



Dallas, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2015

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POLK COUNTY

**OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2015**

ADMINISTRATIVE OFFICER

Gregory P. Hansen

COMMISSIONERS

TERM EXPIRATION

Craig Pope
15040 Airlie Rd.
Monmouth, OR 97361

January 7, 2019

Mike Ainsworth
PO Box 652
Monmouth, OR 97361

January 7, 2019

Jennifer Wheeler
441 N. 13th
Independence, OR 97351

January 9, 2017

ELECTED OFFICIALS

Douglas Schmidt, Assessor
Valerie Unger, Clerk
Aaron Felton, District Attorney
Bob Wolfe, Sheriff
Linda Fox, Treasurer

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POLK COUNTY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Polk County
Dallas, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Polk County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Polk County, as of June 30, 2015, the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the General, Public Works, Behavioral Health, and Health Services Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-ix and the schedules of the proportionate share of the net pension liability and contributions on pages 54 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Other Reporting Required by *Oregon State Regulations*

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 28, 2015 on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 28, 2015
By:



Bradley G. Bingenheimer, Member

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**POLK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The management of Polk County, Oregon presents this narrative overview and analysis of the financial activities, for the fiscal year ended June 30, 2015. This discussion and analysis is intended to serve as an introduction to the basic financial statements as well as provide additional information to readers. We encourage readers to consider this information in conjunction with the accompanying financial statements. This narrative is based on currently known facts, decisions and conditions that existed as of the date of the independent auditors' report.

Financial Highlights

- The County's assets exceeded its liabilities by \$45,775,600 at June 30, 2015, on its government-wide statement of net position. Of this amount, \$41,604,288 is the net investment in capital assets and \$4,758,324 is restricted for various purposes.
- The County's total net position increased \$10,903,121 during the current fiscal year. This increase is attributable to revenue in excess of expenses. Expenses include \$3,432,445 for depreciation, a non-cash expense. Expenses in the current year were reduced by \$6,158,076 as the result of an accounting change required by new governmental accounting standards.
- At June 30, 2015, unassigned fund balance for the General Fund was \$3,157,867, or approximately 24.0% of total General Fund expenditures for the year.
- At June 30, 2015, the Building Improvement fund had a significant deficit fund balance of \$1,075,162 caused by prior years' expenditures in excess of revenue related mostly to the Academy building remodel. This deficit is not expected to cause the County cash flow concerns and it is planned to be eliminated with future rental revenue.
- Due to a change in governmental accounting standards (GASB 68), reporting for the County pension plan (PERS) has changed dramatically. Previously pension expense had been recognized when paid and there were no assets or liabilities for the pension shown on the Statement of Net Position. Now, pension costs, and pension-related assets and liabilities are recognized in accordance with the new standard. This change caused a reduction in the net position of the County in the amount of \$9,677,142 at July 1, 2014 which is shown as a prior period adjustment in the current year. Actual pension costs paid during this fiscal year were \$2,399,556, but due to the adjustment required by the new accounting standard, pension *income* in the amount of \$3,758,520 has been included in the current statements. This resulted in a decrease of \$6,158,076 in pension expense from what would have been included before the new requirement before the change. This new standard is likely to produce large shifts in pension costs and pension liability from year to year in the future.

Overview of the Financial Statements

The County's basic financial statements are made up of three components:

1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector business.

- The statement of net position presents information on all assets and liabilities of the County, with the difference between the two reported as net position. Over time, increases or decreases in net position may be a useful indicator of whether the financial position of the County is improving or deteriorating.
- The statement of activities presents a summary of current fiscal year income and expense and shows how the County's net position changed during the year on an accrual basis. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused employee vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements (continued)

It is required that both government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All functions of Polk County are classified as governmental activities.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements are financial reports that provide more detail than the government-wide financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Polk County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the County can be divided into three categories: governmental, proprietary and fiduciary.

- **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements are presented on a modified-accrual basis. The measurement focus for the fund statements is based on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the County's near-term financing requirements.

The County maintains 22 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Public Works, Behavioral Health, Health Services and Building Improvement Funds, all of which are considered to be major governmental funds. Data for the other 17 governmental funds are combined into a single aggregated presentation. The Polk County Extension District is considered a component unit of the County and, for the purposes of the financial statements, is included with the County governmental funds. Financial information for governmental funds is included on pages 3 through 17 in this report and is reconciled to the government-wide statements on pages 4 and 6. Individual fund data for each of the nonmajor funds is provided in the form of combining and individual fund statements and schedules on pages 58 through 84 in this report.

- **Proprietary funds** are used by the County to allocate costs internally among various functions and to report business-type activities. The County currently maintains no business-type activities, but uses proprietary internal service funds to account for overall management activities including finance, Board of Commissioners, insurance and risk management, fleet management, telephone and data processing, mail processing and facilities management. Because these services benefit governmental functions, they have been included with governmental activities in the government-wide financial statements. Summary information about Polk County's internal service funds is contained on pages 18-20 and detailed fund information can be found on pages 85 through 91 of this report.
- **Fiduciary funds** (agency funds) are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds do not belong to the County and are not available to support County programs. The County maintains agency funds for taxing districts, for inmates at the jail and various other miscellaneous trust accounts as the need arises. Information about Agency fund activity for the year is located on pages 21 and 92 of this report.

The County adopts an annual appropriated budget for all governmental and proprietary funds. Budgetary comparison statements have been provided for each fund to demonstrate compliance with budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements (continued)

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

Required Supplementary Information

Accounting standards generally accepted in the United States of America provide for certain required supplementary information to supplement the County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. This required supplementary information is presented on pages 55 and 56.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information required by State regulations and by the Federal government. This supplementary information is presented on pages 57-103.

Government-wide Financial Analysis

Assets exceeded liabilities by \$45,775,600 at June 30, 2015. The largest portion of the County's net position (73%) is its net investment in capital assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

NET ASSETS

Assets	6/30/2014	6/30/2015	Changes
Current assets	\$ 7,535,055	\$ 12,149,353	\$ 4,614,298
Capital assets, net	51,306,797	49,389,847	(1,916,950)
Net pension asset	-	4,998,965	4,998,965
Total Assets	58,841,852	66,538,165	7,696,313
Deferred outflows	1,577,230	1,504,827	(72,403)
Liabilities			
Current liabilities	4,761,756	5,260,254	498,498
Long-term liabilities	20,784,847	6,984,280	(13,800,567)
Total Liabilities	25,546,603	12,244,534	(13,302,069)
Deferred inflows	-	10,022,858	10,022,858
Net Position			
Net investment in capital assets	40,965,204	41,604,288	639,084
Restricted net assets	3,894,300	4,758,324	864,024
Unrestricted	(9,987,025)	(587,012)	9,400,013
Total Net Position	\$ 34,872,479	\$ 45,775,600	\$ 10,903,121

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Analysis (continued)

During the year, current assets increased \$4,614,298. Cash and investments increased \$4,756,054, and other current assets decreased \$141,756.

Net capital assets decreased \$1,916,950. During the year, the capital asset balance increased \$1,515,495 for assets acquired and decreased \$3,432,445 for annual depreciation expense. Details of capital assets acquired appears later in this narrative.

At June 30, 2015, the County's net pension asset was \$4,998,965, in accordance with the new governmental accounting standards for pension reporting. The balance of deferred outflows, also relating to pensions, was \$1,504,827.

Liabilities decreased \$13,302,069 during the year. This change includes \$498,498 increase in current liabilities and \$13,800,567 decrease in long term liabilities. The current liability change includes increases in accounts payable (\$263,215) and in the current portion of long-term obligations (\$235,283). The change in long-term liabilities includes \$2,750,306 decrease in long-term debt, the result of principal payments on bonds and other debt, \$11,254,372 decrease in net pension liabilities, \$30,651 decrease in unamortized premium on long-term obligations and increase in other post-employment benefits (\$234,762).

Net position of the County increased \$10,903,121 during the year. This change includes an increase of \$639,084 in net investment in capital assets, increase of \$864,024 in restricted net position, and an increase of \$9,400,013 in unrestricted net position. Net investment in capital assets is defined as the total purchase price of the capital assets owned reduced by the accumulated depreciation on those assets, less the balance of debt relating to these assets.

The beginning net position has been adjusted for a prior period adjustment as a result of an adjustment to pension-related assets and liabilities due to the required pension accounting change effective at the beginning of the current year and the assets and liabilities in the net asset schedule above have been restated to reflect this change.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Analysis (continued)

Key elements of the net position increase and a comparison with the prior year are as follows:

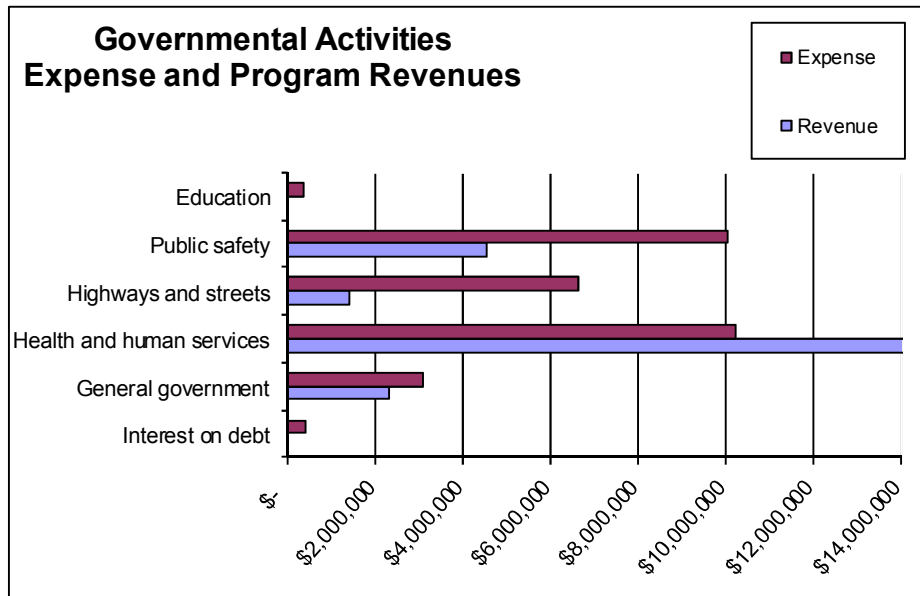
	CHANGES IN NET ASSETS			% Inc/Dec
	6/30/2014	6/30/2015	Changes	
Program revenues:				
Charges for services	\$ 3,311,169	\$ 3,327,471	\$ 16,302	0.5%
Program grants and contributions	18,965,798	20,651,835	1,686,037	8.9%
General revenues:				
Property taxes	10,935,106	11,561,444	626,338	5.7%
Other taxes	880,973	878,889	(2,084)	-0.2%
Other grants and contributions	4,065,596	4,330,156	264,560	6.5%
Forest and timber receipts	963,687	839,269	(124,418)	-12.9%
Interest earnings	28,111	38,325	10,214	36.3%
Miscellaneous	115,257	91,592	(23,665)	-20.5%
Total Revenues	39,265,697	41,718,981	2,453,284	6.2%
Expenses:				
General government	3,987,073	3,107,394	(879,679)	-22.1%
Public safety	12,887,857	10,082,227	(2,805,630)	-21.8%
Highways and streets	7,391,623	6,633,515	(758,108)	-10.3%
Health and welfare	12,547,412	10,230,515	(2,316,897)	-18.5%
Education	352,404	369,423	17,019	4.8%
Interest on long-term debt	465,936	392,786	(73,150)	-15.7%
Total Expense	37,632,305	30,815,860	(6,816,445)	-18.1%
Increase (decrease) in net assets	1,633,392	10,903,121	9,269,729	567.5%
Beginning net assets	33,239,087	34,872,479	1,633,392	4.9%
Ending net assets	\$ 34,872,479	\$ 45,775,600	\$ 10,903,121	31.3%

Total revenues for the year were \$41,718,981, an increase of \$2,453,284 over the prior year. Revenues include direct program revenue of \$23,979,306 and general revenue of \$17,739,675. Program revenue is defined as charges for services and operating grants and revenues, which are allocable directly to programs. General revenue increased \$1,702,339 (7.6%) and program revenue increased \$750,945 (4.4%) when compared to the prior year. Program revenues increased \$1,686,037 for program grants and increased \$16,302 for charges for services. General revenues increased for property taxes (\$626,338), for general grants and contributions (\$264,560) and for interest earnings (\$10,214). General revenues decreased for forest and timber receipts (\$124,418), for other taxes (\$2,084) and for miscellaneous income (\$23,665).

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Analysis (continued)

Total expenses decreased \$6,816,445 for this fiscal year when compared to the prior year. However, all except \$658,369 of the decrease is the result of a change in accounting for pension expense. Per the Statement of Activities, expenses decreased in all categories: \$879,679 (22.1%) for general government, \$2,316,897 (18.5%) for health and welfare, \$2,805,630 (21.8%) for public safety, \$758,108 (10.3%) for highways and streets, \$17,019 (4.8%) for education and \$73,150 (15.7%) for interest on long-term obligations. However, due to the pension accounting change, last year and this year aren’t comparable. If the effect of the accounting change is removed from the current year, total expenses would have changed as follows: general government – decrease \$201,906 (5.1%), health and welfare – increase \$279,903, public safety – decrease \$516,139 (4.0%), highways and streets – decrease \$165,413 (2.2%), education – increase \$18,336 (5.2%), and interest on long-term obligation – decrease \$73,150 (15.7%).

