the goals, vision, and mission statements of the County government is reflected in the services provided to the residents of Polk County. We appreciate the cooperation of all the County departments in conducting financial activities, including the preparation 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

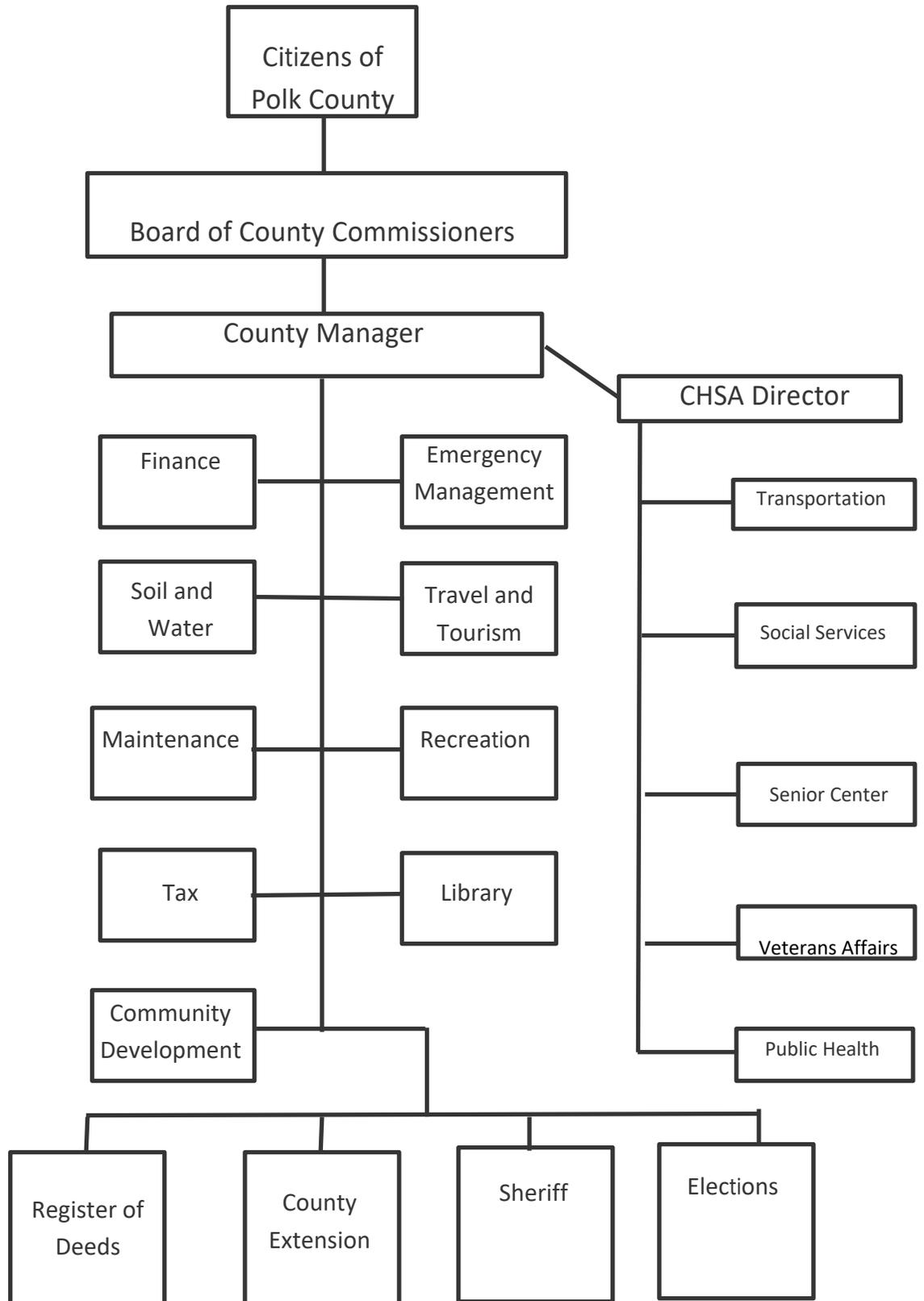


Finance Director

POLK COUNTY, NORTH CAROLINA

Organization Chart

June 30, 2023



POLK COUNTY, NORTH CAROLINA

List of Principal Officials

June 30, 2023

BOARD OF COUNTY COMMISSIONERS

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

County Officials

Marche Pittman	County Manager
Jana Berg	County Attorney
Kristy Tipton	Clerk to the Board
Ange' High	Projects, Services, and Public Information Director
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
Mickey Edwards	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	Facilities Director
Dawn Jordan	Agriculture Economic Development Director
Travis Ballard	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, 2022

Christopher P. Morill

Executive Director/CEO

This page left blank intentionally.

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.

This page left blank intentionally.

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 Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Opioid Settlement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise a substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Payroll, the Local Governmental 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 is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of 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 consisted 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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
November 20, 2023

This page left blank intentionally.

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, 2023. 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

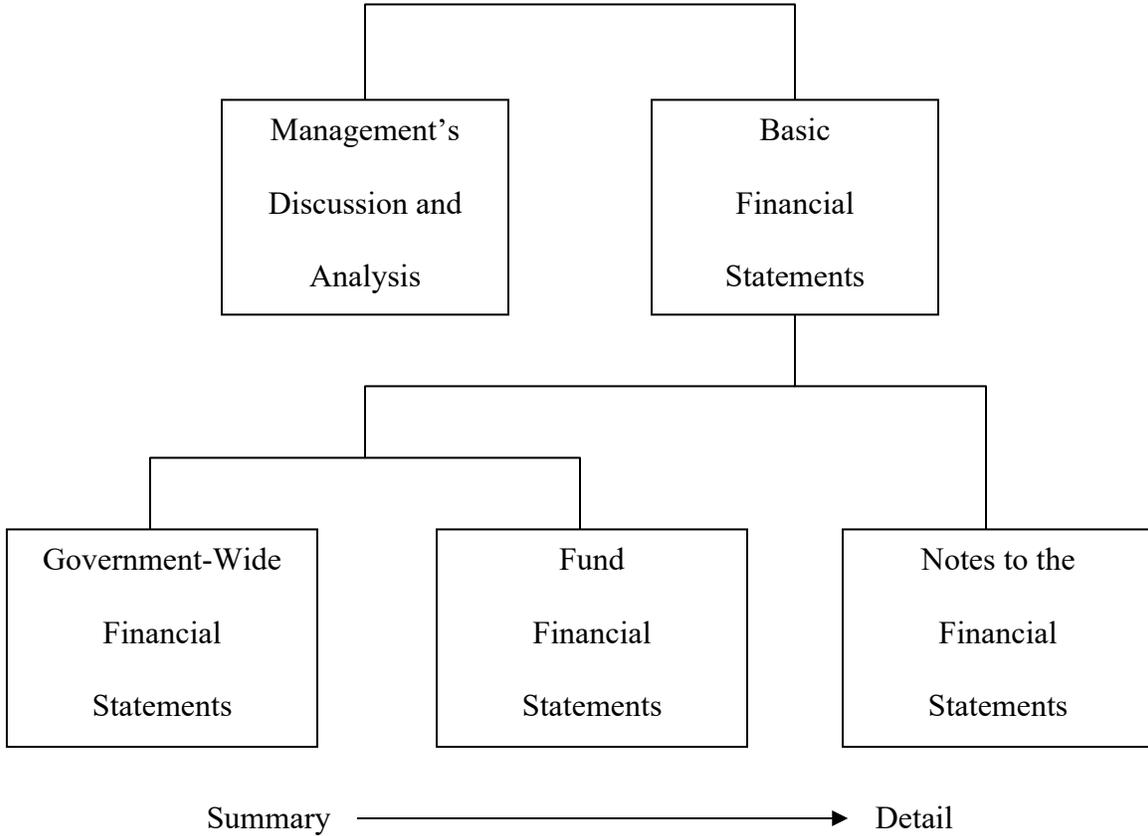
- The assets and deferred outflows of resources of Polk County exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$56,789,629 (net position).
- The County's net position decreased by \$2,559,615, primarily due to planned capital project fund expenditures for education.
- As of June 30, 2023, Polk County's governmental funds reported combined ending fund balances of \$22,698,693, a decrease of \$1,496,326. Approximately 26% of this total amount, or \$5,851,377, is restricted or non-spendable.
- At the end of the current fiscal year, available fund balance for the General Fund was \$11,532,513, or 34%, of total General Fund expenditures and transfers to other funds for the fiscal year.
- Polk County's total installment debt decreased by \$1,460,369 during the current fiscal year due to continued annual payments and no new debt issued.
- The capital assets of the County decreased overall by \$2,501,001 in the current fiscal year. Land, building and improvements and equipment and vehicles increased due to new purchases and replacements. Construction in progress decreased primarily due to the completion of the school project.

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 M) 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 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 29 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 70 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 \$56,789,629 as of June 30, 2023. The County's net position decreased by \$2,559,615 for the fiscal year ended June 30, 2023, which represents a decrease of (\$2,173,649) for governmental activities and a decrease of (\$385,966) for business-type activities.

Polk County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 33,548,694	\$ 34,676,482	\$ 1,767,068	\$ 1,864,959	\$ 35,315,762	\$ 36,541,441
Capital & right to use assets	37,814,760	38,058,783	12,714,641	12,986,579	50,529,401	51,045,362
Total assets	71,363,454	72,735,265	14,481,709	14,851,538	85,845,163	87,586,803
Deferred Outflows of Resources						
	4,987,922	3,437,110	-	-	4,987,922	3,437,110
Liabilities:						
Long-term liabilities outstanding	21,017,109	17,588,240	121,630	135,094	21,138,739	17,723,334
Other liabilities	11,908,571	11,760,188	359,396	329,795	12,267,967	12,089,983
Total liabilities	32,925,680	29,348,428	481,026	464,889	33,406,706	29,813,317
Deferred Inflows of Resources						
	636,750	3,179,876	-	-	636,750	3,179,876
Net Position:						
Net investment in capital assets	27,102,675	28,463,258	12,593,494	12,857,316	39,696,169	41,320,574
Restricted	5,089,008	4,280,097	-	-	5,089,008	4,280,097
Unrestricted	10,597,263	10,900,716	1,407,189	1,529,333	12,004,452	12,430,049
Total net position	\$ 42,788,946	\$ 43,644,071	\$ 14,000,683	\$ 14,386,649	\$ 56,789,629	\$ 58,030,720

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

- no new large investments in facilities while maintaining our current projects.
- continued 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,889,907	\$ 3,942,393	\$ 1,995,284	\$ 1,966,621	\$ 5,885,191	\$ 5,909,014
Operating grants and contributions	5,422,606	4,988,334	-	-	5,422,606	4,988,334
Capital grants and contributions	807,683	695,193	-	-	807,683	695,193
General revenues:						
Property taxes	20,970,252	20,867,723	-	-	20,970,252	20,867,723
Other taxes	7,107,360	6,556,319	-	-	7,107,360	6,556,319
Other	1,594,089	510,397	65,857	59,462	1,659,946	569,859
Total revenues	<u>39,791,897</u>	<u>37,560,359</u>	<u>2,061,141</u>	<u>2,026,083</u>	<u>41,853,038</u>	<u>39,586,442</u>
Expenses:						
General government	8,847,469	5,234,494	-	-	8,847,469	5,234,494
Public safety	14,685,631	11,842,219	-	-	14,685,631	11,842,219
Economic and physical development	1,241,225	977,960	-	-	1,241,225	977,960
Human services	6,770,973	5,196,267	-	-	6,770,973	5,196,267
Cultural and recreational	1,838,226	1,601,495	-	-	1,838,226	1,601,495
Education	8,160,986	6,566,852	-	-	8,160,986	6,566,852
Interest on long-term debt	331,036	333,418	-	-	331,036	333,418
Solid waste	-	-	-	-	-	-
Water	-	-	2,537,107	2,264,283	2,537,107	2,264,283
Total expenses	<u>41,875,546</u>	<u>31,752,705</u>	<u>2,537,107</u>	<u>2,264,283</u>	<u>44,412,653</u>	<u>34,016,988</u>
Change in net position before transfers	(2,083,649)	5,807,654	(475,966)	(238,200)	(2,559,615)	5,569,454
Transfers	<u>(90,000)</u>	<u>(236,381)</u>	<u>90,000</u>	<u>236,381</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(2,173,649)</u>	<u>5,571,273</u>	<u>(385,966)</u>	<u>(1,819)</u>	<u>(2,559,615)</u>	<u>5,569,454</u>
Net Position:						
Beginning of year - July 1	43,644,071	38,072,798	14,386,649	14,388,468	58,030,720	52,461,266
Restatement	1,318,524	-	-	-	1,318,524	-
Beginning of year - restated	<u>44,962,595</u>	<u>38,072,798</u>	<u>14,386,649</u>	<u>14,388,468</u>	<u>59,349,244</u>	<u>52,461,266</u>
End of year - June 30	<u>\$ 42,788,946</u>	<u>\$ 43,644,071</u>	<u>\$ 14,000,683</u>	<u>\$ 14,386,649</u>	<u>\$ 56,789,629</u>	<u>\$ 58,030,720</u>

Governmental Activities. Net position decreased \$2,173,649, mainly due to spending in excess of revenue collections. Property tax revenue is the County's largest source of revenue, accounting for 53 percent of total revenue. Current year property tax base was \$3.62 billion at a rate of 0.5143 per \$100. The revenues in the governmental activities have increased roughly 5.9 percent from the prior year. Other taxes, which include sales taxes, are up 8.4 percent. Expenses increased over the prior year by 31.9 percent.

Business-Type Activities. Net position decreased \$385,966, 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 \$22,698,693, a decrease of \$1,496,326 in comparison with the prior year. The decrease in total fund balance is due primarily to school capital improvements and ongoing projects offset by 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 \$11,532,513, while total fund balance reached \$15,347,669. The County currently has an available fund balance of 34% of General Fund expenses and transfers to other funds, while total fund balance represents 51% of the same amount. The available fund balance decreased slightly from the prior year due to an operating loss that was anticipated due to the appropriation of fund balance.

The fund balance of other governmental funds was \$7,351,024 at the close of the current fiscal year, a decrease of \$1,369,218. The fund balance of the Capital Projects Fund decreased \$2,073,922 mainly due to spending the loan proceeds for school capital improvements and ongoing projects. The fund balance of the Grant Projects Fund increased \$115,701 due to new grant projects and the fund balance of the Opioid Settlement Fund increased by \$222,211 due to payments not yet allocated.

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 \$1,831,537 or 5.75 percent, of the original budget. The increase in the final budgeted revenues is primarily due to additional grants received by the County. Total amendments to the General Fund increased expenditures by \$4,320,485, or 13.6 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 \$2,912,115 under budgeted expenditures.

Capital Asset and Debt Administration

Capital Assets. Polk County's capital assets for its governmental-type activities as of June 30, 2023 total \$35,853,601 (net of accumulated depreciation), a decrease of \$2,229,061 as compared to the previous year. Land, building and improvements and equipment and vehicles increased due to new purchases and replacements. Construction in progress decreased primarily due to the completion of the school project.

Polk County's capital assets for its business-type activities as of June 30, 2023 total \$12,714,641 (net of accumulated depreciation), a decrease of \$271,940 compared to the previous year, primarily due to construction in progress.

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land and easements	\$ 9,703,290	\$ 8,692,349	\$ 2,708,350	\$ 2,708,350	\$ 12,411,640	\$ 11,400,699
Buildings and improvements	20,749,524	20,516,352	860,981	894,254	21,610,505	21,410,606
Equipment	987,385	981,212	330,565	361,943	1,317,950	1,343,155
Right-to-use leased assets	55,496	88,969	430	613	55,926	89,582
Right-to-use subscription assets	231,833	-	-	-	231,833	-
Waterlines and related assets	-	-	8,376,932	8,617,524	8,376,932	8,617,524
Vehicles and motorized equipment	3,021,619	2,765,006	(117,849)	(151,335)	2,903,770	2,613,671
Construction in progress	1,104,454	5,038,774	555,232	555,232	1,659,686	5,594,006
Total	<u>\$ 35,853,601</u>	<u>\$ 38,082,662</u>	<u>\$ 12,714,641</u>	<u>\$ 12,986,581</u>	<u>\$ 48,568,242</u>	<u>\$ 51,069,243</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, 2023, Polk County's outstanding balance on direct placement installment purchase contracts was \$14,507,967. The County's total debt decreased by \$1,460,369 due to regular principal payments made by the County throughout the year and no new debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement installment purchase contracts	<u>\$ 14,387,246</u>	<u>\$ 15,839,685</u>	<u>\$ 120,721</u>	<u>\$ 128,651</u>	<u>\$ 14,507,967</u>	<u>\$ 15,968,336</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 \$275,442,629.

Additional information regarding the County's long-term debt can be found beginning on page 58 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 3.5 percent, slightly lower than the state average of 3.6 percent;
- Overall revenues are up 3%, and expenditures are up 5%;
- The property tax revenue increased due to growth;
- 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.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities – Property taxes are budgeted with a 2-cent tax increase over the prior year. Revenues from permits and fees are expected to decrease based on expected market conditions. Sales tax revenues are budgeted to increase at 2 percent. Property tax revenue is budgeted to increase by 5.6 percent due to the tax increase and valuation growth. Overall, total budgeted revenue is expected to increase approximately 3.1 percent without the consideration of appropriated fund balance. Fund balance was used to balance the fiscal year 2023 budget in the amount of \$178,735 primarily due to the start of revaluation with the funds set aside over the last 3 years.

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 decreased by approximately 3.7 percent.