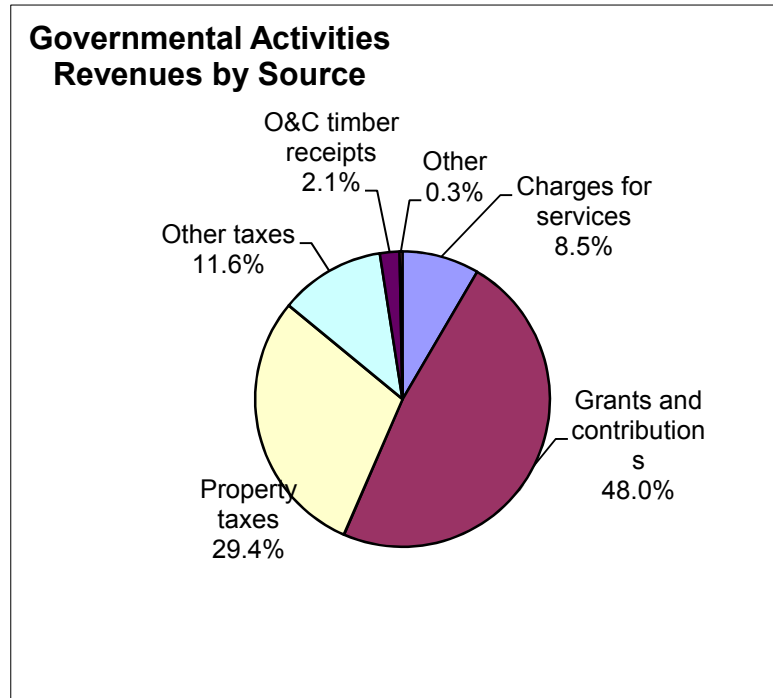


The chart above compares direct program revenue with program expenses. During the past year, all governmental activities except for health and human services relied on general revenues to support the function. Revenue from road taxes in the amount of \$4,330,156 is not included in direct program revenue. Because it is defined as a tax, it is included in general grant revenue rather than program revenue for highways and streets.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Analysis (continued)

The chart below shows sources of revenue for the fiscal year. 48.0% of revenues is from grants and contributions, 29.4% from property taxes, 8.5% from charges for services, 11.6% from other taxes, \$839,269 (2.1%) from O & C timber receipts and .3% from investment income and miscellaneous receipts.



Financial Analysis of the County’s Funds

As required, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At June 30, 2015, the County’s governmental funds have combined ending fund balances of \$8,153,316, which includes an increase of \$3,947,729 during the current fiscal year. The ending fund balance consists of \$293,973 defined as nonspendable, \$6,105,259 defined as restricted and \$12,332 defined as committed. Nonspendable fund balances include inventory and prepaid expenses which are nonspendable due to the nature of the item. Restricted fund balances are restricted by agencies or funding sources outside the County organization. Committed fund balances are committed for designated purposes by the County Board of Commissioners. Fund balances not included in these defined categories are considered unassigned and available for appropriation in the subsequent year at the Board’s discretion. The County’s unassigned fund balance at June 30, 2015 is \$1,741,752, compared to the \$1,296,048 unassigned fund balance at June 30, 2014.

The General Fund is the chief operating fund of the County. At June 30, 2015, unassigned General Fund balance was \$3,157,867, approximately 93% of the total General Fund balance. The General Fund balance increased \$813,949 during the current fiscal year, compared to an increase of \$262,800 in the prior year. Compared to the previous year, General Fund revenues decreased \$394,784, expenditures decreased \$724,461, transfers to other funds decreased \$223,595, and sale of capital assets decreased \$2,123.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the County's Funds

All five major funds showed increases in fund balances this year. Increases were \$813,949 for General Fund, \$63,793 for Public Works Fund, \$3,176,572 for Behavioral Health Fund, \$25,007 for Health Services Fund and \$45,947 for the Building Improvement Fund. The increases for all of these funds were the result of revenues in excess of expenditures. Other nonmajor governmental funds combined showed a fund balance decrease of \$177,539.

General Fund Budgetary Highlights

During the fiscal year, one budget modification was adopted by the Board. This modification transferred \$435,000 from operating contingency to various departments. Appropriation increases included the following: Emergency management - \$200,000, Parks - \$30,000, Community Corrections - \$20,000 and other departments - \$32,500. There was also an increase in transfers to other funds in the amount of \$152,500.

Capital Assets and Debt Administration

The County's net investment in capital assets, at June 30, 2015, is \$49,389,847. This investment in capital assets includes land, building and improvements, machinery and equipment, roads and bridges and vehicles. The total decrease during the current year was \$1,916,950 (3.7%). Additions include assets purchased (\$1,481,523) and assets acquired at no or reduced cost through the Federal surplus program (\$33,972). New assets acquired include \$360,508 land acquisition and other costs for the Doaks Ferry Rd./Hwy 51 improvement project, \$41,980 for bridge improvements, \$140,473 for two Sheriff's patrol vehicles and other equipment, \$126,463 for emergency management equipment, \$237,425 for Talmadge Road bike and pedestrian improvements, \$323,585 for Public Works vehicles and equipment, \$128,006 for Buena Vista park improvements, \$48,705 for courthouse lighting and HVAC improvements, \$53,006 for three vehicles for community corrections and general services fleet, and \$55,344 for other equipment. Assets acquired at no or reduced cost through Federal surplus include a 7.5 ton crane, a backup generator for public works and a power plant for the fairgrounds.

The net asset balance for the year is increased by asset acquisitions (\$1,515,495) and decreased by depreciation expense (\$3,432,445). There was no change in the condition of the County's capital assets during the year. Additional detail about capital asset changes can be found beginning on page 37 in the notes to the financial statements.

At the end of the current fiscal year, the County owed \$7,755,000 in general obligation bonds outstanding, which is the total of three bond issues. Bonds were issued March 2007 for the purpose of road improvements. Bonds (certificates of participation) in the amount of \$2,250,000 were issued in 2011 for the primary purpose of debt payoff and remodeling to the Academy Building. Additional bonds (\$790,000) were issued in April 2012 for the purpose of paying off debt which financed the 2004 Falls City road project. Principal payments of \$2,530,000 and interest of \$421,056 were paid on the bonds during the year. Bond payments for the Road Bond are made from property tax revenues. Bond payments for the certificates of participation are made from the Building Improvement Fund using savings in rental costs. Bond payments for the Falls City road project are made by the Public Works Fund from revenue.

During the year, the County incurred no additional debt. At the end of the fiscal year, the County owed \$30,559 for non-bond debt outstanding for 10 capital leases on office equipment. Total payments on non-bond debt during this year included \$26,247 principal and \$2,831 interest. Additional details about debt and repayment terms are contained on pages 39 and 40 of the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Key Economic Factors and Next Year's Budget Information

- Polk County's fiscal year 2015-16 budgeted appropriations increased \$10,309,425 (21.2%) compared to the prior year budget.
- General Fund resources for fiscal year 2015-16 are budgeted at \$19,830,650. This includes a beginning fund balance of \$3,250,000.
- Significant changes in fiscal year 2015-16 budgeted expenses, including percentage change from the prior year's final budget are:
 - General Fund increase - \$3,931,850 (24.7%), increased revenue provided by operating levy and Federal funding and increased beginning fund balance. Increased appropriations include increases to public safety budgets (\$1,952,156), increase in operating contingency (\$1,609,725) and increases to other General Fund budgets (\$369,969)
 - Public Works Fund increase - \$221,500 (3.8%), increased revenue and increased beginning fund balance
 - Behavioral Health Fund increase - \$3,956,000 (39.2%), increased revenue from the State and increased beginning fund balance
 - Health Services Fund increase - \$619,000 (42.5%), increased revenues from grants
 - General Services increase - \$715,000 (16.7%), appropriations increases include \$475,000 increase in transfer to building improvement fund and other increased costs.

Requests for Information

This report is designed to provide a general overview of Polk County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

Linda Fox
Polk County Treasurer
850 Main Street
Dallas, Oregon 97338
Phone: 503-623-9264

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BASIC FINANCIAL STATEMENTS

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POLK COUNTY

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 8,350,727
Receivables	3,444,026
Inventory	225,890
Prepaid items	128,710
Net pension asset	4,998,965
Capital assets:	
Land and construction in progress	1,818,117
Other capital assets, net	<u>47,571,730</u>
 TOTAL ASSETS	 <u>66,538,165</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	<u>1,504,827</u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	1,580,388
Long-term obligations:	
Unamortized premium on long-term obligations	31,414
Due within one year	3,679,866
Due in more than one year	<u>6,952,866</u>
 TOTAL LIABILITIES	 <u>12,244,534</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	<u>10,022,858</u>
<u>NET POSITION</u>	
Net investment in capital assets	41,604,288
Restricted for:	
Debt service	206,876
Bridge construction	344,759
Road and street maintenance	776,226
Bicycle path construction/maintenance	181,308
Law enforcement	280,541
Health and welfare	2,227,064
Economic development	389,175
Education	30,311
Other purposes	322,064
Unrestricted	<u>(587,012)</u>
 TOTAL NET POSITION	 <u>\$ 45,775,600</u>

See accompanying notes

POLK COUNTY

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<u>Functions/Programs</u>			
Governmental activities			
General government	\$ 3,107,394	\$ 1,356,739	\$ 945,457
Public safety	10,082,227	600,469	3,945,368
Highways and streets	6,633,515	519,512	909,222
Health and welfare	10,230,515	850,751	14,851,788
Education	369,423	-	-
Interest on long-term obligations	392,786	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 30,815,860	\$ 3,327,471	\$ 20,651,835
General revenues			
Property taxes levied for:			
General purposes			8,496,721
Education			368,478
Debt service			2,696,245
Other taxes			878,889
Other grants and contributions not restricted for specific programs			5,169,425
Unrestricted investment earnings			38,325
Miscellaneous			83,792
Gain on disposition of capital assets			7,800
TOTAL GENERAL REVENUES			17,739,675
CHANGE IN NET POSITION			10,903,121
PRIOR PERIOD ADJUSTMENT			(9,677,142)
NET POSITION - BEGINNING			44,549,621
NET POSITION - ENDING			\$ 45,775,600

See accompanying notes

POLK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Public Works	Behavioral Health	Health Services	Building Improvement	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 1,822,362	\$ 713,110	\$ 3,126,588	\$ 348,280	\$ -	\$ 1,376,543	\$ 7,386,883
Receivables	956,736	710,142	891,271	276,219	-	587,024	3,421,392
Inventory	-	225,890	-	-	-	-	225,890
Prepaid items	31,537	-	15,577	-	-	20,969	68,083
Due from other funds	1,400,582	-	-	-	-	-	1,400,582
TOTAL ASSETS	\$ 4,211,217	\$ 1,649,142	\$ 4,033,436	\$ 624,499	\$ -	\$ 1,984,536	\$ 12,502,830
LIABILITIES							
Accounts payable and accrued liabilities	\$ 314,130	\$ 229,490	\$ 126,274	\$ 473,024	\$ -	\$ 296,383	\$ 1,439,301
Due to General Fund	-	-	-	-	1,075,162	325,420	1,400,582
TOTAL LIABILITIES	314,130	229,490	126,274	473,024	1,075,162	621,803	2,839,883
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	513,259	293,024	414,530	100,000	-	188,818	1,509,631
FUND BALANCES							
Nonspendable	31,537	225,890	15,577	-	-	20,969	293,973
Restricted	194,424	900,738	3,477,055	51,475	-	1,481,567	6,105,259
Committed	-	-	-	-	-	12,332	12,332
Unassigned	3,157,867	-	-	-	(1,075,162)	(340,953)	1,741,752
TOTAL FUND BALANCES	3,383,828	1,126,628	3,492,632	51,475	(1,075,162)	1,173,915	8,153,316
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,211,217	\$ 1,649,142	\$ 4,033,436	\$ 624,499	\$ -	\$ 1,984,536	\$ 12,502,830

See accompanying notes

POLK COUNTY

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balances - governmental funds \$ 8,153,316

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

Governmental activities report a net pension asset which is not reported in the fund 4,998,965

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 49,389,847

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds 1,509,631

The net position of the internal service funds	\$717,302	
Less: Capital assets of the internal service funds included above	(136,161)	
Plus: Compensated absences and net OPEB obligations of the internal service funds included below	294,318	
Plus: Long-term obligations of the internal service funds	<u>30,559</u>	906,018

Governmental activities report as deferred outflows of resources contributions to the public employees retirements system for the year 1,504,827

Proceeds from long-term obligations in excess of the face amount of the bonds are amortized over the term of the bonds. (31,414)

Governmental activities report as deferred inflows the effect of differences between projected and actual earnings and changes in proportionate share of contributions to the public employess retirement system (10,022,858)

Some liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds. (10,632,732)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 45,775,600