Requests for Information

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

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	Governmental Activities	Business-Type Activities	Total Primary Government
Assets:			
Current assets:			
Cash and cash equivalents	\$ 20,468,500	\$ 1,348,969	\$ 21,817,469
Ad valorem taxes receivable, net	334,869	-	334,869
Accounts receivable, net	3,218,640	414,174	3,632,814
Prepaid items	676,352	3,925	680,277
Restricted cash and cash equivalents	8,820,620	-	8,820,620
Total current assets	33,518,981	1,767,068	35,286,049
Non-current assets:			
Accounts receivable, net	1,961,159	-	1,961,159
Net pension asset - ROD	29,713	-	29,713
Capital assets not being depreciated/amortized	10,807,744	3,263,582	14,071,326
Capital assets, net of accumulated depreciation/amortization	25,045,857	9,451,059	34,496,916
Total non-current assets	37,844,473	12,714,641	50,559,114
Total assets	71,363,454	14,481,709	85,845,163
Deferred Outflows of Resources:			
Pension deferrals	4,987,922	-	4,987,922
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,614,654	342,789	1,957,443
Advance from grantor	8,170,111	-	8,170,111
Accrued interest payable	70,279	-	70,279
Prepaid fees	116,814	-	116,814
Due in less than one year	1,936,713	16,607	1,953,320
Total current liabilities	11,908,571	359,396	12,267,967
Long-term liabilities:			
Net pension liability - LGERS	6,911,313	-	6,911,313
Total pension liability - LEOSA	610,253	-	610,253
Due in more than one year	13,495,543	121,630	13,617,173
Total long-term liabilities	21,017,109	121,630	21,138,739
Total liabilities	32,925,680	481,026	33,406,706

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

POLK COUNTY, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Deferred Inflows of Resources:			
Pension deferrals	501,281	-	501,281
Prepaid taxes	135,469	-	135,469
Total deferred inflows of resources	<u>636,750</u>	<u>-</u>	<u>636,750</u>
Net Position:			
Net investment in capital assets	27,102,675	12,593,494	39,696,169
Restricted net position:			
Stabilization by state statute	3,469,394	-	3,469,394
Human services	222,211	-	222,211
Public safety	309,722	-	309,722
Tourism	847,546	-	847,546
General government	186,511	-	186,511
School debt service	7,252	-	7,252
Register of Deeds - pension plan	46,372	-	46,372
Unrestricted net position	<u>10,597,263</u>	<u>1,407,189</u>	<u>12,004,452</u>
Total net position	<u>\$ 42,788,946</u>	<u>\$ 14,000,683</u>	<u>\$ 56,789,629</u>

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

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 8,847,469	\$ 1,293,295	\$ 3,717,122	\$ -
Public safety	14,685,631	1,779,912	-	-
Economic and physical development	1,241,225	-	477,635	-
Human services	6,770,973	815,725	1,227,849	807,683
Cultural and recreational	1,838,226	975	-	-
Education	8,160,986	-	-	-
Interest expense and fees	331,036	-	-	-
Total governmental activities	<u>41,875,546</u>	<u>3,889,907</u>	<u>5,422,606</u>	<u>807,683</u>
Business-Type Activities:				
Solid waste	2,218,864	1,995,284	-	-
Water	318,243	-	-	-
Total business-type activities	<u>2,537,107</u>	<u>1,995,284</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 44,412,653</u>	<u>\$ 5,885,191</u>	<u>\$ 5,422,606</u>	<u>\$ 807,683</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, 2023

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (3,837,052)	\$ -	\$ (3,837,052)
Public safety	(12,905,719)	-	(12,905,719)
Economic and physical development	(763,590)	-	(763,590)
Human services	(3,919,716)	-	(3,919,716)
Cultural and recreational	(1,837,251)	-	(1,837,251)
Education	(8,160,986)	-	(8,160,986)
Interest expense and fees	(331,036)	-	(331,036)
Total governmental activities	(31,755,350)	-	(31,755,350)
Business-Type Activities:			
Solid waste	-	(223,580)	(223,580)
Water	-	(318,243)	(318,243)
Total business-type activities	-	(541,823)	(541,823)
Total primary government	(31,755,350)	(541,823)	(32,297,173)
General Revenues:			
Taxes:			
Ad valorem taxes	20,970,252	-	20,970,252
Sales tax	7,107,360	-	7,107,360
Real estate transfer taxes	518,452	-	518,452
Investment earnings	1,075,637	-	1,075,637
Other taxes	-	65,857	65,857
Total general revenues, excluding transfers	29,671,701	65,857	29,737,558
Total transfers	(90,000)	90,000	-
Total general revenues and transfers	29,581,701	155,857	29,737,558
Change in net position	(2,173,649)	(385,966)	(2,559,615)
Net Position:			
Beginning of year - July 1	43,644,071	14,386,649	58,030,720
Restatement	1,318,524	-	1,318,524
Beginning of year - restated	44,962,595	14,386,649	59,349,244
End of year - June 30	\$ 42,788,946	\$ 14,000,683	\$ 56,789,629

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

POLK COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major				Nonmajor	Total Governmental Funds
	General Fund	Capital Projects Fund	Grant Projects Fund	Opioid Settlement Fund	Other Governmental Funds	
Assets:						
Cash and cash equivalents	\$ 13,188,657	\$ 5,578,761	\$ -	\$ -	\$ 1,591,558	\$ 20,358,976
Ad valorem taxes receivable, net	287,226	-	-	-	47,643	334,869
Accounts receivable	2,551,058	24,155	189,892	2,300,006	114,688	5,179,799
Prepaid items	674,497	-	-	-	1,855	676,352
Restricted cash and cash equivalents	294,832	132,389	8,171,188	222,211	-	8,820,620
Total assets	<u>\$ 16,996,270</u>	<u>\$ 5,735,305</u>	<u>\$ 8,361,080</u>	<u>\$ 2,522,217</u>	<u>\$ 1,755,744</u>	<u>\$ 35,370,616</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,109,092	\$ 184,127	\$ 41,365	\$ -	\$ 280,070	\$ 1,614,654
Advance from grantor	-	-	8,170,111	-	-	8,170,111
Unearned revenue	116,814	-	-	-	-	116,814
Total liabilities	<u>1,225,906</u>	<u>184,127</u>	<u>8,211,476</u>	<u>-</u>	<u>280,070</u>	<u>9,901,579</u>
Deferred Inflows of Resources:						
Prepaid taxes	135,469	-	-	-	-	135,469
Unavailable taxes	287,226	-	-	-	47,643	334,869
Unavailable revenue	-	-	-	2,300,006	-	2,300,006
Total deferred inflows of resources	<u>422,695</u>	<u>-</u>	<u>-</u>	<u>2,300,006</u>	<u>47,643</u>	<u>2,770,344</u>
Fund Balances:						
Non-Spendable:						
Prepays	674,497	-	-	-	1,855	676,352
Restricted:						
Stabilization by state statute	3,140,659	24,155	189,892	-	114,688	3,469,394
Public safety	17,913	132,389	-	-	291,809	442,111
School debt service	-	-	-	-	7,252	7,252
Tourism	-	-	-	-	847,546	847,546
Human services	-	-	-	222,211	-	222,211
General government	-	-	-	-	186,511	186,511
Committed:						
Tax revaluation	276,042	-	-	-	-	276,042
Assigned:						
Future school capital	-	1,304,750	-	-	-	1,304,750
Subsequent year's expenditures	178,735	-	-	-	-	178,735
Capital projects	-	4,089,884	-	-	-	4,089,884
Unassigned	11,059,823	-	(40,288)	-	(21,630)	10,997,905
Total fund balances	<u>15,347,669</u>	<u>5,551,178</u>	<u>149,604</u>	<u>222,211</u>	<u>1,428,031</u>	<u>22,698,693</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,996,270</u>	<u>\$ 5,735,305</u>	<u>\$ 8,361,080</u>	<u>\$ 2,522,217</u>	<u>\$ 1,755,744</u>	<u>\$ 35,370,616</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, 2023

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

Total fund balances, per Exhibit C	\$ 22,698,693
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	35,566,272
Net pension asset - ROD	29,713
Net pension liability - LGERS	(6,911,313)
Total pension liability - LEOSSA	(610,253)
Right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	287,329
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.	2,634,875
Deferred outflows of resources related to pension are not reported in the funds.	4,987,922
Deferred inflows of resources related to pension are not reported in the funds.	(501,281)
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>(15,502,535)</u>
Net position of governmental activities, per Exhibit A	<u>\$ 42,788,946</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, 2023

	Major				Nonmajor	Total Governmental Funds
	General Fund	Capital Projects Fund	Grant Project Fund	Opioid Settlement Fund	Other Governmental Funds	
Revenues:						
Ad valorem taxes	\$ 17,979,294	\$ -	\$ -	\$ -	\$ 2,976,350	\$ 20,955,644
Other taxes and licenses	7,107,360	-	-	-	518,452	7,625,812
Restricted intergovernmental revenues	4,559,230	24,155	477,635	222,211	672,190	5,955,421
Fees, licenses, and permits	616,120	-	-	-	-	616,120
Sales and services	2,238,773	-	-	-	-	2,238,773
Investment earnings	944,907	5,136	115,701	-	9,893	1,075,637
Miscellaneous revenues	78,394	121,942	-	-	128,063	328,399
Total revenues	<u>33,524,078</u>	<u>151,233</u>	<u>593,336</u>	<u>222,211</u>	<u>4,304,948</u>	<u>38,795,806</u>
Expenditures:						
Current:						
General government	5,760,816	84,063	-	-	369,284	6,214,163
Public safety	10,066,254	418,378	477,635	-	3,184,958	14,147,225
Economic and physical development	820,192	-	-	-	388,932	1,209,124
Human services	6,648,433	-	-	-	-	6,648,433
Cultural and recreational	1,737,807	457,493	-	-	-	2,195,300
Education	6,358,463	1,802,523	-	-	-	8,160,986
Debt service:						
Principal retirement	1,582,246	-	-	-	2,238	1,584,484
Interest and fees	318,735	-	-	-	11	318,746
Total expenditures	<u>33,292,946</u>	<u>2,762,457</u>	<u>477,635</u>	<u>-</u>	<u>3,945,423</u>	<u>40,478,461</u>
Revenues over (under) expenditures	<u>231,132</u>	<u>(2,611,224)</u>	<u>115,701</u>	<u>222,211</u>	<u>359,525</u>	<u>(1,682,655)</u>
Other Financing Sources (Uses):						
Lease liability issued	4,845	-	-	-	-	4,845
Subscription liabilities issued	271,484	-	-	-	-	271,484
Transfers in	150,095	909,420	-	-	7,267	1,066,782
Transfers out	(784,664)	(372,118)	-	-	-	(1,156,782)
Total other financing sources (uses)	<u>(358,240)</u>	<u>537,302</u>	<u>-</u>	<u>-</u>	<u>7,267</u>	<u>186,329</u>
Net change in fund balances	(127,108)	(2,073,922)	115,701	222,211	366,792	(1,496,326)
Fund Balances:						
Beginning of year - July 1	<u>15,474,777</u>	<u>7,625,100</u>	<u>33,903</u>	<u>-</u>	<u>1,061,239</u>	<u>24,195,019</u>
End of year - June 30	<u>\$ 15,347,669</u>	<u>\$ 5,551,178</u>	<u>\$ 149,604</u>	<u>\$ 222,211</u>	<u>\$ 1,428,031</u>	<u>\$ 22,698,693</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, 2023**

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

Net change in fund balances - total governmental funds (Exhibit E) \$ (1,496,326)

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;	3,188,740
Right to use lease & subscription asset capital outlay expenditures which were capitalized	314,972
Depreciation and amortization expense recorded during the current year; and	(1,576,054)
Net book value of capital assets disposed during the current year	(4,132,841)

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

Principal payments	1,584,484
--------------------	-----------

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. (276,329)

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)	(12,290)
Compensated absences	(64,234)
Pension expense	(699,862)

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

Opioid Settlement Funds	981,483
Net change in taxes receivable	<u>14,608</u>

Change in net position of governmental activities - Exhibit B \$ (2,173,649)

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, 2023**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Over/Under
Revenues:				
Ad valorem taxes	\$ 18,626,835	\$ 18,626,835	\$ 17,979,294	\$ (647,541)
Other taxes and licenses	6,882,594	6,924,091	7,107,360	183,269
Restricted intergovernmental revenues	3,613,561	5,219,601	4,559,230	(660,371)
Permits and fees	667,110	667,110	616,120	(50,990)
Sales and services	1,965,285	2,139,285	2,238,773	99,488
Investment earnings	6,294	6,294	938,820	932,526
Miscellaneous	67,408	77,408	78,394	986
Total revenues	<u>31,829,087</u>	<u>33,660,624</u>	<u>33,517,991</u>	<u>(142,633)</u>
Expenditures:				
General government	4,748,580	6,633,074	5,582,296	1,050,778
Public safety	10,292,721	10,723,920	10,066,254	657,666
Economic and physical development	885,105	910,479	820,192	90,287
Human services	6,365,952	7,439,197	6,648,433	790,764
Cultural and recreational	1,664,487	1,844,004	1,737,807	106,197
Education	5,974,413	6,572,368	6,358,463	213,905
Principal retirement	1,452,439	1,596,395	1,582,246	14,149
Interest and fees	307,104	307,104	318,735	(11,631)
Total expenditures	<u>31,690,801</u>	<u>36,026,541</u>	<u>33,114,426</u>	<u>2,912,115</u>
Revenues over (under) expenditures	<u>138,286</u>	<u>(2,365,917)</u>	<u>403,565</u>	<u>2,769,482</u>
Other Financing Sources (Uses):				
Appropriated fund balance	514,473	3,016,185	-	(3,016,185)
Lease liability issued	-	4,845	4,845	-
Subscription liabilities issued	-	180,916	180,916	-
Transfers in	-	150,095	150,095	-
Transfers (out)	(652,759)	(986,124)	(968,335)	17,789
Total other financing sources (uses)	<u>(138,286)</u>	<u>2,365,917</u>	<u>(632,479)</u>	<u>(2,998,396)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(228,914)</u>	<u>\$ (228,914)</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Initial implementation of SBITA standard				
Subscription liability issued			90,568	
Capital outlay			(90,568)	
Fund Balances:				
Beginning of year - July 1			<u>15,300,541</u>	
End of year - June 30 - General Fund			15,071,627	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Revenue			6,087	
Expenditures			(87,952)	
Transfer from other funds			183,671	
Fund balance, beginning of year - Revaluation Fund			<u>174,236</u>	
Fund balance, end of year - Combined General Fund			<u>\$ 15,347,669</u>	

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

POLK COUNTY, NORTH CAROLINA

**OPIOID SETTLEMENT FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:				
Opioid settlement payments	\$ -	\$ 222,211	\$ 222,211	\$ -
Expenditures:				
Human services:				
Operating expenditures	-	222,211	-	222,211
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	222,211	<u>\$ 222,211</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ 222,211</u>	

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

POLK COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Enterprise Funds			Governmental Activities
	Solid Waste Fund	Water Fund	Total Business-Type Activities	Internal Service Fund
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,128,029	\$ 220,940	\$ 1,348,969	\$ 109,524
Accounts receivable, net	203,837	210,337	414,174	-
Prepays	3,925	-	3,925	-
Total current assets	<u>1,335,791</u>	<u>431,277</u>	<u>1,767,068</u>	<u>109,524</u>
Non-current assets:				
Capital assets not being depreciated/amortized	790,805	2,472,777	3,263,582	-
Capital assets, net of accumulated depreciation/amortization	<u>1,074,127</u>	<u>8,376,932</u>	<u>9,451,059</u>	<u>-</u>
Total non-current assets	<u>1,864,932</u>	<u>10,849,709</u>	<u>12,714,641</u>	<u>-</u>
Total assets	<u>3,200,723</u>	<u>11,280,986</u>	<u>14,481,709</u>	<u>109,524</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	120,532	222,257	342,789	-
Compensated absences	8,000	-	8,000	-
Current portion of notes payable and leases	<u>8,607</u>	<u>-</u>	<u>8,607</u>	<u>-</u>
Total current liabilities	<u>137,139</u>	<u>222,257</u>	<u>359,396</u>	<u>-</u>
Non-current liabilities:				
Compensated absences	9,090	-	9,090	-
Notes payable	<u>112,540</u>	<u>-</u>	<u>112,540</u>	<u>-</u>
Total non-current liabilities	<u>121,630</u>	<u>-</u>	<u>121,630</u>	<u>-</u>
Total liabilities	<u>258,769</u>	<u>222,257</u>	<u>481,026</u>	<u>-</u>
Net Position:				
Net investment in capital assets	1,743,785	10,849,709	12,593,494	-
Unrestricted net position	<u>1,198,169</u>	<u>209,020</u>	<u>1,407,189</u>	<u>109,524</u>
Total net position	<u>\$ 2,941,954</u>	<u>\$ 11,058,729</u>	<u>\$ 14,000,683</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, 2023

	Enterprise Funds			Governmental Activities
	Solid Waste Fund	Water Fund	Total Business-Type Activities	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 1,995,284	\$ -	\$ 1,995,284	\$ -
Operating Expenses:				
Operating expenses	2,078,586	77,651	2,156,237	-
Closure and post-closure care	52,785	-	52,785	-
Depreciation and amortization	79,988	240,592	320,580	-
Total operating expenses	2,211,359	318,243	2,529,602	-
Operating income (loss)	(216,075)	(318,243)	(534,318)	-
Non-Operating Revenues (Expenses):				
Solid waste taxes	65,857	-	65,857	-
Interest expense	(7,505)	-	(7,505)	-
Total non-operating revenues (expenses)	58,352	-	58,352	-
Income (loss) before transfers	(157,723)	(318,243)	(475,966)	-
Transfers out	(120,000)	-	(120,000)	-
Transfers in	120,000	90,000	210,000	-
Change in net position	(157,723)	(228,243)	(385,966)	-
Net Position:				
Beginning of year - July 1	3,099,677	11,286,972	14,386,649	109,524
End of year - June 30	\$ 2,941,954	\$ 11,058,729	\$ 14,000,683	\$ 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, 2023

	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	\$ 1,975,249	\$ 6,087	\$ 1,981,336	\$ -
Cash paid for goods and services	(2,112,290)	(72,583)	(2,184,873)	-
Net cash provided (used) by operating activities	(137,041)	(66,496)	(203,537)	-
Cash Flows From Non-Capital Financing Activities:				
Transfer in (out)	-	90,000	90,000	-
Solid waste taxes	65,857	-	65,857	-
Net cash (used) provided by non-capital financing activities	65,857	90,000	155,857	-
Cash Flows from Capital and Related Financing Activities:				
Principal payments	(8,116)	-	(8,116)	-
Acquisition of capital assets	(48,640)	-	(48,640)	-
Interest expense	(7,505)	-	(7,505)	-
Net cash provided (used) by capital and related financing activities	(64,261)	-	(64,261)	-
Net increase (decrease) in cash and cash equivalents	(135,445)	23,504	(111,941)	-
Cash and Cash Equivalents:				
Beginning of year - July 1	1,263,474	197,436	1,460,910	109,524
End of year - June 30	\$ 1,128,029	\$ 220,940	\$ 1,348,969	\$ 109,524
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (216,075)	\$ (318,243)	\$ (534,318)	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	79,988	240,592	320,580	-
Changes in Assets and Liabilities:				
Increase (decrease) in unearned revenue	(494)	-	(494)	-
Pension expense	2	-	2	-
(Increase) decrease in accounts receivable	(20,033)	6,087	(13,946)	-
Increase (decrease) in prepaid fees	(104)	-	(104)	-
Increase (decrease) in accounts payable	27,532	5,068	32,600	-
Increase (decrease) in accrued payroll and other liabilities	(7,857)	-	(7,857)	-
Net cash provided (used) by operating activities	\$ (137,041)	\$ (66,496)	\$ (203,537)	\$ -
Summary of Non-Cash & Related Financing Activities:				
Right to use asset acquired in exchange for lease liability	\$ -	\$ 797	\$ -	\$ -

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

POLK COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Custodial Funds
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 72,541
Receivable for other governments, net	<u>55,127</u>
Total assets	<u>127,668</u>
Liabilities:	
Accounts payable and accrued liabilities	<u>22,570</u>
Net Position:	
Restricted for:	
Individuals, organizations, and other governments	<u>105,098</u>
Total net position	<u>\$ 105,098</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, 2023

	<u>Custodial Funds</u>
Additions:	
Ad valorem taxes collected for other governments	\$ 2,188,952
Collections on behalf of inmates	<u>71,503</u>
Total additions	<u>2,260,455</u>
Deductions:	
Administrative expense	
Tax distributions to other governments	2,188,953
Payments on behalf of inmates	<u>69,057</u>
Total deductions	<u>2,258,010</u>
Net increase (decrease) in fiduciary net position	2,445
Net position - beginning of year	<u>102,653</u>
Net position - end of year	<u>\$ 105,098</u>

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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023.