See accompanying notes

POLK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	<u>General</u>	<u>Public Works</u>	<u>Behavioral Health</u>	<u>Health Services</u>	<u>Building Improvement</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property taxes	\$ 8,564,684	\$ -	\$ -	\$ -	\$ -	\$ 3,090,905	\$ 11,655,589
Licenses, fees and permits	623,989	-	-	-	-	50,727	674,716
Intergovernmental	4,434,707	5,040,417	12,054,987	950,940	68,814	3,267,239	25,817,104
Charges for services	1,092,557	415,478	503,390	690,344	-	522,384	3,224,153
Franchise fees	128,135	-	-	-	-	84,766	212,901
Fines and forfeitures	90,067	-	-	-	-	11,382	101,449
Donations	12,413	-	761	204,249	-	25,185	242,608
Interest	27,051	1,362	6,830	-	-	3,082	38,325
Miscellaneous	69,470	3,043	6,336	2,045	344	2,607	83,845
TOTAL REVENUES	<u>15,043,073</u>	<u>5,460,300</u>	<u>12,572,304</u>	<u>1,847,578</u>	<u>69,158</u>	<u>7,058,277</u>	<u>42,050,690</u>
EXPENDITURES							
Current							
General government	2,877,710	-	-	-	-	821,397	3,699,107
Public safety	9,927,903	-	-	-	-	2,062,401	11,990,304
Highways and streets	-	5,052,519	-	-	-	101,936	5,154,455
Health and welfare	219,844	-	9,374,914	1,460,741	-	1,825,207	12,880,706
Education	-	-	-	-	-	371,410	371,410
Debt service							
Principal	-	45,000	-	-	125,000	2,360,000	2,530,000
Interest	-	21,601	-	-	77,155	322,300	421,056
Capital outlay	125,901	318,918	20,818	361,830	96,056	413,165	1,336,688
TOTAL EXPENDITURES	<u>13,151,358</u>	<u>5,438,038</u>	<u>9,395,732</u>	<u>1,822,571</u>	<u>298,211</u>	<u>8,277,816</u>	<u>38,383,726</u>
Excess (deficiency) of revenues over expenditures	1,891,715	22,262	3,176,572	25,007	(229,053)	(1,219,539)	3,666,964
OTHER FINANCING SOURCES							
Transfers in	-	39,768	-	-	275,000	1,042,000	1,356,768
Sale of capital assets	4,002	1,763	-	-	-	-	5,765
Transfers out	(1,081,768)	-	-	-	-	-	(1,081,768)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,077,766)</u>	<u>41,531</u>	<u>-</u>	<u>-</u>	<u>275,000</u>	<u>1,042,000</u>	<u>280,765</u>
Net change in fund balances	813,949	63,793	3,176,572	25,007	45,947	(177,539)	3,947,729
Fund balance beginning of year	2,569,879	1,062,835	316,060	26,468	(1,121,109)	1,351,454	4,205,587
Fund balances at end of year	<u>\$ 3,383,828</u>	<u>\$ 1,126,628</u>	<u>\$ 3,492,632</u>	<u>\$ 51,475</u>	<u>\$ (1,075,162)</u>	<u>\$ 1,173,915</u>	<u>\$ 8,153,316</u>

See accompanying notes

POLK COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	3,947,729
<i>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</i>			
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:			
Capitalized expenditures	\$	1,481,570	
Depreciation		<u>(3,432,445)</u>	(1,950,875)
In the Statement of Activities, property taxes are reported as revenue when assessed. However, in the governmental funds, property taxes are reported as revenues when they are measurable and available. This revenue recognition results in differences in amounts reported for property tax revenue.			
			(94,145)
In the Statement of Activities, revenue is recognized when earned. However, in the governmental funds, revenues are reported when they are measurable and available. This results in differences in amounts reported for grants and contributions.			
			388,340
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.			
Governmental funds		2,530,000	
Internal services funds		<u>26,247</u>	2,556,247
Amortization of premium on the issuance of long-term obligations reduces interest expense on the statement of activities.			
			30,651
Pension liability changes, including changes to deferred outflows and inflows reduced the pension expense in the current year, but do not require the use of current resources.			
Increase in net pension asset		4,998,965	
Decrease in pension liability		11,254,372	
Increase in deferred inflows		(10,022,858)	
Decrease in deferred outflows		<u>(72,403)</u>	6,158,076
Internal service funds are used to account for all costs arising from the operations of the County's central services activities and insurance programs. The primary funding sources are charges to other funds.			
Changes in net position		849,206	
Depreciation expense included above		54,292	
Debt service principal payments included above		(26,247)	
Decrease in pension expense due to reporting change included below		(745,339)	
Compensated absences included below		(17,352)	
Other post employment benefits obligation included below		<u>28,414</u>	142,974
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:			
Accrued interest		111	
Compensated absences		(41,225)	
Net other post employment benefit obligation		<u>(234,762)</u>	(275,876)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 10,903,121</u>

See accompanying notes

POLK COUNTY

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 8,375,000	\$ 8,375,000	\$ 8,564,684	\$ 189,684
Licenses, permits and fees	635,500	635,500	623,989	(11,511)
Intergovernmental	3,401,500	3,401,500	4,434,707	1,033,207
Charges for services	1,152,000	1,152,000	1,092,557	(59,443)
Franchise fees	116,000	116,000	128,135	12,135
Fines and forfeitures	116,000	116,000	90,067	(25,933)
Donations	13,000	13,000	12,413	(587)
Interest	20,000	20,000	27,051	7,051
Miscellaneous	42,300	42,300	69,470	27,170
TOTAL REVENUES	<u>13,871,300</u>	<u>13,871,300</u>	<u>15,043,073</u>	<u>1,171,773</u>
EXPENDITURES				
County Clerk				
Recording				
Personnel Services	106,954	106,954	99,354	7,600
Materials and Services	4,400	4,400	3,604	796
Interdepartment Charges	54,322	54,322	54,322	-
Total Recording	<u>165,676</u>	<u>165,676</u>	<u>157,280</u>	<u>8,396</u>

Continued on next page

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

EXPENDITURES (continued)	Budget		Actual	Variance
	Original	Final		
County Clerk (continued)				
Elections				
Personnel Services	\$ 143,744	\$ 143,744	\$ 135,165	\$ 8,579
Materials and Services	103,650	113,650	116,390	(2,740)
Interdepartment Charges	61,175	61,175	61,175	-
Total Elections	<u>308,569</u>	<u>318,569</u>	<u>312,730</u>	<u>5,839</u>
Total County Clerk	<u>474,245</u>	<u>484,245</u>	<u>470,010</u>	<u>14,235</u>
Treasurer				
Personnel Services	51,651	51,651	50,933	718
Materials and Services	3,650	3,650	3,581	69
Interdepartment Charges	10,699	10,699	10,699	-
Total Treasurer	<u>66,000</u>	<u>66,000</u>	<u>65,213</u>	<u>787</u>
Non-Departmental				
Fund-wide				
Materials and Services	3,750	13,750	8,985	4,765
Contingency	1,616,751	1,181,751	-	1,181,751
Total Fund-wide	<u>1,620,501</u>	<u>1,195,501</u>	<u>8,985</u>	<u>1,186,516</u>
O & C TIMBER - Title III				
Materials and Services	1,000	1,000	-	1,000
Interdepartment Charges	83,926	83,926	83,926	-
Total O & C TIMBER - Title III	<u>84,926</u>	<u>84,926</u>	<u>83,926</u>	<u>1,000</u>
Total Non-departmental	<u>1,705,427</u>	<u>1,280,427</u>	<u>92,911</u>	<u>1,187,516</u>

Continued on next page

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

EXPENDITURES (continued)	Budget		Actual	Variance
	Original	Final		
Assessment				
Personnel Services	\$ 764,948	\$ 764,948	\$ 738,013	\$ 26,935
Materials and Services	20,700	20,700	21,482	(782)
Interdepartment Charges	272,376	272,376	272,376	-
Total Assessment	1,058,024	1,058,024	1,031,871	26,153
Tax Collector				
Personnel Services	167,155	167,155	162,967	4,188
Materials and Services	32,050	32,050	32,719	(669)
Interdepartment Charges	56,348	56,348	56,348	-
Total Tax Collector	255,553	255,553	252,034	3,519
Community Development Planning				
Personnel Services	275,113	275,113	204,681	70,432
Materials and Services	16,575	16,575	33,640	(17,065)
Interdepartment Charges	92,657	92,657	92,657	-
Total Planning	384,345	384,345	330,978	53,367
Building Inspection				
Personnel Services	156,046	156,046	129,532	26,514
Materials and Services	243,450	243,450	236,629	6,821
Interdepartment Charges	70,303	70,303	70,303	-
Total Building Inspection	469,799	469,799	436,464	33,335
Environmental Health				
Personnel Services	172,918	172,918	157,927	14,991
Materials and Services	19,100	19,100	13,569	5,531
Interdepartment Charges	48,348	48,348	48,348	-
Total Environmental Health	240,366	240,366	219,844	20,522
Total Community Development	1,094,510	1,094,510	987,286	107,224

Continued on next page

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

EXPENDITURES (continued)	Budget		Actual	Variance
	Original	Final		
District Attorney				
Prosecution				
Personnel Services	\$ 712,527	\$ 712,527	\$ 651,595	\$ 60,932
Materials and Services	44,700	44,700	48,796	(4,096)
Interdepartment Charges	151,953	151,953	151,953	-
Total Prosecution	909,180	909,180	852,344	56,836
Support Enforcement				
Personnel Services	281,555	291,555	272,395	19,160
Materials and Services	10,600	10,600	10,142	458
Interdepartment Charges	47,945	47,945	47,945	-
Total Support Enforcement	340,100	350,100	330,482	19,618
Court Appointed Special Advisor (CASA)				
Materials and Services	22,600	25,100	22,964	2,136
Interdepartment Charges	1,030	1,030	1,030	-
Total CASA	23,630	26,130	23,994	2,136
Medical Examiner				
Personnel Services	33,592	33,592	32,370	1,222
Materials and Services	6,493	6,493	5,907	586
Interdepartment Charges	1,273	1,273	1,273	-
Total Medical Examiner	41,358	41,358	39,550	1,808
Total District Attorney	1,314,268	1,326,768	1,246,370	80,398

Continued on next page

GENERAL FUND**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

EXPENDITURES (continued)	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Sheriff				
Criminal				
Personnel Services	\$ 1,815,408	\$ 1,815,408	\$ 1,734,435	\$ 80,973
Materials and Services	419,820	419,820	425,238	(5,418)
Interdepartment Charges	297,487	297,487	297,487	-
Capital Outlay	-	-	37,100	(37,100)
Total Criminal	<u>2,532,715</u>	<u>2,532,715</u>	<u>2,494,260</u>	<u>38,455</u>
Jail				
Personnel Services	2,757,066	2,757,066	2,666,101	90,965
Materials and Services	736,250	736,250	730,220	6,030
Interdepartment Charges	522,353	522,353	522,353	-
Capital Outlay	65,000	65,000	69,926	(4,926)
Total Jail	<u>4,080,669</u>	<u>4,080,669</u>	<u>3,988,600</u>	<u>92,069</u>
Emergency Management				
Personnel Services	169,019	169,019	159,226	9,793
Materials and Services	197,050	397,050	380,752	16,298
Interdepartment Charges	29,836	29,836	29,836	-
Total Emergency Management	<u>395,905</u>	<u>595,905</u>	<u>569,814</u>	<u>26,091</u>
Total Sheriff	<u>7,009,289</u>	<u>7,209,289</u>	<u>7,052,674</u>	<u>156,615</u>
Community Corrections				
Personnel Services	1,199,092	1,199,092	1,195,667	3,425
Materials and Services	473,700	473,700	439,278	34,422
Interdepartment Charges	100,940	100,940	100,940	-
Total Community Corrections	<u>1,773,732</u>	<u>1,773,732</u>	<u>1,735,885</u>	<u>37,847</u>

Continued on next page

GENERAL FUND**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

EXPENDITURES (continued)	Budget		Actual	Variance
	Original	Final		
Community Service-Diversion				
Personnel Services	\$ 84,007	\$ 84,007	\$ 80,668	\$ 3,339
Materials and Services	22,915	22,915	23,799	(884)
Interdepartment Charges	9,230	9,230	9,230	-
Capital Outlay	-	20,000	18,875	1,125
Total Community Service-Diversion	<u>116,152</u>	<u>136,152</u>	<u>132,572</u>	<u>3,580</u>
Parks Maintenance				
Personnel Services	37,590	40,590	39,227	1,363
Materials and Services	15,875	42,875	41,670	1,205
Interdepartment Charges	<u>3,635</u>	<u>3,635</u>	<u>3,635</u>	<u>-</u>
Total Parks Maintenance	<u>57,100</u>	<u>87,100</u>	<u>84,532</u>	<u>2,568</u>
TOTAL EXPENDITURES	<u>14,924,300</u>	<u>14,771,800</u>	<u>13,151,358</u>	<u>1,620,442</u>
Excess (deficiency) of revenues over expenditures	<u>(1,053,000)</u>	<u>(900,500)</u>	<u>1,891,715</u>	<u>2,792,215</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	2,500	2,500	4,002	1,502
Transfers out	<u>(974,500)</u>	<u>(1,127,000)</u>	<u>(1,081,768)</u>	<u>45,232</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(972,000)</u>	<u>(1,124,500)</u>	<u>(1,077,766)</u>	<u>46,734</u>
Net change in fund balance	(2,025,000)	(2,025,000)	813,949	2,838,949
Fund balance at beginning of year	<u>2,325,000</u>	<u>2,325,000</u>	<u>2,569,879</u>	<u>244,879</u>
Fund balance at end of year	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 3,383,828</u>	<u>\$ 3,083,828</u>