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, 2023

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.

Opioid Settlement Fund. The Opioid Settlement Fund is a Special Revenue Fund used to account for settlement proceeds that are restricted for use for a particular purpose. This fund tracks the activities of that funding which will occur at least over 18 years.

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 Project 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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation amortization 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 leases and subscriptions are reported as other financing sources.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 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, Opioid Settlement 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.

A reconciliation is included for the General Fund due to the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscriptions*.

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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

State law [G.S. 159-30] 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. 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. State grants are restricted because they must be expended in accordance with the grant agreement. Money in the General Fund is restricted by the grantor 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. Opioid Settlement Fund unspent settlement awards are classified as restricted cash because they must be expended in accordance with their respective agreements.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

<u>Restricted Cash</u>	<u>Amount</u>
General Fund:	
Tax Revaluation Fund	\$ 276,919
Drug fund	17,913
Total General Fund	<u>294,832</u>
Capital Projects Fund:	
Unspent loan proceeds	<u>132,389</u>
Grant Projects Fund:	
American Rescue Plan Act	1,555,487
State grants - SCIF	<u>6,615,701</u>
Total Grant Projects Fund	<u>8,171,188</u>
Opioid Settlement Fund:	
Unexpended settlement proceeds	<u>222,211</u>
Total restricted cash	<u>\$ 8,820,620</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, 2022. 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 reposted net of such discounts.

Allowances for Doubtful Accounts

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

Prepaid Items

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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Right-to-Use Assets

The County has recorded right-to-use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

The County has recorded the right-to-use subscription assets related to subscription-based information technology arrangements (SBITAs) as a result of implementing GASB 96. The right to use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

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*, represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criteria – 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*, represents an acquisition of net assets that applies to future periods 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, unavailable revenue, and pension-related deferrals.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 provide 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 provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County 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.

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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 for *Human Services* – portion of fund balance restricted by revenue source for Opioid Settlement funds.

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent loan proceeds of \$132,389 and restricted for Register of Deeds pension plan and related deferrals of \$46,372, for a net difference of \$86,017, as of June 30, 2023.

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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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 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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

At June 30, 2023, the carrying amount of the County's deposits was \$8,254,927, and the related bank balance was \$8,775,773. Of the bank balance, \$500,000 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, 2023 of \$2,550.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than Six Months
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 22,453,153	\$ 22,453,153

Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than six 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, 2023.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Receivables

Receivables at the government-wide level at June 30, 2023 were as follows:

	<u>General</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
Accounts receivable	\$ 1,475,344	\$ 2,606,768	\$ 4,082,112
Taxes	357,226	47,643	404,869
Due from other governments	2,232,125	21,973	2,254,098
Less: allowance	<u>(1,226,411)</u>	<u>-</u>	<u>(1,226,411)</u>
Total receivables (net)	<u>\$ 2,838,284</u>	<u>\$ 2,676,384</u>	<u>\$ 5,514,668</u>
Business-Type Activities:			
Accounts receivable	\$ -	\$ 416,938	\$ 416,938
Less: allowance	<u>-</u>	<u>(2,764)</u>	<u>(2,764)</u>
Total receivables (net)	<u>\$ -</u>	<u>\$ 414,174</u>	<u>\$ 414,174</u>

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

Sales tax refund	\$ 945,018
State/Federal entities	<u>1,309,080</u>
Due from other governments	<u>\$ 2,254,098</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>
2020	\$ 1,646,247	\$ 539,147	\$ 2,185,394
2021	1,608,303	381,972	1,990,275
2022	1,599,917	235,988	1,835,905
2023	<u>1,607,315</u>	<u>92,421</u>	<u>1,699,736</u>
Total	<u>\$ 6,461,782</u>	<u>\$ 1,249,528</u>	<u>\$ 7,711,310</u>

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Governmental Activities:					
Capital Assets Not Being Depreciated/Amortized:					
Land	\$ 8,692,349	\$ 1,001,119	\$ -	\$ 9,822	\$ 9,703,290
Construction in progress	5,038,774	495,042	(4,090,649)	(338,713)	1,104,454
Total capital assets not being depreciated/amortized	13,731,123	1,496,161	(4,090,649)	(328,891)	10,807,744
Capital Assets Being Depreciated/Amortized:					
Buildings and improvements	30,887,172	564,620	-	328,891	31,780,683
Equipment	5,996,040	472,817	(96,061)	-	6,372,796
Vehicles and motorized equipment	5,111,996	655,142	(128,379)	-	5,638,759
Right-to-use leased assets	128,583	4,845	(6,459)	-	126,969
Right-to-use subscription assets	-	310,127	(1,190)	-	308,937
Total capital assets being depreciated/amortized	42,123,791	2,007,551	(232,089)	328,891	44,228,144
Less Accumulated Depreciation/Amortization:					
Buildings and improvements	10,370,820	660,339	-	-	11,031,159
Equipment	5,014,828	436,134	(65,551)	-	5,385,411
Vehicles and motorized equipment	2,346,990	362,969	(92,819)	-	2,617,140
Right-to-use leased assets	39,614	38,318	(6,459)	-	71,473
Right-to-use subscription assets	-	78,294	(1,190)	-	77,104
Total accumulated depreciated/amortization	17,772,252	1,576,054	(166,019)	-	19,182,287
Total capital assets being depreciated/amortized, net	24,351,539				25,045,857
Governmental activities capital assets, net	\$ 38,082,662				\$ 35,853,601

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

General government	\$ 358,144
Public safety	772,359
Economic and physical development	4,656
Human services	250,006
Cultural and recreational	190,889
Total depreciation expense	\$ 1,576,054

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Business-Type Activities:					
Solid Waste					
Non-Depreciable Capital Assets:					
Land	\$ 790,805	\$ -	\$ -	\$ -	\$ 790,805
Depreciable Capital Assets:					
Buildings and improvements	1,436,198	-	-	-	1,436,198
Equipment	881,461	1,460	(199)	-	882,722
Vehicles and motorized equipment	118,025	47,180	-	-	165,205
Right-to-use leased assets	797	-	-	-	797
Total depreciable capital assets	<u>2,436,481</u>	<u>48,640</u>	<u>(199)</u>	<u>-</u>	<u>2,484,922</u>
Less Accumulated Depreciation:					
Buildings and improvements	541,944	33,273	-	-	575,217
Equipment	519,518	32,838	(199)	-	552,157
Vehicles and motorized equipment	269,360	13,694	-	-	283,054
Right-to-use leased assets	184	183	-	-	367
Total accumulated depreciation	<u>1,331,006</u>	<u>79,988</u>	<u>(199)</u>	<u>-</u>	<u>1,410,795</u>
Total depreciable capital assets, net	<u>1,105,475</u>				<u>1,074,127</u>
Solid Waste capital assets, net	<u>1,896,280</u>				<u>1,864,932</u>
Water					
Non-Depreciable Capital Assets:					
Land	1,917,545	\$ -	\$ -	\$ -	1,917,545
Construction in progress	555,232	-	-	-	555,232
Total non-depreciable capital assets	<u>2,472,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,472,777</u>
Depreciable Capital Assets:					
Water lines and related assets	<u>11,272,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,272,219</u>
Less Accumulated Depreciation:					
Water lines and related assets	<u>2,654,695</u>	<u>240,592</u>	<u>-</u>	<u>-</u>	<u>2,895,287</u>
Total depreciable capital assets, net	<u>8,617,524</u>				<u>8,376,932</u>
Water capital assets, net	<u>11,090,301</u>				<u>10,849,709</u>
Business-type activities capital assets, net	<u>\$ 12,986,581</u>				<u>\$ 12,714,641</u>

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

B. Liabilities

Payables

Payables at June 30, 2023 were as follows:

	Governmental Funds			Governmental Activities	Business-Type Activities
	General	Capital Projects	Other		
Accounts payable	\$ 425,749	\$ 184,127	\$ 314,855	\$ 924,731	\$ 330,401
Accrued wages	583,209	-	6,580	589,789	12,388
Due to other governments	100,134	-	-	100,134	-
Total accounts payable and accrued liabilities	\$ 1,109,092	\$ 184,127	\$ 321,435	\$ 1,614,654	\$ 342,789

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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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. 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, 2023, was 13.10% of compensation for law enforcement officers and 12.10% 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 \$1,371,597 for the year ended June 30, 2023.

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, 2023, the County reported a liability of \$6,911,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2023, the County's proportion was 0.12251%, (measured as of June 30, 2022), which was an decrease of 0.00427% from its proportion measured as of June 30, 2021.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

For the year ended June 30, 2023, the County recognized pension expense of \$2,004,042. At June 30, 2023, 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	\$ 297,802	\$ 29,198
Changes of assumptions	689,594	-
Net difference between projected and actual earnings on pension plan investments	2,284,261	-
Changes in proportion and differences between County contributions and proportionate share of contributions	90,979	38,758
County's contributions subsequent to the measurement date	1,371,597	-
Total	\$ 4,734,233	\$ 67,956

\$1,371,597 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, 2024. 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
2024	\$ 1,074,746
2025	887,451
2026	244,218
2027	1,088,265
2028	-
Thereafter	-
Total	\$ 3,294,680

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 percent to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 plan actuary currently uses mortality tables that vary by age, gender, employee group (i.e., general and 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions and methods used in the December 31, 2021 actuarial valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future and ad hoc cost of living adjustment 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, 2022 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	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	<u>6.0%</u>	2.7%
Total	<u>100%</u>	

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits 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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	<u>\$ 12,474,031</u>	<u>\$ 6,911,313</u>	<u>\$ 2,327,311</u>

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.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2021, the Separation Allowance’s membership consisted of:

Law Enforcement Officers' Special Separation Allowance	
Retirees receiving benefits	-
Active plan members	<u>33</u>
Total	<u>33</u>

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, 2021 valuation. The total pension liability 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	4.31 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, 2021 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 1 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 3 years for all ages.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 3 years. Rates for female members are set forward 1 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.

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, 2023, the County reported a total pension liability of \$610,253. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the County recognized pension expense of \$63,442.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 97,322	\$ 296,638
Changes of assumptions and other inputs	138,434	136,093
County plan administrative expenditures subsequent to the measurement date	680	-
Total	\$ 236,436	\$ 432,731

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The County paid \$0 in benefit payments and \$680 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2024	\$ (13,070)
2025	(23,355)
2026	(34,892)
2027	(52,401)
2028	(40,810)
Thereafter	<u>(32,447)</u>
Total	<u>\$ (196,975)</u>

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 4.31%, 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 (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	<u>\$ 669,729</u>	<u>\$ 610,253</u>	<u>\$ 556,893</u>

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

Beginning balance	<u>\$ 794,626</u>
Service cost	53,942
Interest on the total pension liability	17,879
Difference between expected and actual experience	(126,401)
Changes of assumptions and other inputs	<u>(129,793)</u>
Net change in total pension liability	<u>(184,373)</u>
Ending balance of the total pension liability	<u>\$ 610,253</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25% at December 30, 2021 (measurement date) to 4.31% at December 31, 2022 (measurement date).

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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 \$99,288 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 Governmental 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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 \$2,899 for the year ended June 30, 2023.

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

At June 30, 2023, the County reported an asset of \$29,713 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuations as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the County's proportion was 0.22442%, which was an decrease of 0.00147% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$7,555. At June 30, 2023, 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	\$ 229	\$ 539
Changes of assumptions	1,573	-
Net difference between projected and actual earnings on pension plan investments	12,350	-
Changes in proportion and differences between County contributions and proportionate share of contributions	202	55
County's contributions subsequent to the measurement date	2,899	-
Total	\$ 17,253	\$ 594

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$2,899 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, 2024. 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
2024	\$ 3,706
2025	2,837
2026	4,111
2027	3,106
2028	-
Thereafter	-
Total	<u>\$ 13,760</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.00 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future and ad hoc cost of living adjustment 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 returns 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

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 99.9% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2022 is 1.1%.

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 3.00%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension asset is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits payments to determine the total pension liability.

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 3.00%, 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 (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	<u>\$ (34,249)</u>	<u>\$ (29,713)</u>	<u>\$ (50,571)</u>

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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021. The total pension liability for LEOSSA was measured as of December 31, 2022, with an actuarial valuation date of December 31, 2021. 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)	\$ 6,911,313	NA	\$ (29,713)	\$ 6,881,600
Proportion of the net pension liability (asset)	0.12251%	NA	0.22442%	-
Total pension liability	NA	610,253	NA	610,253
Pension expense	2,004,042	63,442	7,555	2,075,039

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Deferred Outflows of Resources	LGERS	LEOSSA	ROD	Total
Differences between expected and actual experience	\$ 297,802	\$ 97,322	\$ 229	\$ 395,353
Changes of assumptions	689,594	138,434	1,573	829,601
Net difference between projected and actual earnings on pension plan investments	2,284,261	-	12,350	2,296,611
Changes in proportion and differences between County contributions and proportionate share of contributions County contributions (LGERS, ROD) and benefit payments and administration (LEOSSA) subsequent to the measurement date	90,979	-	202	91,181
	<u>1,371,597</u>	<u>680</u>	<u>2,899</u>	<u>1,375,176</u>
Total deferred outflows of resources	<u>\$ 4,734,233</u>	<u>\$ 236,436</u>	<u>\$ 17,253</u>	<u>\$ 4,987,922</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 29,198	\$ 296,638	\$ 539	\$ 326,375
Changes of assumptions	-	136,093	-	136,093
Changes in proportion and differences between County contributions and proportionate share of contributions	38,758	-	55	38,813
Total deferred inflows of resources	<u>\$ 67,956</u>	<u>\$ 432,731</u>	<u>\$ 594</u>	<u>\$ 501,281</u>

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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)	\$ 4,734,233	\$ 67,956
Pension deferrals (ROD)	17,253	594
Pension deferrals (LEOSSA)	236,436	432,731
Prepaid taxes not yet earned (General Fund)	-	135,469
Taxes receivable, net (Special Revenue)	-	47,643
Ad valorem taxes receivable, net (General Fund)	-	287,226
Total	<u>\$ 4,987,922</u>	<u>\$ 971,619</u>

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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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. Effective with the bond renewal on July 1, 2023, the County increased the bonding for the Finance Officer to \$1,000,000 in order to comply with S.L. 2022-53, Section 9(a).

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.

Long-Term Obligations

Leases

The County has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On 04/27/2023, Polk County, NC entered into a 63-month lease as Lessee for the use of IT GIS Maps Copy. An initial lease liability was recorded in the amount of \$4,845. As of 06/30/2023, the value of the lease liability is \$4,769. Polk County, NC is required to make monthly fixed payments of \$139. The lease has an interest rate of 0.5930%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$4,845 with accumulated amortization of \$164.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2021, Polk County, NC entered into a 27-month lease as Lessee for the use of Sheriff's Office-3. An initial lease liability was recorded in the amount of \$13,569. As of 06/30/2023, the value of the lease liability is \$1,516. Polk County, NC is required to make monthly fixed payments of \$506. The lease has an interest rate of 0.5930%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$13,569 with accumulated amortization of \$11,785.

On 07/01/2021, Polk County, NC entered into a 47-month lease as Lessee for the use of Sheriff's Office-2. An initial lease liability was recorded in the amount of \$2,996. As of 06/30/2023, the value of the lease liability is \$1,480. Polk County, NC is required to make monthly fixed payments of \$65. The lease has an interest rate of 1.0110%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$2,996 with accumulated amortization of \$1,525.

On 07/01/2021, Polk County, NC entered into a 41-month lease as Lessee for the use of Sheriff's Office. An initial lease liability was recorded in the amount of \$2,425. As of 06/30/2023, the value of the lease liability is \$1,014. Polk County, NC is required to make monthly fixed payments of \$60. The lease has an interest rate of 0.8450%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$2,425 with accumulated amortization of \$1,401.

On 07/01/2021, Polk County, NC entered into a 44-month lease as Lessee for the use of ROD-OLD. An initial lease liability was recorded in the amount of \$4,234. As of 06/30/2023, the value of the lease liability is \$1,943. Polk County, NC is required to make monthly fixed payments of \$98. The lease has an interest rate of 1.0110%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$4,234 with accumulated amortization of \$2,303.

On 07/01/2021, Polk County, NC entered into a 60-month lease as Lessee for the use of ROD. An initial lease liability was recorded in the amount of \$9,079. As of 06/30/2023, the value of the lease liability is \$5,509. Polk County, NC is required to make monthly fixed payments of \$156. The lease has an interest rate of 1.1770%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$9,079 with accumulated amortization of \$3,594.

On 07/01/2021, Polk County, NC entered into a 33-month lease as Lessee for the use of Multiple Department-BI, Planning, PH. An initial lease liability was recorded in the amount of \$10,856. As of 06/30/2023, the value of the lease liability is \$2,986. Polk County, NC is required to make monthly fixed payments of \$333. The lease has an interest rate of 0.8450%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$10,856 with accumulated amortization of \$7,895.

On 07/01/2021, Polk County, NC entered into a 34-month lease as Lessee for the use of Multiple Department-Ag,S&W. An initial lease liability was recorded in the amount of \$2,016. As of 06/30/2023, the value of the lease liability is \$598. Polk County, NC is required to make monthly fixed payments of \$60. The lease has an interest rate of 0.8450%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$2,016 with accumulated amortization of \$1,418.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On 07/01/2021, Polk County, NC entered into a 52-month lease as Lessee for the use of Master Postage Machine. An initial lease liability was recorded in the amount of \$11,127. As of 06/30/2023, the value of the lease liability is \$5,940. Polk County, NC is required to make quarterly fixed payments of \$668. The lease has an interest rate of 1.0110%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$11,127 with accumulated amortization of \$5,132.

On 07/01/2021, Polk County, NC entered into a 49-month lease as Lessee for the use of Library. An initial lease liability was recorded in the amount of \$11,614. As of 06/30/2023, the value of the lease liability is \$5,984. Polk County, NC is required to make monthly fixed payments of \$242.00. The lease has an interest rate of 1.0110%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$11,614 with accumulated amortization of \$5,601.

On 07/01/2021, Polk County, NC entered into a 26-month lease as Lessee for the use of jail. An initial lease liability was recorded in the amount of \$5,963. As of 06/30/2023, the value of the lease liability is \$461. Polk County, NC is required to make monthly fixed payments of \$231. The lease has an interest rate of 0.5930%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$5,963 with accumulated amortization of \$5,407.