See accompanying notes

POLK COUNTY

PUBLIC WORKS FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental	\$4,590,000	\$4,590,000	\$ 5,040,417	\$ 450,417
Charges for services	337,000	337,000	415,478	78,478
Interest	1,000	1,000	1,362	362
Miscellaneous	-	-	3,043	3,043
TOTAL REVENUES	4,928,000	4,928,000	5,460,300	532,300
EXPENDITURES				
Administration				
Personnel Services	297,281	297,281	281,690	15,591
Materials and Services	78,850	78,850	83,724	(4,874)
Interdepartment Charges	310,260	310,260	310,260	-
Capital Outlay	10,000	10,000	8,410	1,590
Total Administration	696,391	696,391	684,084	12,307
County Shops				
Personnel Services	249,948	249,948	244,406	5,542
Materials and Services	199,500	209,500	217,183	(7,683)
Capital outlay	5,000	5,000	-	5,000
Total County Shops	454,448	464,448	461,589	2,859
Road Maintenance				
Personnel Services	1,000,509	1,000,509	1,046,008	(45,499)
Materials and Services	2,564,000	2,564,000	2,166,284	397,716
Capital Outlay	75,000	75,000	310,508	(235,508)
Total Road Maintenance	3,639,509	3,639,509	3,522,800	116,709

Continued on next page

PUBLIC WORKS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (continued)				
Road Construction				
Materials and Services	\$ 50,500	\$ 250,500	\$ 318,214	\$ (67,714)
Debt payments	65,000	65,000	66,601	(1,601)
Capital Outlay	85,000	85,000	-	85,000
Total Road Construction	200,500	400,500	384,815	15,685
Survey				
Personnel Services	226,074	226,074	199,545	26,529
Materials and Services	68,500	68,500	8,740	59,760
Total Survey	294,574	294,574	208,285	86,289
Engineering				
Personnel Services	179,267	179,267	168,847	10,420
Materials and Services	14,000	14,000	7,618	6,382
Total Engineering	193,267	193,267	176,465	16,802
Contingency	379,311	169,311	-	169,311
TOTAL EXPENDITURES	5,858,000	5,858,000	5,438,038	419,962
Excess (deficiency) of revenues over expenditures	(930,000)	(930,000)	22,262	952,262
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	39,768	(40,232)
Sale of capital assets	-	-	1,763	1,763
TOTAL OTHER FINANCING SOURCES	80,000	80,000	41,531	(38,469)
Net change in fund balance	(850,000)	(850,000)	63,793	913,793
Fund balance at beginning of year	850,000	850,000	1,062,835	212,835
Fund balance at end of year	\$ -	\$ -	\$ 1,126,628	\$ 1,126,628

See accompanying notes

POLK COUNTY

BEHAVIORAL HEALTH FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental	\$ 9,621,500	\$ 10,071,500	\$ 12,054,987	\$ 1,983,487
Charges for services	469,500	469,500	503,390	33,890
Interest	-	-	6,830	6,830
Donations	-	-	761	761
Miscellaneous	2,000	2,000	6,336	4,336
TOTAL REVENUES	<u>10,093,000</u>	<u>10,543,000</u>	<u>12,572,304</u>	<u>2,029,304</u>
EXPENDITURES				
Administration				
Personnel Services	353,633	353,633	349,974	3,659
Materials and Services	27,900	77,900	50,680	27,220
Interdepartment Charges	405,659	405,659	405,659	-
Capital Outlay	-	-	11,621	(11,621)
Total Administration	<u>787,192</u>	<u>837,192</u>	<u>817,934</u>	<u>19,258</u>
Addiction Program				
Personnel Services	826,730	826,730	793,805	32,925
Materials and Services	89,000	89,000	56,870	32,130
Interdepartment Charges	126,311	126,311	126,311	-
Total Addiction Program	<u>1,042,041</u>	<u>1,042,041</u>	<u>976,986</u>	<u>65,055</u>
Outpatient Mental Health Services				
Personnel Services	3,842,658	3,842,658	3,558,237	284,421
Materials and Services	1,160,500	1,460,500	1,582,557	(122,057)
Interdepartment Charges	820,890	820,890	820,890	-
Total Outpatient Mental Health Services	<u>5,824,048</u>	<u>6,124,048</u>	<u>5,961,684</u>	<u>162,364</u>

Continued on next page

**BEHAVIORAL HEALTH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (continued)**

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (continued)				
Developmental Disability				
Personnel Services	\$ 973,511	\$ 973,511	\$ 987,003	\$ (13,492)
Materials and Services	32,500	132,500	56,621	75,879
Interdepartment Charges	163,174	163,174	163,174	-
Capital Outlay	-	-	9,197	(9,197)
Total Developmental Disability	<u>1,169,185</u>	<u>1,269,185</u>	<u>1,215,995</u>	<u>53,190</u>
Sub-Grant Programs				
Materials and Services	<u>1,020,500</u>	<u>1,020,500</u>	<u>423,133</u>	<u>597,367</u>
Contingency	<u>250,034</u>	<u>250,034</u>	<u>-</u>	<u>250,034</u>
TOTAL EXPENDITURES	<u>10,093,000</u>	<u>10,543,000</u>	<u>9,395,732</u>	<u>1,147,268</u>
Net change in fund balance	-	-	3,176,572	3,176,572
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>316,060</u>	<u>316,060</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,492,632</u>	<u>\$ 3,492,632</u>

See accompanying notes

POLK COUNTY

HEALTH SERVICES - SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2015

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,130,000	\$ 1,190,000	\$ 950,940	\$ (239,060)
Charges for services	665,000	665,000	690,344	25,344
Donations	1,000	1,000	204,249	203,249
Miscellaneous	-	-	2,045	2,045
TOTAL REVENUES	<u>1,796,000</u>	<u>1,856,000</u>	<u>1,847,578</u>	<u>(8,422)</u>
EXPENDITURES				
Administration				
Personal services	523,973	508,973	461,402	47,571
Materials and services	108,676	83,676	22,250	61,426
Interdepartment charges	137,351	137,351	137,351	-
Total Administration	<u>770,000</u>	<u>730,000</u>	<u>621,003</u>	<u>108,997</u>
Family & Community Outreach				
Personal services	511,629	511,629	519,065	(7,436)
Materials and services	77,811	177,811	284,113	(106,302)
Interdepartment charges	36,560	36,560	36,560	-
Capital outlay	500,000	500,000	361,830	138,170
Total Family & Community Outreach	<u>1,126,000</u>	<u>1,226,000</u>	<u>1,201,568</u>	<u>24,432</u>
TOTAL EXPENDITURES	<u>1,896,000</u>	<u>1,956,000</u>	<u>1,822,571</u>	<u>133,429</u>
Net change in fund balance	(100,000)	(100,000)	25,007	125,007
Fund balance at beginning of year	100,000	100,000	26,468	(73,532)
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,475</u>	<u>\$ 51,475</u>

See accompanying notes

POLK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Governmental Activities
	Internal Service Funds
<u>ASSETS</u>	
Current assets	
Cash and investments	\$ 963,844
Receivables	22,634
Prepaid items	60,627
Total current assets	1,047,105
Capital assets, net	136,161
Net pension asset	874,392
TOTAL ASSETS	2,057,658
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	144,389
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable and accrued liabilities	141,087
Long-term obligations:	
Due within one year	122,049
Due in more than one year	202,828
TOTAL LIABILITIES	465,964
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	1,213,111
<u>NET POSITION</u>	
Net investment in capital assets	136,161
Unrestricted	386,811
TOTAL NET POSITION	\$ 522,972

See accompanying notes

POLK COUNTY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2015**

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Intergovernmental	\$ 61,827
Charges for services	4,846,809
Miscellaneous	10,410
TOTAL OPERATING REVENUES	4,919,046
OPERATING EXPENSES	
Personal services	1,877,586
Materials and services	1,862,351
Interest on long-term obligations	2,646
Depreciation	54,292
TOTAL OPERATING EXPENSES	3,796,875
Operating income	1,122,171
NONOPERATING REVENUE (EXPENSE)	
Gain on sale of capital asset	2,035
Income before transfers	1,124,206
Transfers out	(275,000)
Change in net position	849,206
Prior period adjustment	(939,669)
Net position - beginning	613,435
Net position - end	\$ 522,972

See accompanying notes

POLK COUNTY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015**

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,910,291
Other receipts	10,410
Payments to employees for services	(2,611,863)
Payments to other suppliers of goods or services	<u>(1,818,837)</u>
Net cash provided by (used in) operating activities	<u>490,001</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(34,026)
Sale of capital assets	2,035
Transfers out	(275,000)
Principal payments on long-term obligations	<u>(26,247)</u>
Net cash (used) in financing activities	<u>(333,238)</u>
Net increase (decrease) in cash and cash equivalents	156,763
Cash and cash equivalents, beginning of year	<u>807,081</u>
Cash and cash equivalents, end of year	<u><u>\$ 963,844</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 1,122,171
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	54,292
(Increase) decrease in assets:	
Receivables	1,655
Prepaid items	4,701
Net pension asset	(1,967,213)
Increase (decrease) in liabilities:	8,763
Accounts payable and accrued liabilities	41,459
Compensated absences	(17,352)
Net OPEB obligation	28,414
Deferred inflows	<u>1,213,111</u>
Net cash provided by (used in) operating activities	<u><u>\$ 490,001</u></u>

See accompanying notes

POLK COUNTY

**STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2015**

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 1,345,387
Receivables	<u>4,506,768</u>
 TOTAL ASSETS	 <u>\$ 5,852,155</u>
 <u>LIABILITIES</u>	
Due to other governments	<u>\$ 5,852,155</u>

See accompanying notes

POLK COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

1. Summary of Significant Accounting Policies

A. The reporting entity

Polk County was created by the Provincial Legislature from the original Yamhill district on December 22, 1845, and now operates under the provisions of Oregon Revised Statutes (ORS) title 20, Chapters 201 and 215 inclusive. The governing board is a Board of Commissioners, elected at-large from throughout the County. The Commissioners are full-time employees of the County. The Board votes on all ordinances and determines matters of County policy. The Administrative Officer acts as the Chief of Staff for the Commissioners and serves at the pleasure of the Board. Other elected officers of the county include the Assessor, Clerk, District Attorney, Sheriff, and Treasurer. Polk County provides a full range of services to the community which includes planning and zoning, sheriff services, incarceration, courts, tax collections and assessment, document recording, parks, and health and human services.

The accompanying basic financial statements present all activities, funds, and component units for which the County is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the County is a primary government with one blended component unit—Polk County Extension Service District.

The Polk County Extension Service District was formed May 18, 2010, by a vote of the people, under ORS Chapter 451. The purpose of the District is to provide Oregon State University extension educational programs, training and information to Polk County residents. The County is not financially accountable for the District, but because the Board of County Commissioners acts as the governing board of the District, this entity has been included as a blended component in the basic financial statements of the County. Complete financial statements of the District can be obtained from the Treasurer at the courthouse.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the functions of the County, the eliminations of which would distort the direct cost and program revenues reported for the various functions concerned. *Governmental activities* are supported by taxes and intergovernmental revenues.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter two are excluded from the government-wide financial statements. Major governmental funds and major proprietary funds are reported in separate columns in the respective fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 *nonoperating* 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 are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

Governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The County reports the following major governmental funds:

General - accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Works - accounts for the receipt and expenditure of state gasoline taxes for road repair and construction.

Behavioral Health - accounts for the receipt and expenditure of patient funds, and state and federal grants for the County's behavioral health programs including community treatment services, alcohol and drug rehabilitation, and developmental disability services.

Health Services – accounts for the receipt and expenditure of state grants and charges for services to operate the County's health services administration.

Building Improvement - accounts for major capital improvements. The financing source is primarily transfers from other funds.

Additionally, the County reports the following fund types:

Special Revenue - accounts for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Debt Service - accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital Projects - accounts for expenditures on major construction projects or equipment acquisition. The principal sources of revenues for capital expenditures are general obligation bond proceeds and grant funds.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

Internal Service - accounts for the cost of providing services to other funds which are charged a fee on a cost reimbursement basis for those services.

Fiduciary - accounts for resources received and held in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund.

D. Equity classification

Government-wide statements

On the statement of net position, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

In the government-wide and proprietary fund financial statements, when both restricted and unrestricted resources are available for use it is the County’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Governmental fund type fund balance reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories list below:

Non-spendable — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

D. Equity classification (continued)

Governmental fund type fund balance reporting (continued)

Committed — Amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners, as the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Commissioners.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Commissioners has granted authority to the County Administrator to assign fund balance amounts.

Unassigned — The residual classification for the government's general fund and any other spendable amounts not contained in other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment or assignment actions.

E. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds of the County except agency funds. The County uses the modified accrual basis of accounting for all budgets. All annual appropriations lapse at fiscal year end.

The County begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The County Commissioners adopt the budget, make appropriations, and declare the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The County established the levels of budgetary control at the program or department level for all funds.

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The County Commissioners must authorize all appropriation transfers and supplementary budgetary appropriations.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

F. Risk management

The County is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; bodily injury; and worker's compensation for which the County carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

G. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

H. Property taxes

Uncollected property taxes in governmental funds are reported in governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred revenue. Property taxes collected within 60 days of the end of the current period are considered measurable and available and are recognized as revenue. All property taxes receivable are due from property owners within the County.

Property taxes receivable in the agency funds are offset by amounts held in trust and, accordingly, have not been recorded as revenue.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property within the County and become a lien against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15 and May 15 following the lien date.

I. Grants and entitlements

Receivables for federal and state grants and state shared revenue are recorded as revenue in all fund types as earned.

J. Other receivables

In governmental fund types, the portion of the receivable which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred revenue. Revenues are recorded when earned in proprietary fund types.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

K. Capital assets

Capital assets, which include property, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, sewers, street lighting, and similar items), and their improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the County are depreciated using the straight-line method over estimated useful lives as follows:

• Vehicles	5 to 10 years
• Equipment	5 to 30 years
• Buildings improvements	50 years
• Infrastructure	20 to 40 years

Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in the statement of activities.

L. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

M. Compensated absences

Accumulated Vested Vacation – is accrued as it is earned. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds, and is calculated based on historical trends. County employees earn vacation leave at the rate of 96 to 192 hours year, depending on position and length of service. The maximum accumulation, depending on position and length of service, ranges from 200 to 250 hours.

Sick Leave – is earned at a rate of eight hours per month of service, and is not limited as to accumulation. Sick leave, which does not vest, is recognized in all funds when leave is taken.

Holiday Leave – Sheriff's office employees earn holiday time off as required by contract, and may accumulate from between eighty and ninety-six hours depending on their position.

N. Use of estimates

In preparing the County's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employee Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. New accounting pronouncements – GASB Statements No. 68 and 71

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The County implemented GASB Statement No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note 8 - Pension Plan and Note 1. N. - Change in Accounting Principle.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

P. New accounting pronouncements – GASB Statements No. 68 and 71 (continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting Polk County are detailed below.

Net pension liability – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan’s fiduciary net position.

Deferred inflows of resources and deferred outflows of resources – Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. Polk County adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2014:

Q. Change in accounting principle

Based on implementation of GASB Statement No. 68 and 71, the County restated the beginning net position for the Governmental Activities and Internal Service funds. Net position has been restated as follows:

	<u>Governmental Activities</u>	<u>Internal Service funds</u>
Net position - beginning (as originally reported)	\$ 44,549,621	\$ 613,435
Cumulative effect of change in accounting principle	<u>(9,677,142)</u>	<u>(939,669)</u>
Net position - beginning (as restated)	<u>\$ 34,872,479</u>	<u>\$ (326,234)</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and Investments

The County maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at amortized cost. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available, otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, unrated, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the County's position in the LGIP is the same as the value of the pool shares.

Credit Risk. Oregon statutes authorize the County to invest in obligations of the U. S. Treasury and agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2015, the County had the following investments:

	<u>Standard and Poor's Ratings</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	N/A	\$ 8,785,614

Interest Rate Risk. The County's formal policy limits investment maturities to one year as a means of managing its exposure to fair-value losses arising from increases in interest rates.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and Investments (continued)

Concentration of Credit Risk. The County's formal policy places a limit on the amount that may be invested in any one issuer as follows:

U.S. Treasury Bills, Notes and Bonds	100%
Federal Agency Bonds and Discount Notes	100%
Local Government Investment Pool	100%
Time Certificates of Deposit:	
Commercial Banks	60%
Savings and Loans	10%

Custodial Credit Risk – Investments. This is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. The County does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits. This is the risk that, in the event of a bank failure, the County's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the County's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2015, \$1,009,189 of the County's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the County's name.

A. The County's deposits and investments at June 30, 2015 are as follows:

Total investments	\$ 8,785,614
Cash on hand	3,795
Deposits with financial institutions	<u>906,705</u>
Total deposits and investments	<u>\$ 9,696,114</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and Investments (continued)

B. Cash and investments by fund:

Governmental activities/funds

Governmental funds

General	\$ 1,822,362
Public Works	713,110
Behavioral Health	3,126,588
Health Services	348,280
Nonmajor funds	<u>1,376,543</u>

Total governmental funds 7,386,883

Internal Service funds 963,844

Total governmental activities 8,350,727

Fiduciary fund

Agency 1,345,387

Total cash and investments \$ 9,696,114

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

A. The County's receivables at June 30, 2015 are as follows:

Fund	Property Taxes	Accounts	Grants	Assessments	Totals
General	\$ 574,915	\$ 76,477	\$ 267,918	\$ 37,426	\$ 956,736
Public Works	-	7,837	702,305	-	710,142
Behavioral Health	-	700,795	190,476	-	891,271
Health Services	-	103,269	172,950	-	276,219
Nonmajor governmental funds	<u>205,925</u>	<u>28,154</u>	<u>352,945</u>	<u>-</u>	<u>587,024</u>
 Total governmental funds	 780,840	 916,532	 1,686,594	 37,426	 3,421,392
 Internal service funds	 <u>-</u>	 <u>22,634</u>	 <u>-</u>	 <u>-</u>	 <u>22,634</u>
 Total governmental activities	 780,840	 939,166	 1,686,594	 37,426	 3,444,026
 Fiduciary fund					
Agency	<u>4,506,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,506,768</u>
 Totals	 <u>\$ 5,287,608</u>	 <u>\$ 939,166</u>	 <u>\$ 1,686,594</u>	 <u>\$ 37,426</u>	 <u>\$ 7,950,794</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables (continued)

B. Property taxes

i. Transactions

	Balances July 1, 2014	Current Levy	Adjustments	Net Interest (Discounts)	Collections	Balances June 30, 2015
2014-15	\$ -	\$ 79,602,212	\$ (75,408)	\$ (2,013,687)	\$ 75,255,371	\$ 2,257,746
2013-14	2,506,933		(1,097)	151,288	1,428,938	1,228,186
2012-13	1,411,418		(4,053)	173,847	762,892	818,320
2011-12	1,007,140		(2,797)	241,339	752,309	493,373
2010-11	553,275		(2,419)	182,026	505,053	227,829
2009-10	247,354		(836)	40,708	94,367	192,859
Prior	88,212		(7,316)	10,833	22,434	69,295
	<u>\$ 5,814,332</u>	<u>\$ 79,602,212</u>	<u>\$ (93,926)</u>	<u>\$ (1,213,646)</u>	<u>\$ 78,821,364</u>	<u>\$ 5,287,608</u>

ii. Ensuing year's levies

The permanent tax rate is \$1.716 per \$1,000 of assessed value as limited by the Constitution of the State of Oregon.

The County will also levy a rate of \$0.3048 per \$1,000 of assessed value for the operating levy.

The tax rate limit of \$10.00 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect these levies.

In addition to the permanent tax rate, the County will levy \$2,750,000 for the retirement of long-term debt principal and interest due in 2014-15.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital Assets

A. Capital asset activity for the governmental activities for the year ended June 30, 2015 was follows:

	Balances July 1, 2014	Additions	Deletions	Balances June 30, 2015
<i>Capital assets not being depreciated</i>				
Land	\$ 1,441,407	\$ 291,083	\$ -	\$ 1,732,490
Construction in progress	<u>16,202</u>	<u>69,425</u>	<u>-</u>	<u>85,627</u>
Total capital assets not being depreciated	<u>1,457,609</u>	<u>360,508</u>	<u>-</u>	<u>1,818,117</u>
<i>Capital assets being depreciated</i>				
Infrastructure	96,844,894	261,147	-	97,106,041
Buildings	22,171,805	48,705	-	22,220,510
Improvements	1,580,893	128,006	-	1,708,899
Bridges	22,567,332	41,980	-	22,609,312
Equipment	<u>9,780,101</u>	<u>675,149</u>	<u>102,925</u>	<u>10,352,325</u>
Total capital assets being depreciated	<u>152,945,025</u>	<u>1,154,987</u>	<u>102,925</u>	<u>153,997,087</u>
Less accumulated depreciation for:				
Infrastructure	79,454,481	1,715,448	-	81,169,929
Buildings	9,714,685	608,722	-	10,323,407
Improvements	714,162	73,292	-	787,454
Bridges	6,944,929	430,473	-	7,375,402
Equipment	<u>6,267,580</u>	<u>604,510</u>	<u>102,925</u>	<u>6,769,165</u>
Total accumulated depreciation	<u>103,095,837</u>	<u>3,432,445</u>	<u>102,925</u>	<u>106,425,357</u>
Total capital assets being depreciated, net	<u>49,849,188</u>	<u>(2,277,458)</u>	<u>-</u>	<u>47,571,730</u>
Governmental activities capital assets, net	<u>\$ 51,306,797</u>	<u>\$ (1,916,950)</u>	<u>\$ -</u>	<u>\$ 49,389,847</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital Assets (continued)

B. Depreciation expense charged to functions/programs of the County was as follows:

Governmental activities	
General government	\$ 186,211
Public safety	603,005
Highways and streets	2,346,760
Health and welfare	<u>296,469</u>
 Total governmental activities	 <u>\$ 3,432,445</u>

C. Capital asset activity in internal service funds, which are included in the governmental activities, for the year ended June 30, 2015 was as follows:

	Balances July 1, 2014	Additions	Deletions	Balances June 30, 2015
<i>Capital assets being depreciated</i>				
Improvements	\$ 19,532	\$ -	\$ -	\$ 19,532
Equipment	<u>698,238</u>	<u>34,026</u>	<u>26,854</u>	<u>705,410</u>
 Total capital assets being depreciated	 <u>717,770</u>	 <u>34,026</u>	 <u>26,854</u>	 <u>724,942</u>
 Less accumulated depreciation for:				
Improvements	19,532	-	-	19,532
Equipment	<u>541,811</u>	<u>54,292</u>	<u>26,854</u>	<u>569,249</u>
 Total accumulated depreciation	 <u>561,343</u>	 <u>54,292</u>	 <u>26,854</u>	 <u>588,781</u>
 Total capital assets being depreciated, net	 <u>\$ 156,427</u>	 <u>\$ (20,266)</u>	 <u>\$ -</u>	 <u>\$ 136,161</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Long-term Obligations

A. Changes in long-term obligations for the year ended June 30, 2015 were as follows:

	Outstanding July 1, 2014	Additions	Reductions	Outstanding June 30, 2015	Balances Due Within One Year
<u>Governmental activities</u>					
Long-term debt obligations					
Bonded debt					
General Obligation Bonds - Series 2007	\$ 7,685,000	\$ -	\$ 2,360,000	\$ 5,325,000	\$ 2,555,000
Full Faith and Credit Obligations, Series 2011	1,900,000	-	125,000	1,775,000	130,000
Full Faith and Credit Obligations, Series 2012	700,000	-	45,000	655,000	45,000
Capital leases					
U.S. Bank Equipment Finance	56,806	-	26,247	30,559	20,306
Total long-term debt obligations	10,341,806	-	2,556,247	7,785,559	2,750,306
Other long-term obligations					
Compensated absences	888,335	41,225	-	929,560	929,560
Net other post-employment benefits	1,682,851	234,762	-	1,917,613	-
Total long-term obligations	<u>\$ 12,912,992</u>	<u>\$ 275,987</u>	<u>\$ 2,556,247</u>	<u>\$ 10,632,732</u>	<u>\$ 3,679,866</u>
<u>Internal service funds included in governmental activities</u>					
Long-term debt obligations					
Capital leases					
U.S. Bank Equipment Finance	\$ 56,806	\$ -	\$ 26,247	\$ 30,559	\$ 20,306
Other long-term obligations					
Compensated absences	119,095	-	17,352	101,743	101,743
Net other post-employment benefits	164,161	28,414	-	192,575	-
	<u>\$ 340,062</u>	<u>\$ 28,414</u>	<u>\$ 43,599</u>	<u>\$ 324,877</u>	<u>\$ 122,049</u>

B. Government activities long-term debt obligations

General Obligation bonds, series 2007 – The purpose of the bonds is to finance capital construction and capital improvements, including but not limited to, providing funds for improvements to the County road system and to pay costs of issuance. The general obligation bonded indebtedness amount is not to exceed \$20,000,000. Interest on the bonds range from 4.5 to 5 percent depending upon maturity of principal amounts.

Full Faith and Credit Obligations, series 2011 – The County issued bonds for \$2,250,000 to payoff the Academy Building and provide funds for its remodel. Interest on the bonds range from 2 to 4 percent depending upon maturity of principal amounts.

Full Faith and Credit Obligations, series 2012 – The County issued bonds for \$790,000. 2012 obligations shall be used by the County to currently refund the County’s outstanding 2002 Oregon Bond Bank Loan dated July 3, 2002 with the State of Oregon. Interest on the bonds range from 1.85 to 3.8 percent depending upon maturity of principal amounts.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Long-term Obligations (continued)

C. Internal service funds long-term debt obligation

U.S. Bank Equipment Finance – This obligation is made of 11 tax-exempt leases/purchase agreements for copiers from Ricoh™. Annual payments and interest vary by lease agreement.