On 07/01/2021, Polk County, NC entered into a 39-month lease as Lessee for the use of HHSA-Public Health. An initial lease liability was recorded in the amount of \$4,963. As of 06/30/2023, the value of the lease liability is \$1,924. Polk County, NC is required to make monthly fixed payments of \$129. The lease has an interest rate of 0.8450%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$4,963 with accumulated amortization of \$3,015.

On 10/15/2021, Polk County, NC entered into a 60-month lease as Lessee for the use of HHSA-DSS Postage Machine. An initial lease liability was recorded in the amount of \$8,092. As of 06/30/2023, the value of the lease liability is \$5,593. Polk County, NC is required to make quarterly fixed payments of \$441. The lease has an interest rate of 1.3670%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$8,092 with accumulated amortization of \$2,769.

On 07/01/2021, Polk County, NC entered into a 39-month lease as Lessee for the use of HHSA-DSS. An initial lease liability was recorded in the amount of \$19,152. As of 06/30/2023, the value of the lease liability is \$7,426. Polk County, NC is required to make monthly fixed payments of \$498. The lease has an interest rate of 0.8450%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$19,152 with accumulated amortization of \$11,636.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

On 07/01/2021, Polk County, NC entered into a 44-month lease as Lessee for the use of Finance-Assistant Director Office. An initial lease liability was recorded in the amount of \$2,737. As of 06/30/2023, the value of the lease liability is \$1,256. Polk County, NC is required to make monthly fixed payments of \$63. The lease has an interest rate of 1.0110%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$2,737 with accumulated amortization of \$1,488.

On 07/01/2021, Polk County, NC entered into a 50-month lease as Lessee for the use of Elections. An initial lease liability was recorded in the amount of \$7,734. As of 06/30/2023, the value of the lease liability is \$4,062. Polk County, NC is required to make monthly fixed payments of \$158. The lease has an interest rate of 1.0112%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$7,734 with accumulated amortization of \$3,656.

On 07/01/2021, Polk County, NC entered into a 50-month lease as Lessee for the use of Cooperative Extension. An initial lease liability was recorded in the amount of \$6,363. As of 06/30/2023, the value of the lease liability is \$3,342. Polk County, NC is required to make monthly fixed payments of \$130. The lease has an interest rate of 1.0110%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$6,364 with accumulated amortization of \$3,051.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2024	\$ 29,554	\$ 407	\$ 29,961
2025	17,439	175	17,614
2026	5,974	50	6,024
2027	1,382	11	1,393
2028	949	3	952
2029	79	-	79
	<u>\$ 55,377</u>	<u>\$ 646</u>	<u>\$ 56,023</u>

Business-Type Activities:

Year Ending June 30	Principal	Interest	Total
2024	\$ 188	\$ 4	\$ 192
2025	190	2	192
2026	48	-	48
	<u>\$ 426</u>	<u>\$ 6</u>	<u>\$ 432</u>

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023 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.	\$ 5,372,000
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.	370,000
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.	365,240
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>8,280,006</u>
Total	<u>\$ 14,387,246</u>

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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.

\$ 120,721

For the County, the future minimum payments as of June 30, 2023, including interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,474,790	\$ 278,223	\$ 8,419	\$ 7,011
2025	1,497,721	248,973	8,938	6,492
2026	1,521,248	219,271	9,490	5,941
2027	1,421,051	189,178	10,075	5,355
2028	1,445,816	161,815	10,696	4,734
2029-2033	5,787,620	403,253	64,231	12,922
2034-2038	1,239,000	45,141	8,872	177
Total	<u>\$ 14,387,246</u>	<u>\$ 1,545,854</u>	<u>\$ 120,721</u>	<u>\$ 42,632</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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Installment purchases payable - direct placement	\$ 15,839,685	\$ -	\$ (1,452,439)	\$ 14,387,246	\$ 1,474,790
Leases	89,025	4,845	(38,493)	55,377	29,554
Subscriptions	-	271,484	(93,552)	177,932	67,369
Compensated absences	747,467	242,920	(178,686)	811,701	365,000
Net pension liability (LGRS)	1,944,293	4,967,020	-	6,911,313	-
Total pension liability (LEOSSA)	<u>794,626</u>	<u>-</u>	<u>(184,373)</u>	<u>610,253</u>	<u>-</u>
Total governmental activities	<u>\$ 19,415,096</u>	<u>\$ 5,486,269</u>	<u>\$ (1,947,543)</u>	<u>\$ 22,953,822</u>	<u>\$ 1,936,713</u>
Business-Type Activities:					
Solid Waste					
Installment purchases - direct placement	\$ 128,651	\$ -	\$ (7,930)	\$ 120,721	\$ 8,419
Leases	612	-	(186)	426	188
Compensated absences	<u>24,947</u>	<u>3,949</u>	<u>(11,806)</u>	<u>17,090</u>	<u>8,000</u>
Total business-type activities	<u>\$ 154,210</u>	<u>\$ 3,949</u>	<u>\$ (19,922)</u>	<u>\$ 138,237</u>	<u>\$ 16,607</u>

Compensated absences are for governmental activities and typically have been liquidated in the general fund and are accounted for on an 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, 2023, the legal debt margin for Polk County is \$275,442,629.

POLK COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2023 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 35,853,601	\$ 12,714,641
Less:		
Gross debt	(14,620,555)	(121,147)
Add:		
School-related debt	5,737,240	-
Unspent debt proceeds related to debt for assets owned by the County	132,389	-
Total	(8,750,926)	(121,147)
 Net investment in capital assets	 \$ 27,102,675	 \$ 12,593,494

Interfund Balances and Activity

The composition of interfund transfers during the year ended June 30, 2023 is as follows:

Transfer from General Fund to:

Tourism Development Fund	To promote tourism	\$ 7,267
Capital Projects Fund	To fund future capital projects	442,547
Capital Projects Fund	To fund capital projects	289,850
Water Capital Projects Fund	To fund capital projects	45,000
		\$ 784,664

Transfer from Capital Reserve Fund to:

Capital Projects Fund	To fund capital projects	\$ 177,023
Water Capital Projects Fund	To fund capital projects	45,000
General Fund	For capital outlay	150,095
		\$ 372,118

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 15,347,669
Less:	
Prepays	674,497
Stabilization by state statute	3,140,659
Fund balance available for appropriation	<u>\$ 11,532,513</u>

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, 2023 consisted of the following:

	General Fund
Encumbrances	<u>\$ 589,601</u>

3. 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.

4. 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

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

30, 2023. 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 \$195,132 to the Community College for operating purposes during the fiscal year ended June 30, 2023. 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, 2023. 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.

5. Jointly Governed Organizations

The County, in conjunction with four other counties and 22 municipalities, established the Foothills Regional 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 \$12,731 to the Commission during the fiscal year ended June 30, 2023.

6. 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.

7. 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.

POLK COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

At June 30, 2023, 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.

8. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the state ("State Abatement Fund")
- 80% to abatement funds established by local governments ("local abatement funds")
- 5% to a county incentive fund

As of June 30, 2023, the County has received \$222,211 as part of this settlement. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2023.

The MOA offered the County two options of expending the funds. The County opted for Option B which allows a wide array of strategies to address the impact of the opioid epidemic.

9. Reimbursement for Pandemic-Related Expenditures

In fiscal year 2020-2021, the American Rescue Plan Act (ARPA) established the coronavirus state and local fiscal recovery funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. 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 was received on June 9, 2022. County staff and the Board of Commissioners elected to use \$91,648 for a Vaccine clinic in the 2021 fiscal year and transfer \$2,141,033 of the ARPA funds for revenue replacement to the General Fund in the 2022 fiscal year. The County has spent \$125,000 on the GREAT Grant – Broadband Project as of June 30, 2023. Of the remaining funds, an additional \$125,000 has been allocated to the GREAT Grant – Broadband Project match and \$1,542,713 is unassigned.

10. Restatement

For the year ended June 30, 2023, the financial statements included a prior period adjustment to beginning net position of the governmental activities on the Statement of Activities (full accrual statements) in the amount of \$1,318,524. The adjustment relates to new information regarding treatment of Opioid Settlement Fund receivable and allowance recognition.

This page left blank intentionally.

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
-

POLK COUNTY, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Beginning balance	\$ 794,626	\$ 718,423	\$ 766,223	\$ 528,954
Service cost	53,942	62,720	36,070	41,296
Interest on the total pension liability	17,879	13,866	24,979	19,254
Difference between expected and actual experience	(126,401)	26,843	(322,421)	150,108
Changes in assumptions or other inputs	(129,793)	(27,226)	213,572	26,611
Ending balance of the total pension liability	<u>\$ 610,253</u>	<u>\$ 794,626</u>	<u>\$ 718,423</u>	<u>\$ 766,223</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 CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Beginning balance	\$ 437,922	\$ 314,014	\$ 284,430
Service cost	38,755	32,284	28,540
Interest on the total pension liability	13,838	12,121	10,154
Difference between expected and actual experience	62,074	47,602	-
Changes in assumptions or other inputs	(23,635)	31,901	(9,110)
Ending balance of the total pension liability	<u>\$ 528,954</u>	<u>\$ 437,922</u>	<u>\$ 314,014</u>

POLK COUNTY, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Total pension liability	\$ 610,253	\$ 794,626	\$ 718,423	\$ 766,223
Covered-employee payroll*	1,521,094	1,569,090	1,377,431	1,651,174
Total pension liability as a percentage of covered-employee payroll	40.12%	50.64%	52.16%	46.40%

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

POLK COUNTY, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance			
	2019	2018	2017
Total pension liability	\$ 528,954	\$ 437,922	\$ 314,014
Covered-employee payroll*	1,560,107	1,510,245	1,255,857
Total pension liability as a percentage of covered-employee payroll	33.90%	29.00%	25.00%

POLK COUNTY, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2023	2022	2021	2020	2019
County's proportion of the net pension liability (asset) (%)	0.12251%	0.12678%	0.12211%	0.11817%	0.10768%
County's proportion of the net pension liability (asset) (\$)	\$ 6,911,313	\$ 1,944,293	\$ 4,363,510	\$ 3,227,131	\$ 2,554,538
County's covered payroll*	\$ 9,656,461	\$ 8,975,953	\$ 8,459,379	\$ 7,849,908	\$ 7,125,615
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	71.57%	21.66%	51.58%	41.11%	35.85%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

* 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.

POLK COUNTY, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.11001%	0.09673%	0.09766%	0.09752%	0.09240%
County's proportion of the net pension liability (asset) (\$)	\$ 1,680,648	\$ 2,052,935	\$ 438,292	\$ (575,120)	\$ 1,113,775
County's covered payroll*	\$ 6,823,860	\$ 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	24.63%	34.50%	7.68%	-10.31%	20.43%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

POLK COUNTY, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,371,597	\$ 1,113,756	\$ 928,312	\$ 775,084	\$ 626,472
Contributions in relation to the contractually required contribution	<u>1,371,597</u>	<u>1,113,756</u>	<u>928,312</u>	<u>775,084</u>	<u>626,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 11,133,974	\$ 9,656,461	\$ 8,975,953	\$ 8,459,379	\$ 7,849,908
Contributions as a percentage of covered payroll	12.32%	11.53%	10.34%	9.16%	7.98%

POLK COUNTY, NORTH CAROLINA

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

Local Governmental Employees' Retirement System					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 551,335	\$ 512,665	\$ 409,164	\$ 407,190	\$ 396,750
Contributions in relation to the contractually required contribution	<u>551,335</u>	<u>512,665</u>	<u>409,164</u>	<u>407,190</u>	<u>396,750</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County's covered payroll	\$ 7,125,615	\$ 6,823,860	\$ 5,951,154	\$ 5,709,585	\$ 5,577,537
Contributions as a percentage of covered payroll	7.74%	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 TEN FISCAL YEARS***

	Register of Deeds' Supplemental Pension Fund				
	2023	2022	2021	2020	2019
County's proportion of the net pension liability (asset) (%)	0.22442%	0.22589%	0.22509%	0.21887%	0.27234%
County's proportion of the net pension liability (asset) (\$)	\$ (29,713)	\$ (43,400)	\$ (51,586)	\$ (43,209)	\$ (45,108)
Plan fiduciary net position as a percentage of the total pension liability **	139.04%	156.53%	173.62%	164.11%	153.31%

* 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.

POLK COUNTY, NORTH CAROLINA

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

	Register of Deeds' Supplemental Pension Fund				
	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.23396%	0.22654%	0.24054%	0.22095%	0.20720%
County's proportion of the net pension liability (asset) (\$)	\$ (39,935)	\$ (42,354)	\$ (55,743)	\$ (50,087)	\$ (44,258)
Plan fiduciary net position as a percentage of the total pension liability **	153.77%	160.17%	197.29%	193.88%	190.50%

POLK COUNTY, NORTH CAROLINA

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

Register of Deeds' Supplemental Pension Fund					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 2,899	\$ 2,573	\$ 2,711	\$ 2,155	\$ 2,080
Contributions in relation to the contractually required contribution	<u>2,899</u>	<u>2,573</u>	<u>2,711</u>	<u>2,155</u>	<u>2,080</u>
Contribution deficiency (excess)	<u>\$ -</u>				

POLK COUNTY, NORTH CAROLINA

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

Register of Deeds' Supplemental Pension Fund					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,331	\$ 2,033	\$ 1,851	\$ 1,925	\$ 1,804
Contributions in relation to the contractually required contribution	<u>2,331</u>	<u>2,033</u>	<u>1,851</u>	<u>1,925</u>	<u>1,804</u>
Contribution deficiency (excess)	<u>\$ -</u>				

This page left blank intentionally.

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.

OPIOID SETTLEMENT FUND

The Opioid Settlement Fund is established to account for the accumulation of funds to be used specifically for expenditures related to opioid remediation activities.