D. Future maturities of government activities long-term debt obligations

Fiscal Year	General Obligation Bonds, Series 2007		Full Faith & Credit Obligations Series 2011		Full Faith & Credit Obligations Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,555,000	\$ 202,375	\$ 130,000	\$ 72,680	\$ 45,000	\$ 20,769	\$ 2,730,000	\$ 295,824
2017	2,770,000	69,250	135,000	67,380	45,000	19,936	2,950,000	156,566
2018	-	-	140,000	61,880	50,000	18,758	190,000	80,638
2019	-	-	145,000	56,180	50,000	17,233	195,000	73,413
2020	-	-	155,000	50,180	50,000	15,708	205,000	65,888
2021-24	-	-	870,000	143,000	285,000	51,520	1,155,000	194,520
2025-27	-	-	200,000	4,400	130,000	4,940	330,000	9,340
	<u>\$ 5,325,000</u>	<u>\$ 271,625</u>	<u>\$ 1,775,000</u>	<u>\$ 455,700</u>	<u>\$ 655,000</u>	<u>\$ 148,864</u>	<u>\$ 7,755,000</u>	<u>\$ 876,189</u>

E. Future maturities of internal service funds long-term debt obligations

Fiscal Year	Capital Leases US Bank Equipment Finance	
	Principal	Interest
2016	\$ 20,306	\$ 1,280
2017	8,154	315
2018	<u>2,099</u>	<u>57</u>
	<u>\$ 30,559</u>	<u>\$ 1,652</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Interfund Transfers

Interfund transfers used to reallocate financial resources to funds where they will be expended were as follows:

Fund(s)	Transfers	
	In	Out
General	\$ -	\$ 1,081,768
Public Works	39,768	-
Building Improvement	275,000	-
Nonmajor Governmental	1,042,000	-
Internal Service	-	275,000
	<u>\$ 1,356,768</u>	<u>\$ 1,356,768</u>

The purpose of the General Fund transfer to the Public Works Fund was to supplement the resources of the fund for maintaining forest roads of the County. The purpose of the General Fund transfers to the nonmajor governmental funds was to supplement the resources of the funds for their respective activities. The transfer from the Internal Service Fund to the Building Improvement fund was to provide for debt service payments for the Academy Building remodel.

7. Unavailable Revenue

Resources owned by the County, which are measurable but not available, and are deferred in the governmental funds, consist of the following:

	General	Public Works	Behavioral Health	Health Services	Nonmajor Governmental Funds	Totals
Property taxes	\$ 483,865	\$ -	\$ -	\$ -	\$ 172,497	\$ 656,362
Assessments	29,394	-	-	-	-	29,394
Accounts	-	293,024	414,530	100,000	16,321	823,875
	<u>\$ 513,259</u>	<u>\$ 293,024</u>	<u>\$ 414,530</u>	<u>\$ 100,000</u>	<u>\$ 188,818</u>	<u>\$ 1,509,631</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan

A. Plan description

Employees of the County are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

B. Benefits provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan (continued)

B. Benefits provided (continued)

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238 (continued)

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan (continued)

B. Benefits provided (continued)

2. OPSRP Pension Program (OPSRP DB) (continued)

Pension Benefits (continued)

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

C. Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$1,504,827, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 13.73 percent for Tier One/Tier Two employees, 8.54 percent for OPSRP Pension Program General Service Members, and 11.27 percent for OPSRP Pension Program Police and Fire Members.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan (continued)

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

At June 30, 2015, the County reported an asset of \$4,998,965 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The County's proportion of the net pension asset was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the County's proportion was 0.2205 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County's recognized pension income of \$3,758,520. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$	-	\$	-
Changes in assumptions		-		-
Net difference between projected and actual earnings on pension plan investments		-		9,645,977
Changes in proportion and differences between County contributions and proportionate share of contributions		-		376,881
County contributions subsequent to the measurement date		<u>1,504,827</u>		<u>-</u>
Total	\$	<u>1,504,827</u>	\$	<u>10,022,858</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan (continued)

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

\$1,504,827 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$	(2,493,425)
2017		(2,493,425)
2018		(2,493,425)
2019		(2,493,425)
2020		(49,158)
Thereafter		-

E. Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan (continued)

E. Actuarial assumptions (continued)

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	<p>Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan (continued)

F. Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
 Total	 100.00%	
 Assumed Inflation - Mean		 2.75%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Retirement Plan (continued)

G. Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as 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 current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability (asset)	\$ 10,586,002	\$ (4,998,965)	\$ (18,190,192)

I. Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

J. Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined Contribution Retirement Plan

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

10. Other Post-Employment Benefits

The County provides post-retirement health care benefits in accordance with Oregon Revised Statutes (ORS) 243.303. This ORS requires that Oregon governments offer pre-Medicare health care insurance coverage to retirees at the same premium rates charged to active employees. Health care premiums, priced only for retirees who on average incur higher health care claims costs than younger active employees, would be more expensive than health care premiums that are priced to cover the average costs of both actives and retirees combined. GASB 45, a new accounting and financial reporting pronouncement, requires that this implicit subsidy be included in the liabilities and costs reported on the County's financial statements.

County retirees and their dependents under age 65 are allowed to receive the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for all premiums; none of the premiums are paid by the County. All employees of the County who retire from active service with a PERS pension benefit payable immediately are eligible for this benefit. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Other Post-Employment Benefits (continued)

At the August 1, 2014 actuarial valuation date, there were 243 active employees and 12 retirees and spouses of retirees receiving benefits.

The County funds the other post-employment benefits only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The premium requirements for the County are as follows:

Expected monthly cost –Medical, vision	Retirees		Spouses	
	Male	Female	Male	Female
Age 50	\$ 900	\$ 1,021	\$ 641	\$ 759
Age 55	959	1,007	764	847
Age 60	1,175	1,145	940	980
Age 64	1,473	1,327	1,175	1,131

Expected monthly cost - Dental	Retirees		Spouses	
	Male	Female	Male	Female
Age 50	\$ 62	\$ 69	\$ 62	\$ 69
Age 55	69	74	69	74
Age 60	77	78	77	78
Age 64	81	80	81	80

The County has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

Polk County’s annual OPEB (other post-employment benefit) is calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represent a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 15 years. The County’s annual liability is the total of the current year’s cost plus the current year amortization of the prior unfunded liability. In the year of implementation of the new standard, it is required that the employer ARC be recognized as a current year cost and liability. The Standard does not require accrual of the unamortized unfunded liability.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Other Post-Employment Benefits (continued)

The following table shows components of the County’s annual OPEB cost for the fiscal year ending June 30, 2015, the amount actually contributed to the plan, and changes in the County’s net OPEB liability:

Normal cost at year end	\$	194,709
Amortization of UAAL		<u>264,874</u>
Annual Required Contribution		459,583
Interest earned on net OPEB obligation		58,900
Adjustment to the ARC		<u>(202,348)</u>
Annual OPEB cost (expense)		316,135
Implicit benefit payments		<u>(81,373)</u>
Increase in Net OPEB Obligation		234,762
Net OPEB Obligation – beginning of year		<u>1,682,851</u>
Net OPEB Obligation – end of year	\$	<u><u>1,917,613</u></u>

As of August 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,518,053, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$1,518,053.

The County’s schedule of funding progress as of the dates of actuarial valuation is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>AAL Unit Credit</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
8/1/2014	\$ -	\$ 1,518,053	\$ 1,518,053	0%	14,864,117	10%
8/1/2012	-	1,943,672	1,943,672	0%	15,664,907	12%
8/1/2010	-	1,953,122	1,953,122	0%	13,928,664	14%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Other Post-Employment Benefits (continued)

The County's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 to 2015 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 404,332	18%	\$ 332,858
June 30, 2010	414,011	20%	662,113
June 30, 2011	438,523	24%	993,795
June 30, 2012	303,054	24%	1,222,609
June 30, 2013	321,429	29%	1,450,107
June 30, 2014	300,930	23%	1,682,851
June 30, 2015	316,135	26%	1,917,613

11. Contingency – Sick Leave

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2015, employees of the County had accumulated 8,291 days of sick leave.

12. Litigation

The County, in the regular course of business, is named as a defendant in various lawsuits. The likely outcome of these suits is not determinable at this time and the County does not believe that the ultimate resolution of these lawsuits will have a material adverse effect on the County's General Fund.

13. Operating Leases

The County leases buildings/office space under non-cancelable operating leases. Total lease costs paid for the year ended June 30, 2015 were \$296,473.

Future minimum lease payments for the non-cancelable leases are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2016	173,059
June 30, 2017	176,728
June 30, 2018	180,835
June 30, 2019	154,000
June 30, 2020	157,100
June 30, 2021	<u>13,113</u>
Total	<u>\$980,835</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14. Net Position Restricted Through Enabling Legislation

The government-wide statement of net position reports \$4,758,324 of restricted net position, of which \$4,551,448 is restricted by enabling legislation.

15. Governmental Fund Balances

Fund balance amounts for governmental funds have been reported in the categories of nonspendable, restricted, committed, assigned and unassigned. The specific purposes for these amounts are as follows:

	General	Public Works	Behavioral Health	Health Services	Building Improvement	Nonmajor Governmental Funds	Totals
Nonspendable:							
Inventory	\$ -	\$ 225,890	\$ -	\$ -	\$ -	\$ -	\$ 225,890
Prepaid items	31,537	-	15,577	-	-	20,969	68,083
Restricted for:							
Roads and street maintenance	-	719,430	-	-	-	-	719,430
Bicycle path construction/maintenance	-	181,308	-	-	-	-	181,308
Bridge construction	-	-	-	-	-	344,759	344,759
Law enforcement	-	-	-	-	-	421,895	421,895
Health and welfare	-	-	3,477,055	51,475	-	118,688	3,647,218
Economic development	-	-	-	-	-	374,151	374,151
Education	-	-	-	-	-	8,471	8,471
Debt service	-	-	-	-	-	85,117	85,117
Other purposes	194,424	-	-	-	-	128,486	322,910
Committed for:							
Dog control	-	-	-	-	-	12,332	12,332
Unassigned	<u>3,157,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,075,162)</u>	<u>(340,953)</u>	<u>1,741,752</u>
Total Fund Balances	<u>\$ 3,383,828</u>	<u>\$ 1,126,628</u>	<u>\$ 3,492,632</u>	<u>\$ 51,475</u>	<u>\$ (1,075,162)</u>	<u>\$ 1,173,915</u>	<u>\$ 8,153,316</u>

16. Deficit Fund Balance

As of June 30, 2015, the Building Improvement Fund has a deficit fund balance in the amount of \$1,075,162. This deficit will be eliminated through increased transfers from other funds.

As of June 30, 2015, the Fair fund has a deficit fund balance in the amount of \$23,589. This deficit will be eliminated by increased revenue and reduced spending in the next fiscal year.

As of June 30, 2015, the Doaks Ferry Interchange fund has a deficit fund balance in the amount of \$316,638. It is expected that grant revenue will be received from Oregon Department of Transportation in the subsequent year to eliminate this deficit.

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REQUIRED SUPPLEMENTARY INFORMATION

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POLK COUNTY

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Years Ended June 30, *

	<u>2015</u>	<u>2014</u>
Proportion of the collective net pension liability (asset)	0.08470715%	0.08470715%
Proportionate share of the collective net pension liability (asset)	\$ (4,998,965)	\$ 11,254,372
Covered payroll	\$ 14,470,863	\$ 14,939,587
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	-34.545%	75.333%
Pension plan's fiduciary net position as a percentage of the total pension liability	103.590%	91.974%

* Information will be accumulated annually until 10 years is presented

POLK COUNTY

SCHEDULE OF CONTRIBUTIONS

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last 10 Years Ended June 30, *

	2015	2014
Contractually required contributions	\$ 1,504,827	\$ 1,577,230
Contractually required contributions recognized by the pension plan	1,504,827	1,577,230
Difference	-	-
Covered payroll	14,470,863	14,939,587
Contractually required contributions as a percentage of covered payroll	10.39901%	10.55739%

* Information will be accumulated until 10 years are presented.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

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POLK COUNTY

BUILDING IMPROVEMENT - CAPITAL PROJECTS FUND

(A MAJOR FUND)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 30,000	\$ 68,814	\$ 38,814
Miscellaneous	-	344	344
 TOTAL REVENUES	 30,000	 69,158	 39,158
 EXPENDITURES			
Academy Building Improvement			
Materials and services	7,500	1,790	5,710
Debt service	220,000	202,155	17,845
Capital outlay	10,000	2,183	7,817
 Total Academy Building Improvement	 237,500	 206,128	 31,372
 Courthouse Building Improvement			
Materials and services	12,500	11,938	562
Capital outlay	55,000	80,145	(25,145)
 Total Courthouse Building Improvement	 67,500	 92,083	 (24,583)
 TOTAL EXPENDITURES	 305,000	 298,211	 6,789
 Excess (deficiency) of revenues over expenditures	 (275,000)	 (229,053)	 45,947
 OTHER FINANCING SOURCES (USES)			
Transfers in	275,000	275,000	-
 Net change in fund balance	 -	 45,947	 45,947
Fund balance at beginning of year	-	(1,121,109)	(1,121,109)
 Fund balance at end of year	 \$ -	 \$ (1,075,162)	 \$ (1,075,162)

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for revenues derived from specific taxes or other earmarked sources, including federal and state grant awards, which are restricted to particular functions or activities. Funds included in this category are:

Polk Interagency Narcotics Team – accounts for the receipt and expenditures of grants, forfeitures and other moneys belonging to the interagency group, the POINT team, to support drug enforcement and education activities.

Multi-Disciplinary Intervention – accounts for the receipt and expenditures of a grant received each year from the Children’s Services Division, the CAMI grant, disbursements are made as requested by the District Attorney.

Domestic Mediation – accounts for the receipt and expenditures of funds received from the Court and the state which are used to provide mediation services in child custody and visitation disputes.

Court Security – accounts for the receipts and expenditures of funds received from County assessments on fines and from the state for the purpose of providing security in buildings that contain state court facilities located within the County.