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.
-

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 18,464,947	\$ 17,928,511	\$ (536,436)
Penalties and interest	161,888	50,783	(111,105)
Total	<u>18,626,835</u>	<u>17,979,294</u>	<u>(647,541)</u>
Other Taxes and Licenses:			
Local option sales taxes	6,248,865	6,413,277	164,412
Article 44 sales tax	675,226	694,083	18,857
Total	<u>6,924,091</u>	<u>7,107,360</u>	<u>183,269</u>
Restricted Intergovernmental Revenues:			
Federal grants	4,189,878	3,717,122	(472,756)
State grants	999,148	807,683	(191,465)
Local grants	30,575	34,425	3,850
Total	<u>5,219,601</u>	<u>4,559,230</u>	<u>(660,371)</u>
Fees, Licenses, and Permits:			
Register of Deeds' fees	390,000	319,969	(70,031)
Building, other permits, inspection fees	277,110	296,151	19,041
Total	<u>667,110</u>	<u>616,120</u>	<u>(50,990)</u>
Sales and Services:			
Rents, concessions, and fees	151,602	158,520	6,918
Health department	676,824	693,783	16,959
EMS fees	860,500	1,121,667	261,167
Transportation fees	135,000	56,653	(78,347)
Recreation department	1,000	975	(25)
Court costs, fees, and charges	43,764	62,202	18,438
Other charges for services	270,595	144,973	(125,622)
Total	<u>2,139,285</u>	<u>2,238,773</u>	<u>99,488</u>
Investment Earnings	<u>6,294</u>	<u>938,820</u>	<u>932,526</u>
Miscellaneous Revenue:			
Other	77,408	78,394	986
Total	<u>77,408</u>	<u>78,394</u>	<u>986</u>
Total revenues	<u>33,660,624</u>	<u>33,517,991</u>	<u>(142,633)</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	228,008	221,913	6,095
Operating expenses	154,819	130,307	24,512
Capital outlay	<u>1,344,614</u>	<u>1,342,487</u>	<u>2,127</u>
Total governing body	<u>1,727,441</u>	<u>1,694,707</u>	<u>32,734</u>
Manager:			
Salaries and employee benefits	383,398	356,758	26,640
Operating expenses	54,771	42,935	11,836
Capital outlay	<u>1,100</u>	<u>1,088</u>	<u>12</u>
Total manager	<u>439,269</u>	<u>400,781</u>	<u>38,488</u>
Human Resources:			
Salaries and employee benefits	106,284	89,236	17,048
Operating expenses	15,133	4,356	10,777
Capital outlay	<u>-</u>	<u>350</u>	<u>(350)</u>
Total human resources	<u>121,417</u>	<u>93,942</u>	<u>27,475</u>
Board of Elections:			
Salaries and employee benefits	154,316	154,253	63
Operating expenses	101,113	84,927	16,186
Capital outlay	<u>5,000</u>	<u>4,450</u>	<u>550</u>
Total Board of Elections	<u>260,429</u>	<u>243,630</u>	<u>16,799</u>
Personnel:			
Salaries and employee benefits	178,865	58,113	120,752
Operating expenses	<u>39,657</u>	<u>28,584</u>	<u>11,073</u>
Total personnel	<u>218,522</u>	<u>86,697</u>	<u>131,825</u>
Finance:			
Salaries and employee benefits	311,262	310,485	777
Operating expenses	114,979	109,090	5,889
Capital outlay	<u>77,618</u>	<u>77,449</u>	<u>169</u>
Total finance	<u>503,859</u>	<u>497,024</u>	<u>6,835</u>
Tax Collections:			
Salaries and employee benefits	576,583	543,632	32,951
Operating expenses	150,031	139,732	10,299
Capital outlay	<u>2,595</u>	<u>1,695</u>	<u>900</u>
Total tax collections	<u>729,209</u>	<u>685,059</u>	<u>44,150</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Legal:			
Salaries and employee benefits	4,833	4,996	(163)
Operating expenses	70,834	67,024	3,810
Total legal	<u>75,667</u>	<u>72,020</u>	<u>3,647</u>
Register of Deeds:			
Salaries and employee benefits	189,766	190,889	(1,123)
Operating expenses	57,517	24,379	33,138
Capital outlay	2,550	2,543	7
Total Register of Deeds	<u>249,833</u>	<u>217,811</u>	<u>32,022</u>
Public Buildings:			
Salaries and employee benefits	515,560	507,752	7,808
Operating expenses	611,258	554,672	56,586
Capital outlay	453,321	46,276	407,045
Total public buildings	<u>1,580,139</u>	<u>1,108,700</u>	<u>471,439</u>
Court Facilities:			
Salaries and employee benefits			
Operating expenses	30,000	8,208	21,792
Total court facilities	<u>30,000</u>	<u>8,208</u>	<u>21,792</u>
Non-Departmental:			
Salaries and employee benefits	146,101	126,546	19,555
Operating expenses	551,188	347,171	204,017
Total non-departmental	<u>697,289</u>	<u>473,717</u>	<u>223,572</u>
Total general government	<u>6,633,074</u>	<u>5,582,296</u>	<u>1,050,778</u>
Public Safety:			
Sheriff's Department:			
Salaries and employee benefits	2,856,230	2,553,625	302,605
Operating expenses	565,108	601,543	(36,435)
Capital outlay	472,584	462,113	10,471
Total sheriff's department	<u>3,893,922</u>	<u>3,617,281</u>	<u>276,641</u>
Jail:			
Salaries and employee benefits	506,575	451,196	55,379
Operating expenses	1,873,907	1,841,867	32,040
Capital outlay	14,350	13,076	1,274
Total jail	<u>2,394,832</u>	<u>2,306,139</u>	<u>88,693</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Emergency Medical Services:			
Salaries and employee benefits	2,076,327	2,024,428	51,899
Operating expenses	393,677	270,407	123,270
Capital outlay	184,857	184,939	(82)
Total emergency medical services	<u>2,654,861</u>	<u>2,479,774</u>	<u>175,087</u>
Emergency Management:			
Salaries and employee benefits	108,126	108,397	(271)
Operating expenses	21,983	17,363	4,620
Capital outlay	61,964	61,964	-
Total emergency management	<u>192,073</u>	<u>187,724</u>	<u>4,349</u>
Communications:			
Salaries and employee benefits	777,231	717,204	60,027
Operating expenses	70,219	38,535	31,684
Capital outlay	21,299	19,416	1,883
Total communications	<u>868,749</u>	<u>775,155</u>	<u>93,594</u>
Building Inspections:			
Salaries and employee benefits	352,202	341,518	10,684
Operating expenses	28,268	26,204	2,064
Capital outlay	1,702	1,154	548
Total building inspections	<u>382,172</u>	<u>368,876</u>	<u>13,296</u>
Animal Control:			
Salaries and employee benefits	110,409	111,664	(1,255)
Operating expenses	178,500	171,096	7,404
Capital outlay	48,402	48,545	(143)
Total animal control	<u>337,311</u>	<u>331,305</u>	<u>6,006</u>
Total public safety	<u>10,723,920</u>	<u>10,066,254</u>	<u>657,666</u>
Economic and Physical Development:			
Cooperative Extension:			
Salaries and employee benefits	226,153	218,353	7,800
Operating expenses	15,495	12,433	3,062
Capital outlay	2,500	915	1,585
Total cooperative extension	<u>244,148</u>	<u>231,701</u>	<u>12,447</u>
Planning and Zoning:			
Salaries and employee benefits	162,119	157,262	4,857
Operating expenses	13,390	8,353	5,037
Total planning and zoning	<u>175,509</u>	<u>165,615</u>	<u>9,894</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Soil and Water Conservation:			
Salaries and employee benefits	136,171	133,051	3,120
Operating expenses	27,581	16,239	11,342
Capital outlay	1,730	1,668	62
Total soil and water conservation	<u>165,482</u>	<u>150,958</u>	<u>14,524</u>
Agriculture:			
Salaries and employee benefits	132,752	128,508	4,244
Operating expenses	32,027	22,021	10,006
Capital outlay	790	500	290
Total agriculture	<u>165,569</u>	<u>151,029</u>	<u>14,540</u>
Forestry:			
Operating expenses	<u>77,616</u>	<u>52,457</u>	<u>25,159</u>
Total forestry	<u>77,616</u>	<u>52,457</u>	<u>25,159</u>
Economic Development:			
Salaries and employee benefits	51,899	45,400	6,499
Operating expenses	29,102	21,878	7,224
Capital outlay	1,154	1,154	-
Total economic development	<u>82,155</u>	<u>68,432</u>	<u>13,723</u>
Total Economic and Physical Development	<u>910,479</u>	<u>820,192</u>	<u>90,287</u>
Human Services:			
Mental Health:			
Operating expenses	<u>80,029</u>	<u>79,893</u>	<u>136</u>
Total Mental Health	<u>80,029</u>	<u>79,893</u>	<u>136</u>
Veteran's Administration:			
Salaries and employee benefits	62,422	63,283	(861)
Operating expenses	11,810	1,763	10,047
Capital outlay	943	1,154	(211)
Total veteran's administration	<u>75,175</u>	<u>66,200</u>	<u>8,975</u>
Social Services Administration:			
Salaries and employee benefits	2,363,488	2,369,947	(6,459)
Operating expenses	117,770	99,885	17,885
Total social services administration	<u>2,481,258</u>	<u>2,469,832</u>	<u>11,426</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Social Services Programs:			
Operating expenses	2,243,188	1,833,033	410,155
Capital outlay	157,760	165,450	(7,690)
Total social services	<u>2,400,948</u>	<u>1,998,483</u>	<u>402,465</u>
Public Transportation:			
Salaries and employee benefits	661,366	448,887	212,479
Operating expenses	180,706	155,885	24,821
Capital outlay	64,630	1,154	63,476
Total public transportation	<u>906,702</u>	<u>605,926</u>	<u>300,776</u>
Community-Based Alternatives:			
Operating expenses	99,545	98,522	1,023
Total community-based alternatives	<u>99,545</u>	<u>98,522</u>	<u>1,023</u>
Health Department:			
Salaries and employee benefits	705,228	654,521	50,707
Operating expenses	586,649	581,863	4,786
Capital outlay	103,663	93,193	10,470
Total health department	<u>1,395,540</u>	<u>1,329,577</u>	<u>65,963</u>
Total Human Services	<u>7,439,197</u>	<u>6,648,433</u>	<u>790,764</u>
Cultural and Recreational:			
Recreation:			
Salaries and employee benefits	248,612	247,390	1,222
Operating expenses	203,321	168,670	34,651
Capital outlay	4,800	908	3,892
Total cultural and recreational	<u>456,733</u>	<u>416,968</u>	<u>39,765</u>
Library:			
Salaries and employee benefits	558,731	542,271	16,460
Operating expenses	237,663	234,942	2,721
Capital outlay	43,323	57,296	(13,973)
Total library	<u>839,717</u>	<u>834,509</u>	<u>5,208</u>
Senior Centers:			
Salaries and employee benefits	290,594	255,235	35,359
Operating expenses	245,052	219,187	25,865
Capital outlay	11,908	11,908	-
Total senior centers	<u>547,554</u>	<u>486,330</u>	<u>61,224</u>
Total Cultural and Recreational	<u>1,844,004</u>	<u>1,737,807</u>	<u>106,197</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Education:			
Public schools - current	5,155,590	5,155,590	-
Public schools - capital outlay	462,095	462,095	-
Public schools - local supplement	747,246	545,646	201,600
Community colleges - current	<u>207,437</u>	<u>195,132</u>	<u>12,305</u>
Total education	<u>6,572,368</u>	<u>6,358,463</u>	<u>213,905</u>
Debt Service:			
Principal retirement	1,452,439	1,452,439	-
Lease principal retirement	47,140	36,255	10,885
Subscription principal retirement	96,816	93,552	3,264
Interest and fees	<u>307,104</u>	<u>318,735</u>	<u>(11,631)</u>
Total	<u>1,903,499</u>	<u>1,900,981</u>	<u>2,518</u>
Total expenditures	<u>36,026,541</u>	<u>33,114,426</u>	<u>2,912,115</u>
Revenues over (under) expenditures	<u>(2,365,917)</u>	<u>403,565</u>	<u>2,769,482</u>
Other Financing Sources (Uses):			
Appropriated fund balance	3,016,185	-	(3,016,185)
Lease liability issued	4,845	4,845	-
Subscription liability issued	180,916	180,916	-
Transfers from other funds	150,095	150,095	-
Transfers to other funds	<u>(986,124)</u>	<u>(968,335)</u>	<u>17,789</u>
Total other financing sources (uses)	<u>2,365,917</u>	<u>(632,479)</u>	<u>(2,998,396)</u>
Net change in fund balance	<u>\$ -</u>	<u>(228,914)</u>	<u>\$ (228,914)</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis:			
Initial implementation of SBITA standard			
Subscription liability issued		90,568	
Capital outlay		<u>(90,568)</u>	
Fund Balance:			
Beginning of year - July 1		<u>15,300,541</u>	
End of year - June 30		<u>\$ 15,071,627</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 6,087	\$ 6,087
Expenditures:			
General government:			
Revaluation	<u>184,621</u>	<u>87,952</u>	<u>96,669</u>
Revenues over (under) expenditures	(184,621)	(81,865)	102,756
Other Financing Sources (Uses):			
Transfers from other funds	<u>184,621</u>	<u>183,671</u>	<u>(950)</u>
Net change in fund balance	<u>\$ -</u>	101,806	<u>\$ 101,806</u>
Fund Balance:			
Beginning of year - July 1		<u>174,236</u>	
End of year - June 30		<u>\$ 276,042</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, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 2,412,964	\$ -	\$ 24,155	\$ 24,155	\$ (2,388,809)
Investment earnings	127,412	4,646	4,790	9,436	(117,976)
Miscellaneous	525,757	429,041	121,942	550,983	25,226
Total	<u>3,066,133</u>	<u>433,687</u>	<u>150,887</u>	<u>584,574</u>	<u>(2,481,559)</u>
Expenditures:					
General government:					
Fuel tank upgrade	30,000	30,711	-	30,711	(711)
Election building renovation	150,000	-	84,063	84,063	65,937
Public safety:					
Detention facility	127,412	-	-	-	127,412
Public building - old jail	100,000	-	8,531	8,531	91,469
Communications equipment	5,214,170	755,358	409,847	1,165,205	4,048,965
Education:					
Polk County High School HVAC	6,345,387	4,542,863	1,802,523	6,345,386	1
Recreation:					
Cooperative extension 4H	311,412	170,858	134,206	305,064	6,348
YMCA	187,023	10,271	72,288	82,559	104,464
Library	212,505	158,033	54,471	212,504	1
Laughter pond	259,400	12,732	196,528	209,260	50,140
Total expenditures	<u>12,937,309</u>	<u>5,680,826</u>	<u>2,762,457</u>	<u>8,443,283</u>	<u>4,494,026</u>
Revenues over (under) expenditures	<u>(9,871,176)</u>	<u>(5,247,139)</u>	<u>(2,611,570)</u>	<u>(7,858,709)</u>	<u>2,012,467</u>
Other Financing Sources (Uses):					
Transfers to other funds	(163,318)	(163,318)	-	(163,318)	-
Transfers from other funds	3,834,494	3,013,447	466,873	3,480,320	(354,174)
Issuance of long-term debt	6,200,000	6,200,000	-	6,200,000	-
Total other financing sources (uses)	<u>9,871,176</u>	<u>9,050,129</u>	<u>466,873</u>	<u>9,517,002</u>	<u>(354,174)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,802,990</u>	<u>(2,144,697)</u>	<u>\$ 1,658,293</u>	<u>\$ 1,658,293</u>
Fund Balance:					
Beginning of year - July 1			<u>4,934,376</u>		
End of year - June 30			2,789,679		
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 15):					
Investment earnings			346		
Transfers from other funds			442,547		
Transfers to other funds			(372,118)		
Fund balance, beginning - Capital Reserve Fund			<u>2,690,724</u>		
Fund balance, ending - Combined Capital Projects Fund			<u>\$ 5,551,178</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, 2023

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 4,025,394	\$ 3,222,077	\$ 125,000	\$ 3,347,077	\$ (678,317)
State grants	9,477,085	-	277,635	277,635	(9,199,450)
Miscellaneous	411,000	-	75,000	75,000	(336,000)
Total	<u>13,913,479</u>	<u>3,222,077</u>	<u>477,635</u>	<u>3,699,712</u>	<u>(10,213,767)</u>
Investment earnings	-	-	115,701	115,701	115,701
Total revenues	<u>13,913,479</u>	<u>3,222,077</u>	<u>593,336</u>	<u>3,815,413</u>	<u>(10,098,066)</u>
Expenditures:					
Public safety:					
SCIF Grant-Dam project	6,500,000	-	-	-	6,500,000
Miscellaneous	75,000	-	75,000	75,000	-
CARES Act (ARPA)	3,775,394	1,081,044	-	1,081,044	2,694,350
GREAT Grant-Broadband	250,000	-	125,000	125,000	125,000
Streamflow rehab assistance	400,052	-	146,974	146,974	253,078
Little White Oak Mountain-trails	772,000	-	130,661	130,661	641,339
Total expenditures	<u>11,772,446</u>	<u>1,081,044</u>	<u>477,635</u>	<u>1,558,679</u>	<u>10,213,767</u>
Revenues over (under) expenditures	<u>2,141,033</u>	<u>2,141,033</u>	<u>115,701</u>	<u>2,256,734</u>	<u>115,701</u>
Other Financing Sources (Uses):					
Intrafund transfer in	-	33,903	-	33,903	33,903
Intrafund transfer out	<u>(2,141,033)</u>	<u>(2,141,033)</u>	-	<u>(2,141,033)</u>	-
Total other financing sources (uses)	<u>(2,141,033)</u>	<u>(2,107,130)</u>	-	<u>(2,107,130)</u>	<u>33,903</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 33,903</u>	115,701	<u>\$ 149,604</u>	<u>\$ 149,604</u>
Fund Balance:					
Beginning of year - July 1			<u>33,903</u>		
End of year - June 30			<u>\$ 149,604</u>		

POLK COUNTY, NORTH CAROLINA

SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Charges for services	\$ 2,008,237	\$ 1,995,284	\$ (12,953)
Solid waste taxes	62,300	65,857	3,557
Total revenues	<u>2,070,537</u>	<u>2,061,141</u>	<u>(9,396)</u>
Expenditures:			
Current:			
Operating	2,006,701	1,973,037	33,664
Closure and post-closure	85,000	52,785	32,215
Capital outlay	48,640	48,640	-
Debt service:			
Principal retirement	7,930	7,930	-
Lease principal retirement	-	186	(186)
Interest and fees	7,500	7,505	(5)
Total expenditures	<u>2,155,771</u>	<u>2,090,083</u>	<u>65,688</u>
Transfers in - General Fund	1,068	-	(1,068)
Transfers out - General Fund	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(118,932)</u>	<u>(120,000)</u>	<u>(1,068)</u>
Revenues over (under) expenditures	<u>(85,234)</u>	<u>(28,942)</u>	<u>56,292</u>
Other Financing Sources (Uses):			
Appropriated fund balance	204,166	-	(204,166)
Intrafund transfer in	1,068	-	(1,068)
Intrafund transfer out	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>85,234</u>	<u>(120,000)</u>	<u>(205,234)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(148,942)</u>	<u>\$ (148,942)</u>
Reconciliation from modified accrual to full accrual basis:			
Lease liability payments		186	
Capital outlay		48,640	
Depreciation and amortization		(79,988)	
Capital project expenditures not capitalized		(113,406)	
Capital projects - transfers from (to) other funds		120,000	
Decrease in compensated absences		7,857	
Principal retirement		<u>7,930</u>	
Change in net position		<u>\$ (157,723)</u>	

POLK COUNTY, NORTH CAROLINA

SOLID WASTE CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND OR THE YEAR ENDED JUNE 30, 2023

	<u>Project</u> <u>Authorization</u>	<u>Actual</u>			<u>Variance</u> <u>Over/Under</u>
		<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	
Expenditures:					
Capital outlay:					
General	\$ 746,215	\$ -	\$ 113,406	\$ 113,406	\$ 632,809
Revenues over (under) expenditures	(746,215)	-	(113,406)	(113,406)	632,809
Other Financing Sources (Uses):					
Interfund transfer in	746,215	-	120,000	120,000	(626,215)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,594</u>	<u>\$ 6,594</u>	<u>\$ 6,594</u>

POLK COUNTY, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ -	\$ -	\$ -
Revenues over (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Reconciliation of Modified Accrual to Full Accrual Basis:			
Depreciation		(240,592)	
From Water Capital Projects Fund:			
Non-capital expenditures		(77,651)	
Transfers from other funds		<u>90,000</u>	
Change in net position		<u>\$ (228,243)</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, 2023

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Operating revenues:					
Other fees	\$ -	\$ 13,652	\$ -	\$ 13,652	\$ 13,652
Expenditures:					
Capital outlay:					
General	104,031	625,221	77,651	702,872	(598,841)
Revenues over (under) expenditures	(104,031)	(611,569)	(77,651)	(689,220)	(585,189)
Other Financing Sources (Uses):					
Interfund transfer in	104,031	714,413	90,000	804,413	700,382
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 102,844	\$ 12,349	\$ 115,193	\$ 115,193

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023**

	<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	\$ 23,468	\$ 855,378	\$ 295,656	\$ 409,804
Ad valorem taxes receivable, net	47,643	-	-	-
Accounts receivable	21,630	63,399	21,973	7,686
Prepays	<u>-</u>	<u>1,855</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 92,741</u>	<u>\$ 920,632</u>	<u>\$ 317,629</u>	<u>\$ 417,490</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 45,098</u>	<u>\$ 7,832</u>	<u>\$ 3,847</u>	<u>\$ 223,293</u>
Deferred Inflows of Resources:				
Unavailable taxes	<u>47,643</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Non-spendable:				
Prepays	-	1,855	-	-
Restricted:				
Stabilization by state statute	21,630	63,399	21,973	7,686
Public safety	-	-	291,809	-
Tourism	-	847,546	-	-
School debt service	-	-	-	-
General government	-	-	-	186,511
Unassigned	<u>(21,630)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>912,800</u>	<u>313,782</u>	<u>194,197</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 92,741</u>	<u>\$ 920,632</u>	<u>\$ 317,629</u>	<u>\$ 417,490</u>

POLK COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2023

	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 1,584,306	\$ 7,252	\$ 1,591,558
Ad valorem taxes receivable, net	47,643	-	47,643
Accounts receivable	114,688	-	114,688
Prepays	<u>1,855</u>	<u>-</u>	<u>1,855</u>
 Total assets	 <u>\$ 1,748,492</u>	 <u>\$ 7,252</u>	 <u>\$ 1,755,744</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 280,070</u>	<u>\$ -</u>	<u>\$ 280,070</u>
 Deferred Inflows of Resources:			
Unavailable taxes	<u>47,643</u>	<u>-</u>	<u>47,643</u>
 Fund Balances:			
Non-spendable:			
Prepays	1,855	-	1,855
Restricted:			
Stabilization by state statute	114,688	-	114,688
Public safety	291,809	-	291,809
Tourism	847,546	-	847,546
School debt service	-	7,252	7,252
General government	186,511	-	186,511
Unassigned	<u>(21,630)</u>	<u>-</u>	<u>(21,630)</u>
Total fund balances	<u>1,420,779</u>	<u>7,252</u>	<u>1,428,031</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 1,748,492</u>	 <u>\$ 7,252</u>	 <u>\$ 1,755,744</u>