Public Land Corner – accounts for the receipt of recording fees and expenditures for surveying landmarks.

Dog Control – accounts for the receipt of permits and license fees for animal control.

Marine Patrol – accounts for the receipt and expenditure of funds received from the state for marine patrol activities.

Law Library – accounts for the receipt and expenditure of certain court fees, state funding and charges for maintaining a law library.

Public Health – accounts for the receipt and expenditures of state and federal grants, patient fees and a transfer from the General Fund for use in promoting public health including family planning, general health and Women’s Infants’ and Children’s programs.

Juvenile – accounts for the receipt and expenditures of state grants and a transfer from the General Fund for juvenile corrections programs.

NON-MAJOR GOVERNMENTAL FUNDS (continued)

Special Revenue Funds (continued)

Youth Programs – accounts for the receipt and expenditures of state and federal grants for the operations of mentor, monitor and shelter home programs for youth.

Fair – accounts for the receipt and expenditures of state funding, Fair admission, rentals and concessions for operation of the annual County Fair and operations of the Fair buildings and grounds.

County School – accounts for receipt and expenditures of various state allocations for distribution to County school districts.

Economic Development – accounts for the receipt and expenditures of state grants and to promote economic development in the County.

Household Hazardous Waste – accounts for the receipt and expenditures of charges for services to operate the County's household hazardous waste program.

Extension – accounts for Oregon State University extension services educational programs, training and information for Polk County residents.

Debt Service Fund

The Debt Service Fund accounts for payment of general obligation bond principal and interest. The principal source of revenue is property taxes.

Capital Projects Funds

The capital projects funds account for resources used in the acquisition and construction of capital facilities and equipment. Funds included in this category are:

OTIA III Bridge Replacement – accounts for the receipt and expenditure of funds provided by Oregon State bonds for repairs and improvements to public infrastructure.

Doaks Ferry Road/Hwy 22 & 51 – accounts for the receipt and expenditure of funds provided by Oregon Department of Transportation for improvements on Doaks Ferry Road, Highway 22 and Highway 51.

POLK COUNTY

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015**

	Special Revenue	Debt Service	Capital Projects	Totals
ASSETS				
Cash and investments	\$ 967,083	\$ 56,157	\$ 353,303	\$1,376,543
Receivables	404,891	182,133	-	587,024
Prepaid items	<u>20,969</u>	<u>-</u>	<u>-</u>	<u>20,969</u>
TOTAL ASSETS	<u>\$1,392,943</u>	<u>\$ 238,290</u>	<u>\$ 353,303</u>	<u>\$1,984,536</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 286,692	\$ -	\$ 9,691	\$ 296,383
Due to General Fund	<u>9,929</u>	<u>-</u>	<u>315,491</u>	<u>325,420</u>
TOTAL LIABILITIES	<u>296,621</u>	<u>-</u>	<u>325,182</u>	<u>621,803</u>
DEFERRED INFLOWS OF				
Unavailable revenue	<u>35,645</u>	<u>153,173</u>	<u>-</u>	<u>188,818</u>
FUND BALANCES				
Nonspendable	20,969	-	-	20,969
Restricted	1,051,691	85,117	344,759	1,481,567
Committed	12,332	-	-	12,332
Unassigned	<u>(24,315)</u>	<u>-</u>	<u>(316,638)</u>	<u>(340,953)</u>
TOTAL FUND BALANCES	<u>1,060,677</u>	<u>85,117</u>	<u>28,121</u>	<u>1,173,915</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,392,943</u>	<u>\$ 238,290</u>	<u>\$ 353,303</u>	<u>\$1,984,536</u>

POLK COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUES				
Property taxes	\$ 371,721	\$ 2,719,184	\$ -	\$ 3,090,905
Licenses, fees and permits	50,727	-	-	50,727
Intergovernmental	3,223,369	-	43,870	3,267,239
Charges for services	522,384	-	-	522,384
Franchise fees	84,766	-	-	84,766
Fines and forfeitures	11,382	-	-	11,382
Donations	25,185	-	-	25,185
Interest	1,159	258	1,665	3,082
Miscellaneous	2,607	-	-	2,607
TOTAL REVENUES	<u>4,293,300</u>	<u>2,719,442</u>	<u>45,535</u>	<u>7,058,277</u>
EXPENDITURES				
Current				
General government	821,397	-	-	821,397
Public safety	2,062,401	-	-	2,062,401
Highways and streets	101,936	-	-	101,936
Health and welfare	1,825,207	-	-	1,825,207
Education	371,410	-	-	371,410
Debt service - principal	-	2,360,000	-	2,360,000
Debt service - interest	-	322,300	-	322,300
Capital outlay	10,677	-	402,488	413,165
TOTAL EXPENDITURES	<u>5,193,028</u>	<u>2,682,300</u>	<u>402,488</u>	<u>8,277,816</u>
Excess (deficiency) of revenues over expenditures	(899,728)	37,142	(356,953)	(1,219,539)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,042,000	-	-	1,042,000
Net change in fund balances	142,272	37,142	(356,953)	(177,539)
Fund balances at beginning of year	918,405	47,975	385,074	1,351,454
Fund balances at end of year	<u>\$ 1,060,677</u>	<u>\$ 85,117</u>	<u>\$ 28,121</u>	<u>\$ 1,173,915</u>

POLK COUNTY

SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET June 30, 2015

	Polk Interagency Narcotics Team	Multi- Disciplinary Intervention	Domestic Mediation	Court Security	Public Land Corner	Dog Control	Marine Patrol	Law Library
ASSETS								
Cash and investments	\$ 105,000	\$ 7,210	\$ 12,321	\$ 103,219	\$ 17,527	\$ 13,316	\$ 1,172	\$ 6,344
Receivables	-	26,773	-	665	-	-	25,711	-
Prepaid items	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 105,000</u>	<u>\$ 33,983</u>	<u>\$ 12,321</u>	<u>\$ 103,884</u>	<u>\$ 17,527</u>	<u>\$ 13,316</u>	<u>\$ 26,883</u>	<u>\$ 6,344</u>
LIABILITIES								
Accounts payable and accrued liabilities	\$ 218	\$ 23,365	\$ 3,315	\$ -	\$ 2,420	\$ 984	\$ 17,035	\$ 2,010
Due to General Fund	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>218</u>	<u>23,365</u>	<u>3,315</u>	<u>-</u>	<u>2,420</u>	<u>984</u>	<u>17,035</u>	<u>2,010</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	-	-	-	-	-	-	-	-
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	104,782	10,618	9,006	103,884	15,107	-	9,848	4,334
Committed	-	-	-	-	-	12,332	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>104,782</u>	<u>10,618</u>	<u>9,006</u>	<u>103,884</u>	<u>15,107</u>	<u>12,332</u>	<u>9,848</u>	<u>4,334</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 105,000</u>	<u>\$ 33,983</u>	<u>\$ 12,321</u>	<u>\$ 103,884</u>	<u>\$ 17,527</u>	<u>\$ 13,316</u>	<u>\$ 26,883</u>	<u>\$ 6,344</u>

Public Health	Juvenile	Youth Programs	Fair	Economic Development	Household Hazardous Waste	Extension	Totals
\$ 18,198	\$ 59,523	\$ 147,879	\$ -	\$ 382,368	\$ 92,379	\$ 627	\$ 967,083
187,999	56,459	63,729	1,502	-	18,261	23,792	404,891
650	2,053	-	726	15,024	-	2,516	20,969
<u>\$ 206,847</u>	<u>\$ 118,035</u>	<u>\$ 211,608</u>	<u>\$ 2,228</u>	<u>\$ 397,392</u>	<u>\$ 110,640</u>	<u>\$ 26,935</u>	<u>\$ 1,392,943</u>
\$ 81,215	\$ 91,182	\$ 23,000	\$ 15,888	\$ 8,217	\$ 16,885	\$ 958	\$ 286,692
-	-	-	9,929	-	-	-	9,929
81,215	91,182	23,000	25,817	8,217	16,885	958	296,621
6,294	10,027	-	-	-	-	19,324	35,645
650	2,053	-	726	15,024	-	2,516	20,969
118,688	14,773	188,608	-	374,151	93,755	4,137	1,051,691
-	-	-	-	-	-	-	12,332
-	-	-	(24,315)	-	-	-	(24,315)
119,338	16,826	188,608	(23,589)	389,175	93,755	6,653	1,060,677
<u>\$ 206,847</u>	<u>\$ 118,035</u>	<u>\$ 211,608</u>	<u>\$ 2,228</u>	<u>\$ 397,392</u>	<u>\$ 110,640</u>	<u>\$ 26,935</u>	<u>\$ 1,392,943</u>

POLK COUNTY

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015**

	Polk							
	Interagency	Multi-						
	Narcotics	Disciplinary	Domestic	Court	Public Land	Dog	Marine	Law
	Team	Intervention	Mediation	Security	Corner	Control	Patrol	Library
REVENUES								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	-	-	-	50,727	-	-
Intergovernmental	30,000	107,091	40,490	15,112	-	-	72,294	48,553
Charges for services	-	-	-	-	104,035	1,785	-	-
Franchise fees	-	-	-	-	-	-	-	-
Fines and forfeitures	1,343	-	-	9,859	-	180	-	-
Donations	-	-	-	-	-	-	-	-
Interest	-	-	-	478	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>31,343</u>	<u>107,091</u>	<u>40,490</u>	<u>25,449</u>	<u>104,035</u>	<u>52,692</u>	<u>72,294</u>	<u>48,553</u>
EXPENDITURES								
Current								
General government	-	-	34,935	-	-	-	-	58,731
Public safety	23,397	112,968	-	25,962	-	155,354	74,280	-
Highways and streets	-	-	-	-	101,936	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	5,650	-	24	-	-
TOTAL EXPENDITURES	<u>23,397</u>	<u>112,968</u>	<u>34,935</u>	<u>31,612</u>	<u>101,936</u>	<u>155,378</u>	<u>74,280</u>	<u>58,731</u>
Excess (deficiency) of revenues over expenditures	7,946	(5,877)	5,555	(6,163)	2,099	(102,686)	(1,986)	(10,178)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	97,500	5,000	5,000
Net change in fund balances	7,946	(5,877)	5,555	(6,163)	2,099	(5,186)	3,014	(5,178)
Fund balances at beginning of year	<u>96,836</u>	<u>16,495</u>	<u>3,451</u>	<u>110,047</u>	<u>13,008</u>	<u>17,518</u>	<u>6,834</u>	<u>9,512</u>
Fund balances at end of year	<u>\$ 104,782</u>	<u>\$ 10,618</u>	<u>\$ 9,006</u>	<u>\$ 103,884</u>	<u>\$ 15,107</u>	<u>\$ 12,332</u>	<u>\$ 9,848</u>	<u>\$ 4,334</u>

Public Health	Juvenile	Youth Programs	Fair	County School	Economic Development	Household Hazardous Waste	Extension	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,721	\$ 371,721
-	-	-	-	-	-	-	-	50,727
1,619,395	229,157	766,608	118,664	1,222	174,783	-	-	3,223,369
136,772	39,123	-	240,669	-	-	-	-	522,384
-	-	-	-	19,992	-	64,774	-	84,766
-	-	-	-	-	-	-	-	11,382
4,431	-	-	20,754	-	-	-	-	25,185
-	-	334	-	-	-	-	347	1,159
-	-	-	2,607	-	-	-	-	2,607
<u>1,760,598</u>	<u>268,280</u>	<u>766,942</u>	<u>382,694</u>	<u>21,214</u>	<u>174,783</u>	<u>64,774</u>	<u>372,068</u>	<u>4,293,300</u>
-	33,420	-	409,309	21,214	190,272	73,516	-	821,397
-	964,822	705,618	-	-	-	-	-	2,062,401
-	-	-	-	-	-	-	-	101,936
1,825,207	-	-	-	-	-	-	-	1,825,207
-	-	-	-	-	-	-	371,410	371,410
-	-	-	5,003	-	-	-	-	10,677
<u>1,825,207</u>	<u>998,242</u>	<u>705,618</u>	<u>414,312</u>	<u>21,214</u>	<u>190,272</u>	<u>73,516</u>	<u>371,410</u>	<u>5,193,028</u>
(64,609)	(729,962)	61,324	(31,618)	-	(15,489)	(8,742)	658	(899,728)
<u>234,500</u>	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,042,000</u>
169,891	(29,962)	61,324	(31,618)	-	(15,489)	(8,742)	658	142,272
(50,553)	46,788	127,284	8,029	-	404,664	102,497	5,995	918,405
<u>\$ 119,338</u>	<u>\$ 16,826</u>	<u>\$ 188,608</u>	<u>\$ (23,589)</u>	<u>\$ -</u>	<u>\$ 389,175</u>	<u>\$ 93,755</u>	<u>\$ 6,653</u>	<u>\$ 1,060,677</u>

POLK COUNTY

**POLK INTERAGENCY NARCOTICS TEAM - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 5,000	\$ 30,000	\$ 25,000
Charges for services	25,000	-	(25,000)
Fines and forfeitures	-	1,343	1,343
	<u>30,000</u>	<u>31,343</u>	<u>1,343</u>
TOTAL REVENUES			
EXPENDITURES			
Materials and services	121,391	14,788	106,603
Interdepartment charges	8,609	8,609	-
	<u>130,000</u>	<u>23,397</u>	<u>106,603</u>
TOTAL EXPENDITURES			
Net change in fund balance	(100,000)	7,946	107,946
Fund balance at beginning of year	<u>100,000</u>	<u>96,836</u>	<u>(3,164)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 104,782</u>	<u>\$ 104,782</u>