POLK COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	Fire District Fund	Tourism Development Fund	Emergency Telephone System Fund	Other Misc Govt Activities Fund
Revenues:				
Ad valorem taxes	\$ 2,976,350	\$ -	\$ -	\$ -
Occupancy taxes	-	518,452	-	-
Restricted intergovernmental revenues	-	-	263,674	408,516
Investment earnings	9,771	-	122	-
Miscellaneous revenues	-	-	-	128,063
Total revenues	<u>2,986,121</u>	<u>518,452</u>	<u>263,796</u>	<u>536,579</u>
Expenditures:				
Current:				
General government	-	-	-	369,284
Public safety	2,984,742	-	200,216	-
Economic and physical development	-	388,932	-	-
Principal retirement	-	2,238	-	-
Interest and fees	-	11	-	-
Total expenditures	<u>2,984,742</u>	<u>391,181</u>	<u>200,216</u>	<u>369,284</u>
Revenues over (under) expenditures	<u>1,379</u>	<u>127,271</u>	<u>63,580</u>	<u>167,295</u>
Other Financing Sources (Uses):				
Transfers in/out	-	7,267	-	-
Total other financing sources (uses)	<u>-</u>	<u>7,267</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,379	134,538	63,580	167,295
Fund Balances:				
Beginning of year - July 1	<u>(1,379)</u>	<u>778,262</u>	<u>250,202</u>	<u>26,902</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 912,800</u>	<u>\$ 313,782</u>	<u>\$ 194,197</u>

POLK COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Ad valorem taxes	\$ 2,976,350	\$ -	\$ 2,976,350
Occupancy taxes	518,452	-	518,452
Restricted intergovernmental revenues	672,190	-	672,190
Investment earnings	9,893	-	9,893
Miscellaneous revenues	128,063	-	128,063
Total revenues	<u>4,304,948</u>	<u>-</u>	<u>4,304,948</u>
Expenditures:			
Current:			
General government	369,284	-	369,284
Public safety	3,184,958	-	3,184,958
Economic and physical development	388,932	-	388,932
Principal retirement	2,238	-	2,238
Interest and fees	11	-	11
Total expenditures	<u>3,945,423</u>	<u>-</u>	<u>3,945,423</u>
Revenues over (under) expenditures	<u>359,525</u>	<u>-</u>	<u>359,525</u>
Other Financing Sources (Uses):			
Transfers in/out	7,267	-	7,267
Total other financing sources (uses)	<u>7,267</u>	<u>-</u>	<u>7,267</u>
Net change in fund balances	366,792	-	366,792
Fund Balances:			
Beginning of year - July 1	<u>1,053,987</u>	<u>7,252</u>	<u>1,061,239</u>
End of year - June 30	<u>\$ 1,420,779</u>	<u>\$ 7,252</u>	<u>\$ 1,428,031</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 3,004,685	\$ 2,976,350	\$ (28,335)
Penalties and interest	-	9,771	9,771
Total revenues	<u>3,004,685</u>	<u>2,986,121</u>	<u>(18,564)</u>
Expenditures:			
Public safety:			
Sunny View Fire Department	420,321	421,106	(785)
Green Creek Fire Department	729,339	727,151	2,188
Tryon Fire Department	436,305	432,693	3,612
Saluda Fire Department	270,220	267,374	2,846
Mill Springs Fire Department	380,000	368,329	11,671
Columbus Fire Department	750,000	751,256	(1,256)
Edneyville Fire Department	6,000	5,935	65
Blue Ridge Fire Department	7,000	5,769	1,231
Dana Fire Department	5,500	5,129	371
Total expenditures	<u>3,004,685</u>	<u>2,984,742</u>	<u>19,943</u>
Net change in fund balance	<u>\$ -</u>	1,379	<u>\$ 1,379</u>
Fund Balance:			
Beginning of year - July 1		<u>(1,379)</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Occupancy tax	\$ 348,533	\$ 518,452	\$ 169,919
Expenditures:			
Economic and physical development:			
Salaries and employee benefits	209,292	193,216	16,076
Operating expenditures	215,808	195,066	20,742
Capital outlay	700	650	50
Principal retirement	-	2,238	(2,238)
Interest and fees	-	11	(11)
Total expenditures	<u>425,800</u>	<u>391,181</u>	<u>34,619</u>
Revenues over (under) expenditures	<u>(77,267)</u>	<u>127,271</u>	<u>204,538</u>
Other Financing Sources (Uses):			
Appropriated fund balance	70,000	-	(70,000)
Transfers from other funds	7,267	7,267	-
Total other financing sources (uses)	<u>77,267</u>	<u>7,267</u>	<u>(70,000)</u>
Net change in fund balance	<u>\$ -</u>	134,538	<u>\$ 134,538</u>
Fund Balance:			
Beginning of year - July 1		<u>778,262</u>	
End of year - June 30		<u>\$ 912,800</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 264,680	\$ 263,674	\$ (1,006)
Interest earned	<u>-</u>	<u>122</u>	<u>122</u>
Total revenues	<u>264,680</u>	<u>263,796</u>	<u>(884)</u>
Expenditures:			
Public safety:			
Operating expenses	233,880	183,409	50,471
Capital outlay	<u>30,800</u>	<u>16,807</u>	<u>13,993</u>
Total expenditures	<u>264,680</u>	<u>200,216</u>	<u>64,464</u>
Net change in fund balance	<u>\$ -</u>	63,580	<u>\$ 63,580</u>
Fund Balance:			
Beginning of year - July 1		<u>250,202</u>	
End of year - June 30		<u>\$ 313,782</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 180,000	\$ 196,402	\$ 16,402
Permits and fees - Register of Deeds	20,000	50,989	30,989
Sales and services - penalties, fines and forfeitures	150,000	161,125	11,125
Miscellaneous	<u>125,000</u>	<u>128,063</u>	<u>3,063</u>
Total revenues	<u>475,000</u>	<u>536,579</u>	<u>61,579</u>
Expenditures:			
Human services:			
Payments made for the benefit of beneficiaries	180,000	82,880	97,120
General government:			
Payments of fees collected to the state of North Carolina	20,000	50,284	(30,284)
Payments of penalties, fines and forfeitures to the BOE	150,000	153,438	(3,438)
Miscellaneous	<u>125,000</u>	<u>82,682</u>	<u>42,318</u>
Total expenditures	<u>475,000</u>	<u>369,284</u>	<u>105,716</u>
Net change in fund balance	<u>\$ -</u>	167,295	<u>\$ 167,295</u>
Fund Balance:			
Beginning of year - July 1		<u>26,902</u>	
End of year - June 30		<u>\$ 194,197</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 346	\$ 346
Revenues over (under) expenditures	<u>-</u>	<u>346</u>	<u>346</u>
Other Financing Sources (Uses):			
Transfers from other funds	788,939	442,547	(346,392)
Transfers to other funds	<u>(788,939)</u>	<u>(372,118)</u>	<u>416,821</u>
Total other financing sources (uses)	<u>-</u>	<u>70,429</u>	<u>70,429</u>
Net change in fund balance	<u>\$ -</u>	<u>70,775</u>	<u>\$ 70,775</u>
Fund Balance:			
Beginning of year - July 1		<u>2,690,724</u>	
End of year - June 30		<u>\$ 2,761,499</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, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund Balance:			
Beginning of year - July 1		<u>7,252</u>	
End of year - June 30		<u>\$ 7,252</u>	

This page left blank intentionally.

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.
-

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2023

	<u>Property Tax Fund</u>	<u>Inmate Commissary Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 37,769	\$ 34,772	\$ 72,541
Receivable for others, net	<u>54,599</u>	<u>528</u>	<u>55,127</u>
Total assets	<u>92,368</u>	<u>35,300</u>	<u>127,668</u>
Liabilities:			
Accounts payable and accrued liabilities	<u>22,570</u>	<u>-</u>	<u>22,570</u>
Net Position:			
Restricted For:			
Individuals, organizations, and other governments	<u>69,798</u>	<u>35,300</u>	<u>105,098</u>
Total net position	<u>\$ 69,798</u>	<u>\$ 35,300</u>	<u>\$ 105,098</u>

POLK COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Property Tax Fund	Inmate Commissary Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Collections for other governments	\$ 2,188,952	\$ -	\$ 2,188,952
Collections on behalf of inmates	-	71,503	71,503
Total additions	<u>2,188,952</u>	<u>71,503</u>	<u>2,260,455</u>
Deductions:			
Tax distributions to other governments	2,188,953	-	2,188,953
Payments on behalf of inmates	-	69,057	69,057
Total deductions	<u>2,188,953</u>	<u>69,057</u>	<u>2,258,010</u>
Net increase (decrease) in fiduciary net position	(1)	2,446	2,445
Net position, beginning of year	<u>69,799</u>	<u>32,854</u>	<u>102,653</u>
Net position, end of year	<u>\$ 69,798</u>	<u>\$ 35,300</u>	<u>\$ 105,098</u>

POLK COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 18,641,131	\$ 18,423,337	\$ 217,794
2021-2022	183,489	-	139,670	43,819
2020-2021	63,264	-	34,184	29,080
2019-2020	32,210	-	11,502	20,708
2018-2019	22,818	-	7,666	15,152
2017-2018	12,356	-	3,992	8,364
2016-2017	8,028	-	368	7,660
2015-2016	5,541	-	291	5,250
2014-2015	5,384	-	777	4,607
2013-2014	6,059	-	1,267	4,792
2012-2013	7,585	-	7,585	-
Total	<u>\$ 346,734</u>	<u>\$ 18,641,131</u>	<u>\$ 18,630,639</u>	<u>357,226</u>
Less: Allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(70,000)</u>
Ad valorem taxes receivable, net				<u>\$ 287,226</u>
Reconciliation with Revenues:				
General Fund				\$ 17,979,294
Reconciling items:				
Discounts allowed				(217,408)
Garnishment fees				2,199
Foreclosure fees				19
Taxes written off				7,585
Penalties and interest				50,783
Other adjustments				<u>808,167</u>
Total collections and credits				<u>\$ 18,630,639</u>

POLK COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT PROPERTY TAX LEVY - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	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	\$ 3,663,237,410	\$ 0.5143	\$ 18,840,030	\$ 17,477,700	\$ 1,362,330
Penalties	<u>6,907,447</u>	0.5143	<u>35,525</u>	<u>35,525</u>	<u>-</u>
Total	<u>3,670,144,857</u>		<u>18,875,555</u>	<u>17,513,225</u>	<u>1,362,330</u>
Discoveries:					
Current year taxes	1,457,904	\$ 0.5143	7,498	7,498	-
Prior year taxes	<u>6,812,159</u>	0.5494	<u>37,426</u>	<u>37,426</u>	<u>-</u>
Total	<u>8,270,063</u>		<u>44,924</u>	<u>44,924</u>	<u>-</u>
Abatements					
Current year abatements	(54,032,471)	\$ 0.5143	(277,889)	(277,889)	-
Prior year abatements	<u>(265,562)</u>	0.5494	<u>(1,459)</u>	<u>(1,459)</u>	<u>-</u>
Total	<u>(54,298,034)</u>		<u>(279,348)</u>	<u>(279,348)</u>	<u>-</u>
Total property valuation	<u>\$ 3,624,382,448</u>				
Net Levy			18,641,131	17,278,801	1,362,330
Uncollected taxes at June 30, 2023 (General Fund)			<u>217,794</u>	<u>217,794</u>	<u>-</u>
Current Year Taxes Collected			<u>\$ 18,423,337</u>	<u>\$ 17,061,007</u>	<u>\$ 1,362,330</u>
Current Levy Collection Percentage			<u>98.83%</u>	<u>98.74%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>98.99%</u>	<u>98.92%</u>	<u>100.00%</u>
Secondary Market Disclosures:					
Assessed Valuation:					
Assessment ratio*				<u>100.00%</u>	
Real property				\$ 3,116,727,012	
Personal property				81,027,274	
Public service companies**				161,738,041	
Registered motor vehicles				<u>264,890,121</u>	
Total assessed valuation				<u>\$ 3,624,382,448</u>	
Tax rate per \$100				0.5143	
Levy (includes discoveries, releases, and abatements, excludes penalties)***				<u>\$ 18,641,131</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				\$ 334,762	
Fire protection districts				<u>3,161,143</u>	
Total assessed valuation				<u>\$ 3,495,905</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

	2014 ⁽¹⁾	2015	2016	2017
Governmental activities:				
Net investment in capital assets	\$ 16,823,252	\$ 16,778,656	\$ 17,116,720	\$ 19,222,539
Restricted	2,513,727	3,408,680	3,418,452	3,320,069
Unrestricted	2,508,175	2,189,288	2,718,297	3,643,334
Total governmental activities net position	<u>\$ 21,845,154</u>	<u>\$ 22,376,624</u>	<u>\$ 23,253,469</u>	<u>\$ 26,185,942</u>
Business-type activities:				
Net investment in capital assets	\$ 10,958,504	\$ 12,699,586	\$ 13,477,068	\$ 13,391,365
Unrestricted	649,402	784,618	1,068,528	1,261,377
Total business-type activities net position	<u>\$ 11,607,906</u>	<u>\$ 13,484,204</u>	<u>\$ 14,545,596</u>	<u>\$ 14,652,742</u>
Primary government:				
Net investment in capital assets	\$ 27,781,756	\$ 29,478,242	\$ 30,593,788	\$ 32,613,904
Restricted	2,513,727	3,408,680	3,418,452	3,320,069
Unrestricted	3,157,577	2,973,906	3,786,825	4,904,711
Total primary government net position	<u>\$ 33,453,060</u>	<u>\$ 35,860,828</u>	<u>\$ 37,799,065</u>	<u>\$ 40,838,684</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

	2018	2019	2020	2021	2022	2023
\$	19,705,853	\$ 21,497,816	\$ 20,436,021	\$ 22,997,270	\$ 28,463,258	\$ 27,102,675
	4,183,324	4,309,526	4,926,860	3,453,641	4,280,097	5,089,008
	5,251,178	7,006,374	8,978,881	11,621,887	10,900,716	10,597,263
\$	<u>29,140,355</u>	<u>\$ 32,813,716</u>	<u>\$ 34,341,762</u>	<u>\$ 38,072,798</u>	<u>\$ 43,644,071</u>	<u>\$ 42,788,946</u>
\$	13,335,905	\$ 13,209,319	\$ 13,039,405	\$ 12,829,828	\$ 12,857,316	\$ 12,593,494
	1,384,089	1,495,833	1,430,561	1,558,640	1,529,333	1,407,189
\$	<u>14,719,994</u>	<u>\$ 14,705,152</u>	<u>\$ 14,469,966</u>	<u>\$ 14,388,468</u>	<u>\$ 14,386,649</u>	<u>\$ 14,000,683</u>
\$	33,041,758	\$ 34,707,135	\$ 33,475,426	\$ 35,827,098	\$ 41,320,574	\$ 39,696,169
	4,183,324	4,309,526	4,926,860	3,453,641	4,280,097	5,089,008
	6,635,267	8,502,207	10,409,442	13,180,527	12,430,049	12,004,452
\$	<u>43,860,349</u>	<u>\$ 47,518,868</u>	<u>\$ 48,811,728</u>	<u>\$ 52,461,266</u>	<u>\$ 58,030,720</u>	<u>\$ 56,789,629</u>

POLK COUNTY, NORTH CAROLINA

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

	2014 ⁽¹⁾	2015	2016	2017
Governmental activities				
Program revenues:				
Charges for services:				
General government	\$ 418,126	\$ 489,951	\$ 295,730	\$ 352,739
Public safety	709,506	767,946	1,017,988	1,092,754
Human services	245,308	246,271	144,715	165,618
Cultural and recreational	118,479	136,669	201,323	199,738
Operating grants and contributions	3,377,349	3,354,029	3,550,592	3,713,449
Capital grants and contributions	531,932	632,886	95,705	244,527
Total program revenues	<u>5,400,700</u>	<u>5,627,752</u>	<u>5,306,053</u>	<u>5,768,825</u>
Expenses:				
General government	2,944,270	2,742,665	3,108,920	4,402,630
Public safety	6,233,081	6,696,025	7,200,671	6,297,154
Economic and physical development	1,577,119	1,092,014	762,832	647,755
Human services	4,445,455	4,539,628	4,406,543	4,927,167
Cultural and recreational	1,559,705	1,573,950	1,773,442	1,758,546
Education	5,937,254	5,786,491	5,539,826	5,765,217
Interest on long-term debt	337,287	305,706	122,188	323,545
Total program expenses	<u>23,034,171</u>	<u>22,736,479</u>	<u>22,914,422</u>	<u>24,122,014</u>
Net expenses	<u>(17,633,471)</u>	<u>(17,108,727)</u>	<u>(17,608,369)</u>	<u>(18,353,189)</u>
General revenues and transfers:				
Taxes:				
Property taxes	15,888,653	15,806,434	15,949,683	16,772,188
Local option sales tax	3,232,234	3,344,092	3,211,303	4,090,672
Other taxes	280,937	317,665	149,841	201,098
Investment earnings, unrestricted	34,432	36,268	62,988	125,981
Miscellaneous, unrestricted	124,889	127,758	140,720	198,271
Transfers	(135,490)	(1,992,020)	(1,083,315)	(76,190)
Total general revenues and transfers	<u>19,425,655</u>	<u>17,640,197</u>	<u>18,431,220</u>	<u>21,312,020</u>
Change in net position	<u>1,792,184</u>	<u>531,470</u>	<u>822,851</u>	<u>2,958,831</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.

	2018	2019	2020	2021	2022	2023
\$	359,290	\$ 369,492	\$ 416,560	\$ 1,179,639	\$ 1,464,410	\$ 1,293,295
	1,184,666	1,263,867	1,379,314	1,309,092	1,558,462	1,779,912
	145,281	98,719	333,079	598,140	919,281	815,725
	135,678	121,817	99,170	32,833	240	975
	3,428,648	4,505,063	3,773,834	4,040,318	4,988,334	5,422,606
	145,705	1,104,185	142,585	633,283	695,193	807,683
	5,399,268	7,463,143	6,144,542	7,793,305	9,625,920	10,120,196
	3,127,258	4,124,498	3,846,919	4,543,328	5,234,494	8,847,469
	7,952,358	9,445,809	10,809,062	12,047,218	11,842,219	14,685,631
	851,477	1,006,404	869,522	528,035	977,960	1,241,225
	4,282,258	4,243,382	4,923,381	4,814,256	5,196,267	6,770,973
	1,780,219	1,965,129	1,869,893	1,849,723	1,601,495	1,838,226
	5,685,884	6,202,220	6,925,004	6,441,594	6,566,852	8,160,986
	409,921	342,910	347,575	297,845	333,418	331,036
	24,089,375	27,330,352	29,591,356	30,521,999	31,752,705	41,875,546
	(18,690,107)	(19,867,209)	(23,446,814)	(22,728,694)	(22,126,785)	(31,755,350)
	16,840,050	17,721,888	19,355,973	19,846,984	20,867,723	20,970,252
	4,332,174	4,973,439	5,089,642	6,083,842	6,556,319	7,107,360
	245,521	289,107	238,824	469,788	464,046	518,452
	246,235	389,495	285,586	21,230	46,351	1,075,637
	75,540	261,641	149,832	-	-	-
	(95,000)	(95,000)	(145,000)	37,886	(236,381)	(90,000)
	21,644,520	23,540,570	24,974,857	26,459,730	27,698,058	29,581,701
	2,954,413	3,673,361	1,528,043	3,731,036	5,571,273	(2,173,649)

POLK COUNTY, NORTH CAROLINA

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

	2014 ⁽¹⁾	2015	2016	2017
Business-type activities				
Program revenues:				
Charges for services:				
Solid waste	\$ 1,323,063	\$ 1,411,327	\$ 1,393,764	\$ 1,471,321
Water	17,858	4,500	5,099	9,000
Total program revenues	<u>1,340,921</u>	<u>1,415,827</u>	<u>1,398,863</u>	<u>1,480,321</u>
Expenses:				
Solid waste	1,416,362	1,370,127	1,220,455	1,273,902
Water	249,315	207,665	250,737	227,571
Total program expenses	<u>1,665,677</u>	<u>1,577,792</u>	<u>1,471,192</u>	<u>1,501,473</u>
Net revenues (expenses)	<u>(324,756)</u>	<u>(161,965)</u>	<u>(72,329)</u>	<u>(21,152)</u>
General revenues and transfers:				
Other taxes	44,912	46,243	50,406	52,108
Transfers	135,490	1,992,020	1,083,315	76,190
	<u>180,402</u>	<u>2,038,263</u>	<u>1,133,721</u>	<u>128,298</u>
Change in net position	<u>(144,354)</u>	<u>1,876,298</u>	<u>1,061,392</u>	<u>107,146</u>
Primary government				
Program revenues	6,741,621	7,043,579	6,704,916	7,249,146
Expenses	<u>24,699,848</u>	<u>24,314,271</u>	<u>24,385,614</u>	<u>25,623,487</u>
Net expenses	<u>(17,958,227)</u>	<u>(17,270,692)</u>	<u>(17,680,698)</u>	<u>(18,374,341)</u>
General revenues and transfers	<u>19,606,057</u>	<u>19,678,460</u>	<u>19,564,941</u>	<u>21,440,318</u>
Change in net position	<u>\$ 1,647,830</u>	<u>\$ 2,407,768</u>	<u>\$ 1,884,243</u>	<u>\$ 3,065,977</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

2018	2019	2020	2021	2022	2023
\$ 1,557,156	\$ 1,668,510	\$ 1,480,658	\$ 1,744,588	\$ 1,934,969	\$ 1,995,284
85,500	1,500	4,500	25,500	31,652	-
1,642,656	1,670,010	1,485,158	1,770,088	1,966,621	1,995,284
1,447,256	1,560,499	1,637,101	1,643,032	1,983,176	2,218,864
274,585	276,241	276,897	231,711	281,107	318,243
1,721,841	1,836,740	1,913,998	1,874,743	2,264,283	2,537,107
(79,185)	(166,730)	(428,840)	(104,655)	(297,662)	(541,823)
51,437	56,888	48,652	61,045	59,462	65,857
95,000	95,000	145,000	(37,886)	236,381	90,000
146,437	151,888	193,652	23,159	295,843	155,857
67,252	(14,842)	(235,188)	(81,496)	(1,819)	(385,966)
7,041,924	9,133,153	7,629,700	9,563,393	11,592,541	12,115,480
25,811,216	29,167,092	31,505,354	32,396,742	34,016,988	44,412,653
(18,769,292)	(20,033,939)	(23,875,654)	(22,833,349)	(22,424,447)	(32,297,173)
21,790,957	23,692,458	25,168,509	26,482,889	27,993,901	29,737,558
\$ 3,021,665	\$ 3,658,519	\$ 1,292,855	\$ 3,649,540	\$ 5,569,454	\$ (2,559,615)

POLK COUNTY, NORTH CAROLINA

Fund Balances - Governmental Funds
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ 170,561	\$ 168,196
Restricted:				
Stabilization by state statute	1,047,125	1,163,570	1,633,744	1,552,457
Public safety	-	-	-	16,461
Committed:				
Tax revaluation	938,082	919,154	708,468	515,224
Assigned:				
Subsequent year's expenditure	474,719	888,900	-	546,676
Unassigned	7,047,387	5,906,286	6,534,837	6,225,687
Total General Fund	\$ 9,507,313	\$ 8,877,910	\$ 9,047,610	\$ 9,024,701
Other governmental funds:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ 3,266	\$ 479
Restricted:				
Stabilization by state statute	-	-	44,120	46,260
Public safety	431,493	445,577	400,698	8,787,238
Tourism	43,373	99,671	88,809	107,185
Human services	-	-	-	-
Economic and physical development	15,227	25,691	27,690	27,486
School debt service	976,509	1,099,051	1,223,391	1,350,067
General government	-	-	-	-
Committed:				
Future projects	-	-	-	-
Assigned:				
Capital projects	634,512	1,251,150	777,107	1,477,203
Future school projects	-	-	-	-
Public safety	-	-	-	-
Unassigned (deficit)	-	-	(8,543)	-
Total other funds	\$ 2,101,114	\$ 2,921,140	\$ 2,556,538	\$ 11,795,918

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

Source: Polk County Financial Statements

2018	2019	2020	2021	2022	2023
\$ 182,215	\$ 188,873	\$ 489,695	\$ 108,273	\$ 517,035	\$ 674,497
2,005,617	2,100,974	2,536,891	2,608,946	3,133,846	3,140,659
16,657	17,011	17,235	17,238	17,265	17,913
490,638	468,810	224,328	74,131	174,236	276,042
408,240	323,925	-	403,621	835,293	178,735
6,710,905	8,530,347	8,987,531	10,747,187	10,797,102	11,059,823
\$ 9,814,272	\$ 11,629,940	\$ 12,255,680	\$ 13,959,396	\$ 15,474,777	\$ 15,347,669
\$ 1,047	\$ 1,984	\$ 1,697	\$ 7,252	\$ 2,044	\$ 1,855
102,091	82,820	92,442	105,929	67,292	328,735
1,662,015	516,157	519,966	6,442,470	355,328	424,198
160,079	256,846	290,122	523,284	748,783	847,546
-	-	-	-	-	222,211
-	-	-	-	-	-
1,478,019	1,612,982	1,760,025	7,252	2,695,804	7,252
-	-	-	22,693	26,902	186,511
-	-	-	33,903	33,903	-
1,568,815	2,019,315	2,212,865	2,754,795	3,796,650	4,089,884
-	-	97,066	768,122	1,012,298	1,304,750
-	12,729	-	-	-	-
(8,485)	-	(6,413)	(16,377)	(18,762)	(61,918)
\$ 4,963,581	\$ 4,502,833	\$ 4,967,770	\$ 10,649,323	\$ 8,720,242	\$ 7,351,024

POLK COUNTY, NORTH CAROLINA

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

	2014	2015	2016	2017
Revenues:				
Property taxes	\$ 15,876,129	\$ 15,671,820	\$ 16,150,390	\$ 16,686,794
Local option sales taxes	3,232,234	3,344,092	3,513,262	4,090,672
Other taxes	76,154	117,868	149,841	201,098
Restricted intergovernmental	4,020,364	3,399,130	3,646,295	3,957,976
Restricted contributions	93,725	787,857	-	-
Permits and fees	340,563	406,966	365,658	439,525
Sales and services	1,158,433	1,301,164	1,294,100	1,371,324
Investment earnings	34,432	36,268	62,988	125,981
Miscellaneous	124,889	127,758	140,720	198,271
Total revenues	<u>24,956,923</u>	<u>25,192,923</u>	<u>25,323,254</u>	<u>27,071,641</u>
Expenditures:				
Current:				
General government	2,595,845	2,489,437	2,832,665	4,060,235
Public safety	5,849,037	6,410,486	6,848,449	5,893,817
Economic and physical development	1,562,525	1,097,371	763,494	644,324
Human services	4,248,054	4,461,551	4,258,143	4,758,052
Cultural and recreational	1,293,759	1,301,417	1,487,901	1,501,409
Intergovernmental:				
Education	5,937,254	5,786,491	5,539,826	5,765,217
Capital outlay	656,314	628,586	1,163,108	6,658,814
Debt service:				
Principal	1,336,449	1,338,613	1,395,210	1,768,942
Interest	348,255	296,328	156,377	246,192
Total expenditures	<u>23,827,492</u>	<u>23,810,280</u>	<u>24,445,173</u>	<u>31,297,002</u>
Other financing sources (uses):				
Proceeds from sales of assets	304	-	6,425	18,022
Lease liability issued	-	-	-	-
Subscription liability issued	-	-	-	-
Refinanced debt issued	-	-	-	-
Payment on refinanced debt	-	-	-	-
Proceeds from installment purchase contracts	-	800,000	-	13,500,000
Transfers from other funds	233,089	208,281	290,781	366,221
Transfers to other funds	(368,579)	(2,200,301)	(1,374,096)	(442,411)
Total other financing sources (uses):	<u>(135,186)</u>	<u>(1,192,020)</u>	<u>(1,076,890)</u>	<u>13,441,832</u>
Net change in fund balances	<u>\$ 994,245</u>	<u>\$ 190,623</u>	<u>\$ (198,809)</u>	<u>\$ 9,216,471</u>
Debt service as a percentage of non-capital expenditures	<u>7.3%</u>	<u>7.1%</u>	<u>6.7%</u>	<u>8.2%</u>

Source: Polk County Financial Statements

	2018	2019	2020	2021	2022	2023
\$	16,614,744	\$ 18,328,355	\$ 19,266,873	\$ 19,892,858	\$ 20,915,918	\$ 20,955,644
	4,332,174	4,973,439	5,089,642	6,083,842	6,556,319	7,107,360
	245,521	289,107	238,824	469,788	464,046	518,452
	3,551,533	4,879,248	3,783,967	5,193,073	6,314,620	5,955,421
	22,800	730,000	-	-	-	-
	603,219	475,199	489,393	680,507	738,458	616,120
	1,221,716	1,378,696	1,871,182	1,727,869	1,817,306	2,238,773
	246,235	389,495	285,586	21,230	46,351	1,075,637
	75,540	261,641	149,832	191,856	755,536	328,399
	26,913,482	31,705,180	31,175,299	34,261,023	37,608,554	38,795,806
	2,825,501	3,841,536	3,489,065	4,458,894	5,401,745	6,214,163
	7,368,662	8,690,664	9,635,647	11,828,012	12,475,980	14,147,225
	838,107	997,507	830,153	911,313	984,007	1,209,124
	4,050,988	4,001,694	4,523,232	4,736,247	5,205,098	6,648,433
	1,511,277	1,704,075	1,531,886	1,590,508	1,831,847	2,195,300
	5,685,884	6,202,220	6,925,004	6,441,594	10,205,287	8,160,986
	8,029,631	2,342,214	1,488,562	-	-	-
	2,142,457	2,114,551	1,221,391	2,839,420	1,470,213	1,584,484
	421,540	376,583	334,660	307,651	340,279	318,746
	32,874,047	30,271,044	29,979,600	33,113,639	37,914,456	40,478,461
	9,173	11,907	37,877	-	-	-
	-	-	-	-	128,583	4,845
	-	-	-	-	-	271,484
	-	-	-	9,979,742	-	-
	-	-	-	(9,979,742)	-	-
	-	-	-	6,200,000	-	-
	273,156	104,450	659,823	2,221,521	5,045,034	1,066,782
	(364,530)	(195,573)	(802,724)	(2,183,636)	(5,281,415)	(1,156,782)
	(82,201)	(79,216)	(105,024)	6,237,885	(107,798)	186,329
\$	(6,042,766)	\$ 1,354,920	\$ 1,090,675	\$ 7,385,269	\$ (413,700)	\$ (1,496,326)
	10.3%	8.9%	5.5%	10.2%	5.6%	4.7%

POLK COUNTY, NORTH CAROLINA

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

	2014	2015	2016	2017
Real property	\$ 2,582,280	\$ 2,694,037	\$ 2,722,705	\$ 2,778,171
Personal property	363,642	227,145	237,507	265,243
Public service companies	82,533	80,835	78,842	72,695
Less tax exempt property	(223,908)	(228,599)	(230,862)	(233,111)
Total taxable assessed value	\$ 2,804,547	\$ 2,773,418	\$ 2,808,192	\$ 2,882,998
Total direct tax rate	0.5175	0.5175	0.5175	0.5375

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

Source: Polk County Tax Department

2018	2019	2020	2021	2022	2023
\$ 2,838,747	\$ 2,895,896	\$ 2,969,231	\$ 2,988,580	\$ 3,318,665	\$ 3,116,727
275,372	288,791	332,400	352,831	501,346	773,100
86,418	110,492	116,652	146,073	155,738	161,738
(316,061)	(341,320)	(349,526)	(347,104)	(428,584)	(427,183)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 2,884,476	\$ 2,953,859	\$ 3,068,757	\$ 3,140,380	\$ 3,547,165	\$ 3,624,382
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
0.5294	0.5294	0.5494	0.5494	0.5143	0.5143
<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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
County direct rate:										
General Fund	0.5175	0.5175	0.5175	0.5375	0.5294	0.5294	0.5494	0.5494	0.5143	0.5143
Harmon Field rate	0.0350	0.0350	0.0350	0.0350	0.0334	0.0334	0.045	0.045	0.0385	0.0385
City/town rates:										
Saluda	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450	0.665	0.675	0.675	0.68
Columbus	0.4000	0.4000	0.4150	0.4200	0.4246	0.4446	0.5246	0.5246	0.515	0.515
Tryon	0.5508	0.5508	0.5708	0.5708	0.5663	0.6088	0.6088	0.5696	0.5696	0.5896
Fire district rates:										
Saluda	0.0750	0.0750	0.0850	0.0950	0.0940	0.1050	0.1150	0.1150	0.1130	0.1200
Sunnyview	0.0600	0.0600	0.0600	0.0600	0.0759	0.0759	0.1059	0.1059	0.1085	0.1085
Mill Spring	0.0650	0.0650	0.0650	0.0700	0.0663	0.0813	0.0813	0.0813	0.0754	0.0754
Green Creek	0.0410	0.0410	0.0410	0.0560	0.0446	0.0646	0.0846	0.0846	0.0839	0.1039
Tryon	0.0480	0.0480	0.0680	0.0680	0.0635	0.1035	0.1035	0.1035	0.0886	0.1086
Columbus	0.0500	0.0650	0.0650	0.0700	0.0746	0.0746	0.1046	0.1046	0.0950	0.0950
Edneyville	-	-	-	-	0.1050	0.1050	0.1050	0.1050	0.0945	0.0945
Blue Ridge	-	-	-	-	0.1200	0.1200	0.1200	0.1200	0.1166	0.1166
Dana	-	-	-	-	0.1300	0.1300	0.1300	0.1300	0.1132	0.1132
School district rate:										
Saluda	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
Total Direct and Overlapping Rates	<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>3.3435</u>	<u>3.2311</u>	<u>3.3031</u>

Source: Polk County Tax Department

POLK COUNTY, NORTH CAROLINA

Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	2023			2014		
	<u>Taxable assessed value</u>	<u>Rank</u>	<u>Percentage of total County taxable assessed value</u>	<u>Taxable assessed value</u>	<u>Rank</u>	<u>Percentage of total County taxable assessed value</u>
Public Service Co., of NC	\$ 71,973,525	1	1.99%	N/A		
Adult Communities Total Svc	45,385,631	2	1.25%	\$ 49,056,758	1	1.75%
Tryon Equestrian Properties ⁽¹⁾	42,341,389	3	1.17%	10,554,394	6	0.38%
Tryon Showgrounds	35,510,138	4	0.98%	N/A		
Duke Energy	31,411,723	5	0.87%	23,866,280	3	0.85%
Green River Farm LLC	11,354,045	6	0.31%	9,015,053	7	0.32%
Tryon Arena LLC	10,643,697	7	0.29%			
Clary Hood & Associates	8,487,114	8	0.23%			
1986 Sandy Plains Rd., LLC	8,482,849	9	0.23%			
Brights Creek Partners	8,099,813	10	0.22%	N/A		
PAR Investments, LL (2)				41,425,253	2	1.48%
Rutherford Electric Membership Corp				11,537,609	5	0.41%
Tryon Investment Properties				11,544,414	4	0.41%
Byana LLC				8,372,059	8	0.30%
Travis Oates LLC				7,590,241	9	0.27%
Hidden Springs Holdings				6,533,183	10	0.23%
Total	\$ 273,689,924		7.55%	\$ 179,495,244		6.40%

⁽¹⁾ Previously White Oak Development

⁽²⁾ Previously Bright's Creek Holdings

Source: Polk County Tax Department

POLK COUNTY, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Taxes levied for the year	\$ 14,514	\$ 14,352	\$ 14,538	\$ 15,501
Collected within the fiscal year of the levy:				
Amount	14,145	13,886	14,149	15,115
Percentage	97%	97%	97%	98%
Current uncollected balance	7	6	7	15
Collection in subsequent years	362	460	382	371
Total collections to date:				
Amount	14,507	14,346	14,531	15,486
Percentage	99.95%	99.96%	99.95%	99.90%

Source: Polk County Financial Statements

	2018	2019	2020	2021	2022	2023
\$	15,283	\$ 15,671	\$ 16,864	\$ 17,293	\$ 18,241	\$ 18,641
	14,907	15,464	16,599	17,087	18,057	18,423
	98%	99%	98%	99%	99%	99%
	55	207	266	206	183	218
	321	-	-	-	-	-
	15,228	15,464	16,599	17,087	18,057	18,423
	99.64%	98.68%	98.43%	98.81%	98.99%	98.83%

POLK COUNTY, NORTH CAROLINA

*Ratios of Outstanding Debt by Type
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:				
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Direct placement installment purchases	9,370,668	8,887,335	7,549,657	19,340,591
Lease liabilities	-	-	-	-
Subscription liabilities	-	-	-	-
Capital leases	220,254	164,974	107,442	47,566
Total governmental activities	<u>9,590,922</u>	<u>9,052,309</u>	<u>7,657,099</u>	<u>19,388,157</u>
Business-type activities:				
Direct placement installment purchases	177,570	172,657	167,441	161,903
Lease liabilities	-	-	-	-
Total governmental activities	<u>177,570</u>	<u>172,657</u>	<u>167,441</u>	<u>161,903</u>
Total government-wide	<u>\$ 9,768,492</u>	<u>\$ 9,224,966</u>	<u>\$ 7,824,540</u>	<u>\$ 19,550,060</u>
Total debt as a percent of personal income	1.20%	1.09%	0.90%	2.20%
Total debt per capita	\$ 474	\$ 444	\$ 376	\$ 930
Percentage of bonded debt to estimated actual property value	0.00%	0.00%	0.00%	0.00%
Bonded debt per capita	\$ -	\$ -	\$ -	\$ -

2018	2019	2020	2021	2022	2023
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,245,700	15,131,149	13,909,759	17,270,340	15,839,685	14,387,246
-	-	-	-	89,025	55,377
-	-	-	-	-	177,932
-	-	-	-	-	-
17,245,700	15,131,149	13,909,759	17,270,340	15,928,710	14,620,555
156,024	149,782	143,155	136,120	128,651	120,721
-	-	-	-	612	426
156,024	149,782	143,155	136,120	129,263	121,147
\$ 17,401,724	\$ 15,280,931	\$ 14,052,914	\$ 17,406,460	\$ 16,057,973	\$ 14,741,702
N/A	N/A	N/A	N/A	N/A	N/A
\$ 818	\$ 707	\$ 643	\$ 791	\$ 855	\$ 753
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, 2023

Governmental Unit:	Debt Outstanding ⁽¹⁾	Estimated Percentage Applicable	Applicable to Primary Government
Town of Columbus ⁽¹⁾	\$ 270,514	100%	\$ 270,514
Town of Tryon ⁽¹⁾	1,970,534	100%	1,970,534
City of Saluda ⁽¹⁾	2,366,850	100%	2,366,850
		Subtotal, overlapping debt	4,607,898
		Polk County direct debt	14,387,246
		Total direct and overlapping debt	\$ 18,995,144

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

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 224,363,764	\$ 221,873,438	\$ 224,655,361	\$ 230,639,810
Total debt applicable to limit	<u>9,590,922</u>	<u>9,052,309</u>	<u>7,824,540</u>	<u>19,550,060</u>
Legal debt margin	<u>\$ 214,772,842</u>	<u>\$ 212,821,129</u>	<u>\$ 216,830,821</u>	<u>\$ 211,089,750</u>
Total debt applicable to the limit as a percentage of debt limit	4.96%	4.27%	4.08%	3.48%

Source: Polk County Financial Statements

2018	2019	2020	2021	2022	2023
\$ 230,758,117	\$ 236,308,778	\$ 245,539,130	\$ 251,230,420	\$ 283,773,161	\$ 289,950,596
17,401,724	15,280,931	13,909,759	17,406,460	15,968,336	14,507,967
\$ 213,356,393	\$ 221,027,847	\$ 231,629,371	\$ 233,823,960	\$ 267,804,825	\$ 275,442,629
8.48%	6.47%	5.66%	6.93%	5.63%	5.00%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	<u><u>\$3,624,382,448</u></u>
Debt limit (8% of assessed value)	\$ 289,950,596
Debt applicable to limit:	
Installment purchase contracts	<u>14,507,967</u>
Legal debt margin	<u><u>\$ 275,442,629</u></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>
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	1,012,074	48,125	52.40	2,112	6.3%
2021	21,999	\$1,169,185	47,994	50.80	2,057	4.6%
2022	18,780	N/A	N/A	51.10	2,035	4.1%
2023	19,585	N/A	N/A	51.20	2,043	3.5%

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

Table 13

POLK COUNTY, NORTH CAROLINA

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2023</u>			<u>2014</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	2.6% - 5.2%	473	1	4.79%
Acts Inc	250-499	2	2.6% - 5.2%	262	3	2.39%
Polk County Government	250-499	3	2.6% - 5.2%	224	4	2.42%
St. Luke's Hospital Inc	250-499	4	2.6% - 5.2%	321	2	3.46%
Tryon International Equestrian Ctr	100-249	5	1.0% - 2.6%	N/A	N/A	0.00%
Cooper Riis Inc	100-249	6	1.0% - 2.6%	181	5	2.02%
White Oak Management Inc	100-249	7	1.0% - 2.6%	135	6	1.49%
Pure Country	50-99	8	.06% - 1.1%	N/A	N/A	0.00%
Pavillon International (A Corp)	50-99	9	.06% - 1.1%	N/A	N/A	0.00%
Milliken & Co Inc	50-99	10	.05% - 1.0%	N/A	N/A	0.00%
Polk Vocational Services	50-99	11	.05% - 1.0%	N/A	N/A	0.00%
Autumn Corporation	50-99	12	.05% - 1.0%	110	7	1.17%
Food Lion	50-99	13	.05% - 1.0%	N/A	N/A	0.00%
Fishin Machine LLC	50-99	14	.05% - 1.0%	N/A	N/A	0.00%
Community Choices Inc	50-99	15	.05% - 1.0%	N/A	N/A	0.00%
Carolina Yarn Processors	N/A		0.00%	70	8	0.83%
Laurel Hurst	N/A		0.00%	66	9	0.70%
Hatch Plant	N/A		0.00%	42	10	0.64%
Timken Inc	N/A		0.00%	38	11	0.39%
Total Workforce & % of:	9,528		14.9% - 38.9%	9,744		20.59%

NOTE: Percent range for 2023 & as shown for 2014
N/A Information not available.

Source: d4ncommerce.com for 2023 & Local Business Survey for 2014

POLK COUNTY, NORTH CAROLINA

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>General Government</u>										
Governing body	0	0	1.0	1.0	0.5	0.5	0.5	0.5	0.5	1.0
Administration - Co Mgr	3.0	4.0	3.5	3.5	4.0	3.5	2.5	2.5	3.5	3.0
Finance	4.0	4.0	4.5	4.5	4.0	4.0	4.0	4.0	4.0	4.0
Human resources						-	1.0	1.0	1.0	1.0
Tax	8.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.2
Tag office		1.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	1.8
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	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Buildings/Grounds maintenance	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.2	7.2	3.5
Management info systems	2.8	3.0	2.5	2.5	2.5	2.5	3.0	3.0	4.0	4.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
<u>Public safety</u>										
Sheriff's department	29.0	30.0	30.0	31.0	31	32.0	32.0	32.0	33.0	33.0
SRO	3.0	3.0	3.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0
Jail	11.0	10.0	11.0	11.0	24.0	24.5	28.0	28.0	29.0	29.0
Communications	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	11.0	11.0
Emergency management		1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5
Animal control	1.0	1.0	1.0	1.0	1.0	1.8	1.8	2.0	2.0	2.0
Building inspections	3.0	4.0	4.0	5.0	6.0	6.0	5.0	4.0	4.0	4.0
Emergency medical services	18.0	17.0	18.0	19.0	19.0	19.0	19.0	19.0	27.0	27.0
<u>Economic and physical development</u>										
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	5.0	5.0	5.0	4.0	4.0	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
<u>Human Services</u>										
Public health department	0.0	0.0	0.0	0.0	0.0	0.0	6.5	7.0	9.0	9.0
Public transportation	17.5	17.5	17.5	17.0	17.0	14.5	15.5	15.4	15.5	14.0
Social service administration	30.0	31.0	32.0	34.5	34.5	38.1	38.1	39.0	39.0	40.8
Veteran's administration	0.85	0.85	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<u>Cultural and recreational</u>										
Senior centers	6.3	6.9	6.9	6.9	6.9	6.9	7.9	6.7	6.7	6.7
Library	9.5	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Recreation	5.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	4.5
	183.1	189.7	194.0	199.2	212.7	217.1	228.5	230.2	245.8	241.2

Source: Various County Departments.

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

Operating Indicators by Function
Last Ten Fiscal Years

	2014	2015	2016	2017
General Government:				
Percentage of registered voters participating in general election	49.00%	N/A	68.41%	N/A
Public Safety:				
Number of inmates processed	926	1,119	910	992
Number of inmate days	10,274	10,760	10,409	9,269
Number of building permits issued	59	72	59	85
Number of EMS calls dispatched	2,725	3,237	3,190	3,105
Human Services:				
Public transportation total route miles	332,025	356,307	368,690	381,076
Public transportation passengers	40,420	39,520	40,597	39,448
Number of children in foster care	17	33	30	51
Economic & Physical Development:				
Number of plats recorded	169	175	141	194
Culture and Recreation - Library:				
Volumes in collection	63,636	57,368	53,191	52,304
Circulation	110,954	143,291	157,858	158,968
Education:				
Current expense per ADM	\$ 2,130	\$ 2,168	\$ 2,323	\$ 2,389
Enterprise Fund- Landfill:				
Tons of waste received	22,653	21,440	21,009	19,156

N/A Information not available

Source: Various County departments

2018	2019	2020	2021	2022	2023
57.73%	23.66%	75.88%	N/A	58.29%	N/A
965	1,122	955	1,002	1,061	942
8,816	17,949	17,252	12,675	15,128	15,082
90	78	91	109	174	130
3,154	3,320	3,056	3,536	4,299	4165
389,799	434,257	308,928	233,911	187,255	239,316
39,603	39,662	29,713	14,815	19,173	21,284
51	39	24	50	45	51
141	173	205	248	275	235
53,830	54,846	50,126	51,643	49,380	66,055
149,662	152,273	130,441	155,017	160,553	162,355
\$ 2,445	\$ 2,444	\$ 2,429	\$ 2,494	\$ 2,521	\$ 2,658
23,495	23,121	20,876	22,407	24,342	26,166

POLK COUNTY, NORTH CAROLINA

Capital Asset Statistics by Function
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Public Safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	37	37	43	39	35	39	53	52	57	71
Culture and Recreation:										
Libraries	2	2	2	2	2	2	2	2	2	2
Recreation acreage	140	140	140	140	140	613	613	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	1	1	1
Human Services:										
Transit-Vans	<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>19</u>	<u>18</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>	<u>698</u>	<u>711</u>

Source: Various County departments

COMPLIANCE SECTION

The compliance section contains other reporting required by *Government Auditing Standards*, Uniform Guidance, and the State Single Audit Implementation Act.

This page left blank intentionally.

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 (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 20, 2023.

Report on 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 to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 results of that testing, and not to provide an opinion on the effectiveness of the County'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
November 20, 2023

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major Federal Program and 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

Opinion on Each Major Federal Program

We have audited Polk County, North Carolina's, compliance with the types of compliance requirements identified as subject to audit 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 Polk County's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Polk County complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Polk County and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Polk County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Polk County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Polk County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Polk County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Polk County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Polk County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Polk County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
November 20, 2023

This page left blank intentionally.

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major State Program and 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

Opinion on Each Major State Program

We have audited Polk County, North Carolina's, compliance with the types of compliance requirements identified as subject to audit 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 Polk County's major state programs for the year ended June 30, 2023. 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.

In our opinion, Polk County complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Polk County and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Polk County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Polk County's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Polk County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Polk County's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Polk County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Polk County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Polk County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
November 20, 2023

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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:

Program Title
Medicaid Cluster

AL#
93.778

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

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

POLK COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

No prior year findings.

This page left blank intentionally.

POLK COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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 Assistance Program	10.561	205NC406S2514	\$ 126,176	\$ -	-
ARPA State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	205NC406S2514	22,971	-	-
Total SNAP Cluster			<u>149,147</u>	-	-
<u>Division of Public Health:</u>					
<u>Administration:</u>					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children		13A25403 (GB, GC), 13A25404 (GB, GC), 13A25405 (GB, GC), 13A25409 (GB, GC)	59,419	-	-
Total Division of Public Health	10.557		<u>59,419</u>	-	-
Total U.S. Department of Agriculture			<u>208,566</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	36233.83.21.1, 36233.83.24.1	119,455	7,465	-
Total US Department of Transportation			<u>119,455</u>	<u>7,465</u>	-
<u>U. S. Department of the Treasury</u>					
<u>Department of the Treasury</u>					
Direct Program					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		125,000	-	-
Total U.S. Department of the Treasury			<u>125,000</u>	-	-
<u>Institute of Museum and Library Services</u>					
Grants to States	45.310		23,658	-	-
Grants to States - LSTA	45.310		20,553	-	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - SFRF Nonrecurring Aid to Libraries	21.027		44,029	-	-
Total Institute of Museum and Library Services			<u>88,240</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 4):					
<u>Administration:</u>					
Foster Care Title IV-E	93.658	2201NCFOST	29,862	-	-
Foster Care Title IV-E CPS	93.658	2201NCFOST	50,135	8,798	-
Foster Care Title IV-E Foster Care/Off Trn	93.658	2201NCFOST	147,116	-	-
Adoption Assistance Title IV-E Adoption/Off Trn	93.659	2201NCADPT	2,369	-	-
Adoption Assistance Title IV-E Optional Adopt Trn 5	93.659	2201NCADPT	2,303	-	-
<u>Direct Benefit Payments:</u>					
Foster Care Title IV-E Foster Care	93.658	2201NCFOST	170,700	35,833	-
Total Foster Care, Adoption and Guardianship Assistance Program Cluster			<u>402,485</u>	<u>44,631</u>	-
Temporary Assistance for Needy Families					
TANF/Work First Administration	93.558	2201NCTANF	15,896	-	-
TANF/Work First Service	93.558	2201NCTANF	92,976	-	-
Total Temporary Assistance for Needy Families			<u>108,872</u>	-	-
Special Children Adoption Fund Cluster (Note 4):					
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201NCCWSS	12,016	-	-
Mary Lee Allen Promoting Safe and Stable Families Program	93.556	2201NCFPSS	3,675	-	-
Total Special Children Adoption Fund Cluster			<u>15,691</u>	-	-

POLK COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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
Refugee and Entrant Assistance Cluster (Note 4): Refugee and Entrant Assistance State / Replacement Designee Administered Program Total Refugee and Entrant Assistance Cluster	93.566	2201NCRMA	679	-	-
			679	-	-
Child Support Enforcement: IV-D Offset-Fed IV-D Administration Total Child Support Enforcement	93.563 93.563	2201NCCES 2201NCCES	228 86,881	- -	- -
			87,109	-	-
Low-Income Home Energy Assistance: COVID-19 LIEAP Crisis Intervention Payments Energy Assistance Low Income Home Energy Assistance Low Income Household Water Assistance - Admin LIHWAP ARP Admin Low Income Household Water Assistance - CAA Total Low-Income Home Energy Assistance	93.568 93.568 93.568 93.568 93.568 93.568 93.568 93.568	2201NCLIEA 2201NCLIEA 2201NCLIEA 2201NCLIEA 2201NCLIEA 2201NCLIEA 2201NCLIEA	107,761 55,645 10,036 32,905 1,435 6,121 8,179	- - - - - -	- - - - - -
			222,082	-	-
Social Services Block Grant: Adult Protective Service APS Essent SVC/APS ARPA S CPS TANF to SSBG Social Services Block Grant Total Social Services Block Grant	93.667 93.667 93.667 93.667	2201NCSOSR 2201NCSOSR 2201NCSOSR	24,550 2,941 74,414 80,240	- - -	- - -
			182,145	-	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood Direct Benefit Payments Total John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674 93.674	2201NCC1LP 2201NCC1LP	9,756 5,242	2,439 -	- -
			14,998	2,439	-
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 4)</u> <u>Child Care Development Fund Cluster</u> <u>Division of Social Services:</u> Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration Total Subsidized Child Care Program Cluster / Child Care Development Fund Cluster	93.596	2201NCCCDF	24,853 24,853	- -	- -
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 Total Medicaid Cluster	93.778	XIX-MAP22	638,521 638,521	62,733 62,733	- -
<u>Division of Social Services:</u> Administration: Children's Health Insurance Program: N.C. Health Choice	93.767	CHIP22	20,780	1,160	-
Centers for Disease Control and Prevention: <u>Division of Public Health:</u> Public Health Emergency Preparedness Project Grants and Cooperative Agreements for Tuberculosis Control Programs Immunization Cooperation Agreements	93.069 93.116 93.268	12642680EU 14602720NF 13316315LD, 1331631DEJ, 13316315LD	26,009 38 8,213	- - -	- - -

POLK COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	1175883AP5, 1332892AL5	129,853	-	-
COVID-19 - Public Health Emergency Response:					
Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	1332535AYM	35,718	-	-
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	11617955LZ	66,352	-	-
Preventive Health and Health Services					
Block Grant	93.991	12615503PH	30,607	-	-
Total Centers for Disease Control and Prevention			296,790	-	-
Maternal and Child Health Services					
Block Grant	93.994	12715351AR, 12715745AR	5,144	-	-
Total U.S. Department of Health and Human Services			2,020,149	110,963	-
<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-2022-EP-00005-2220075	39,032	-	-
<u>Total U. S. Department of Homeland Security</u>			39,032	-	-
Total Federal awards			\$ 2,600,442	\$ 118,428	\$ -
STATE AWARDS:					
<u>N.C. Department of Natural and Cultural Resources</u>					
<u>Division of State Library</u>					
State Aid for Public Libraries			\$ -	\$ 81,248	\$ -
Total Division of State Library			-	81,248	-
<u>Division of Parks and Recreation</u>					
Parks and Recreation Trust Fund			-	130,661	-
Total Division of Parks and Recreation			-	130,661	-
Total N.C. Department of Natural and Cultural Resources			-	211,909	-
<u>N.C. Department of Agriculture and Consumer Services</u>					
<u>Division of Soil and Water Conservation</u>					
Streamflow Rehabilitation Assistance Program		22-080-4119	-	146,974	-
Total N.C. Department of Agriculture and Consumer Services			-	146,974	-
<u>N.C. Department of Health and Human Services (NCDHHS)</u>					
<u>Division of Social Services:</u>					
Administration:					
State Child Welfare/CPS			-	24,162	-
State Foster Care Program - Direct Benefits:					
State Foster Home			-	56,132	-
Foster Care At Risk Max			-	4,668	-
SFHF Maximization			-	138,902	-
Total State Foster Care Program - Direct Benefits			-	199,702	-
Total Division of Social Services			-	223,864	-
<u>Division of Public Health:</u>					
Food and Lodging Health		11534752SZ	-	6,097	-
Aid-to-Counties		1161411000	-	30,580	-
General Communicable Disease Control		1175451000	-	7,029	-
Healthy Communities		1261550300	-	3,747	-
Child Health		1271535100	-	2,799	-
School Nursing Funding Initiative		1332535800	-	150,000	-
Tuberculosis Control		1460455100, 1460455400	-	1,286	-
Professional Foster Parenting			-	691,596	-
Total Division of Public Health			-	893,134	-
Total NCDHHS			-	1,116,998	-
<u>N.C. Department of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs			-	82,381	-
Total N.C. Department of Juvenile Justice and Delinquency Prevention			-	82,381	-

POLK COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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>N.C. Department of Public Instruction (NCDPI)</u>					
Public School Building Capital Fund:					
Lottery Proceeds		Lottery 2023	-	246,260	-
Total N.C. Department of Public Instruction (NCDPI)			-	246,260	-
<u>N.C. Department of Public Safety</u>					
Sheriffs Office Grant					
Total N.C. Department of Public Safety			-	56,192	-
<u>N.C. Department of Transportation (NCDOT)</u>					
Rural Operating Assistance Program (ROAP):					
ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	14,743	-
ROAP Rural General Public Program		DOT-16CL	-	3,643	-
ROAP Work First Transitional - Employment		DOT-16CL	-	6,992	-
Total ROAP			-	25,378	-
Total NCDOT			-	25,378	-
Total State awards					
			-	1,886,092	-
Total Federal and State awards					
			\$ 2,600,442	\$ 2,004,520	\$ -

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, 2023. The information in this SEFSA is presented in accordance with the 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. 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.

3. Indirect Cost Rate

Polk County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. 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
Refugee and Entrant Assistance Cluster