POLK COUNTY

**MULTI-DISCIPLINARY INTERVENTION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 116,000	\$ 107,091	\$ (8,909)
EXPENDITURES			
Personal services	33,238	32,227	1,011
Materials and services	91,965	77,944	14,021
Interdepartment charges	<u>2,797</u>	<u>2,797</u>	<u>-</u>
TOTAL EXPENDITURES	<u>128,000</u>	<u>112,968</u>	<u>15,032</u>
Net change in fund balance	(12,000)	(5,877)	6,123
Fund balance at beginning of year	<u>12,000</u>	<u>16,495</u>	<u>4,495</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 10,618</u>	<u>\$ 10,618</u>

POLK COUNTY

**DOMESTIC MEDIATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 40,000	\$ 40,490	\$ 490
EXPENDITURES			
Materials and services	38,200	33,135	5,065
Interdepartment charges	1,800	1,800	-
TOTAL EXPENDITURES	<u>40,000</u>	<u>34,935</u>	<u>5,065</u>
Net change in fund balance	-	5,555	5,555
Fund balance at beginning of year	-	3,451	3,451
Fund balance at end of year	<u>\$ -</u>	<u>\$ 9,006</u>	<u>\$ 9,006</u>

POLK COUNTY

COURT SECURITY - SPECIAL REVENUE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 25,000	\$ 15,112	\$ (9,888)
Fines and forfeitures	25,000	9,859	(15,141)
Interest	1,000	478	(522)
	<u>51,000</u>	<u>25,449</u>	<u>(25,551)</u>
EXPENDITURES			
Materials and services	113,031	7,993	105,038
Interdepartment charges	17,969	17,969	-
Capital outlay	30,000	5,650	24,350
	<u>161,000</u>	<u>31,612</u>	<u>129,388</u>
Net change in fund balance	(110,000)	(6,163)	103,837
Fund balance at beginning of year	110,000	110,047	47
	<u>110,000</u>	<u>110,047</u>	<u>47</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 103,884</u>	<u>\$ 103,884</u>

POLK COUNTY

**PUBLIC LAND CORNER - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 105,000	\$ 104,035	\$ (965)
EXPENDITURES			
Materials and services	105,101	77,037	28,064
Interdepartment charges	24,899	24,899	-
TOTAL EXPENDITURES	<u>130,000</u>	<u>101,936</u>	<u>28,064</u>
Net change in fund balance	(25,000)	2,099	27,099
Fund balance at beginning of year	<u>25,000</u>	<u>13,008</u>	<u>(11,992)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 15,107</u>	<u>\$ 15,107</u>

POLK COUNTY

**DOG CONTROL - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Permits and licenses	\$ 75,000	\$ 50,727	\$ (24,273)
Charges for services	-	1,785	1,785
Fines and forfeitures	5,000	180	(4,820)
	<u>80,000</u>	<u>52,692</u>	<u>(27,308)</u>
TOTAL REVENUES			
EXPENDITURES			
Personal services	128,174	114,976	13,198
Materials and services	54,733	23,285	31,448
Interdepartment charges	17,093	17,093	-
Capital outlay	-	24	(24)
	<u>200,000</u>	<u>155,378</u>	<u>44,622</u>
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over expenditures	(120,000)	(102,686)	17,314
OTHER FINANCING SOURCES (USES)			
Transfers in	97,500	97,500	-
	<u>97,500</u>	<u>97,500</u>	<u>-</u>
Net change in fund balance	(22,500)	(5,186)	17,314
Fund balance at beginning of year	22,500	17,518	(4,982)
	<u>22,500</u>	<u>17,518</u>	<u>(4,982)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 12,332</u>	<u>\$ 12,332</u>

POLK COUNTY

**MARINE PATROL - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 69,500	\$ 72,294	\$ 2,794
EXPENDITURES			
Personal services	54,219	44,240	9,979
Materials and services	20,432	25,191	(4,759)
Interdepartment charges	4,849	4,849	-
TOTAL EXPENDITURES	<u>79,500</u>	<u>74,280</u>	<u>5,220</u>
Excess (deficiency) of revenues over expenditures	(10,000)	(1,986)	8,014
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	5,000	-
Net change in fund balance	(5,000)	3,014	8,014
Fund balance at beginning of year	<u>5,000</u>	<u>6,834</u>	<u>1,834</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 9,848</u>	<u>\$ 9,848</u>

POLK COUNTY

LAW LIBRARY - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	<u>\$ 50,000</u>	<u>\$ 48,553</u>	<u>\$ (1,447)</u>
EXPENDITURES			
Materials and services	<u>34,831</u>	<u>28,562</u>	<u>6,269</u>
Interdepartment charges	<u>30,169</u>	<u>30,169</u>	<u>-</u>
TOTAL EXPENDITURES	<u>65,000</u>	<u>58,731</u>	<u>6,269</u>
Excess (deficiency) of revenues over expenditure:	(15,000)	(10,178)	4,822
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>10,000</u>	<u>5,000</u>	<u>(5,000)</u>
Net change in fund balance	(5,000)	(5,178)	(178)
Fund balance at beginning of year	<u>5,000</u>	<u>9,512</u>	<u>4,512</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,334</u>	<u>\$ 4,334</u>

POLK COUNTY

PUBLIC HEALTH - SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2015

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 1,404,500	\$ 1,619,395	\$ 214,895
Charges for services	168,000	136,772	(31,228)
Donations	5,000	4,431	(569)
TOTAL REVENUES	<u>1,577,500</u>	<u>1,760,598</u>	<u>183,098</u>
EXPENDITURES			
Family Planning			
Personal services	102,942	107,047	(4,105)
Materials and services	53,700	40,325	13,375
Interdepartment charges	46,869	46,869	-
Total Family Planning	<u>203,511</u>	<u>194,241</u>	<u>9,270</u>
General Health			
Personal services	979,790	881,259	98,531
Materials and services	200,747	282,155	(81,408)
Interdepartment charges	184,378	184,378	-
Total General Health	<u>1,364,915</u>	<u>1,347,792</u>	<u>17,123</u>
Women, Infants and Children			
Personal services	198,204	189,544	8,660
Materials and services	22,500	25,760	(3,260)
Interdepartment charges	67,870	67,870	-
Total Women, Infants and Children	<u>288,574</u>	<u>283,174</u>	<u>5,400</u>
TOTAL EXPENDITURES	<u>1,857,000</u>	<u>1,825,207</u>	<u>31,793</u>
Excess (deficiency) of revenues over	(279,500)	(64,609)	214,891
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>234,500</u>	<u>234,500</u>	<u>-</u>
Net change in fund balance	(45,000)	169,891	214,891
Fund balance at beginning of year	<u>45,000</u>	<u>(50,553)</u>	<u>(95,553)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 119,338</u>	<u>\$ 119,338</u>

POLK COUNTY

JUVENILE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 296,000	\$ 229,157	\$ (66,843)
Charges for services	13,000	39,123	26,123
TOTAL REVENUES	<u>309,000</u>	<u>268,280</u>	<u>(40,720)</u>
EXPENDITURES			
Juvenile Probations			
Personal services	552,459	544,350	8,109
Materials and services	30,149	23,309	6,840
Interdepartment charges	103,752	103,752	-
Total Juvenile Probations	<u>686,360</u>	<u>671,411</u>	<u>14,949</u>
Juvenile Sanctions			
Materials and services	303,500	285,811	17,689
Interdepartment charges	7,600	7,600	-
Total Juvenile Sanctions	<u>311,100</u>	<u>293,411</u>	<u>17,689</u>
Juvenile Community Service			
Personal services	32,490	27,155	5,335
Materials and services	19,050	6,265	12,785
Total Juvenile Community Service	<u>51,540</u>	<u>33,420</u>	<u>18,120</u>
TOTAL EXPENDITURES	<u>1,049,000</u>	<u>998,242</u>	<u>50,758</u>
Excess (deficiency) of revenues over expenditures	(740,000)	(729,962)	10,038
OTHER FINANCING SOURCES (USES)			
Transfers in	700,000	700,000	-
Net change in fund balance	(40,000)	(29,962)	10,038
Fund balance at beginning of year	40,000	46,788	6,788
Fund balance at end of year	<u>\$ -</u>	<u>\$ 16,826</u>	<u>\$ 16,826</u>

POLK COUNTY

**YOUTH PROGRAMS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 710,000	\$ 766,608	\$ 56,608
Interest	-	334	334
TOTAL REVENUES	<u>710,000</u>	<u>766,942</u>	<u>56,942</u>
EXPENDITURES			
Materials and services	695,000	690,618	4,382
Interdepartment charges	15,000	15,000	-
Contingency	40,000	-	40,000
TOTAL EXPENDITURES	<u>750,000</u>	<u>705,618</u>	<u>44,382</u>
Net change in fund balance	(40,000)	61,324	101,324
Fund balance at beginning of year	<u>40,000</u>	<u>127,284</u>	<u>87,284</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 188,608</u>	<u>\$ 188,608</u>

POLK COUNTY

FAIR - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 108,000	\$ 118,664	\$ 10,664
Charges for services	288,000	240,669	(47,331)
Donations	30,000	20,754	(9,246)
Miscellaneous	2,000	2,607	607
TOTAL REVENUES	<u>428,000</u>	<u>382,694</u>	<u>(45,306)</u>
EXPENDITURES			
Annual Fair			
Personal services	58,930	47,504	11,426
Materials and services	101,350	89,532	11,818
Interdepartment charges	10,720	10,720	-
Capital outlay	-	5,003	(5,003)
Total Annual Fair	<u>171,000</u>	<u>152,759</u>	<u>18,241</u>
Year Around Operation			
Personal services	130,529	127,301	3,228
Materials and services	128,798	111,579	17,219
Interdepartment charges	22,673	22,673	-
Total Year Around Operation	<u>282,000</u>	<u>261,553</u>	<u>20,447</u>
TOTAL EXPENDITURES	<u>453,000</u>	<u>414,312</u>	<u>38,688</u>
Net change in fund balance	(25,000)	(31,618)	(6,618)
Fund balance at beginning of year	25,000	8,029	(16,971)
Fund balance at end of year	<u>\$ -</u>	<u>\$ (23,589)</u>	<u>\$ (23,589)</u>

POLK COUNTY

COUNTY SCHOOL - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 2,500	\$ 1,222	\$ (1,278)
Franchise fees	<u>22,500</u>	<u>19,992</u>	<u>(2,508)</u>
TOTAL REVENUES	25,000	21,214	(3,786)
EXPENDITURES			
Materials and services	<u>25,000</u>	<u>21,214</u>	<u>3,786</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

POLK COUNTY

**ECONOMIC DEVELOPMENT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 890,000	\$ 174,783	\$ (715,217)
EXPENDITURES			
Personal services	8,585	8,205	380
Materials and services	506,715	167,367	339,348
Interdepartment charges	14,700	14,700	-
Capital outlay	700,000	-	700,000
TOTAL EXPENDITURES	1,230,000	190,272	1,039,728
Net change in fund balance	(340,000)	(15,489)	324,511
Fund balance at beginning of year	340,000	404,664	64,664
Fund balance at end of year	\$ -	\$ 389,175	\$ 389,175

POLK COUNTY

**HOUSEHOLD HAZARDOUS WASTE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Franchise fees	\$ 68,000	\$ 64,774	\$ (3,226)
EXPENDITURES			
Personal services	32,619	31,697	922
Materials and services	140,293	36,731	103,562
Interdepartment charges	5,088	5,088	-
TOTAL EXPENDITURES	<u>178,000</u>	<u>73,516</u>	<u>104,484</u>
Net change in fund balance	(110,000)	(8,742)	101,258
Fund balance at beginning of year	<u>110,000</u>	<u>102,497</u>	<u>(7,503)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 93,755</u>	<u>\$ 93,755</u>

POLK COUNTY

**EXTENSION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property tax	\$ 369,000	\$ 371,721	\$ 2,721
Interest	300	347	47
TOTAL REVENUES	<u>369,300</u>	<u>372,068</u>	<u>2,768</u>
EXPENDITURES			
Education	371,800	371,410	390
Contingency	2,500	-	2,500
TOTAL EXPENDITURES	<u>374,300</u>	<u>371,410</u>	<u>2,890</u>
Net change in fund balance	(5,000)	658	5,658
Fund balance at beginning of year	5,000	5,995	995
Fund balance at end of year	<u>\$ -</u>	<u>\$ 6,653</u>	<u>\$ 6,653</u>

POLK COUNTY

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 2,606,800	\$ 2,719,184	\$ 112,384
Interest	<u>500</u>	<u>258</u>	<u>(242)</u>
TOTAL REVENUES	2,607,300	2,719,442	112,142
EXPENDITURES			
Debt service	<u>2,682,300</u>	<u>2,682,300</u>	<u>-</u>
Net change in fund balance	(75,000)	37,142	112,142
Fund balance at beginning of year	<u>75,000</u>	<u>47,975</u>	<u>(27,025)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 85,117</u>	<u>\$ 85,117</u>

POLK COUNTY

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2015**

	OTIA III Bridge Doaks Ferry Road		
	<u>Replacement</u>	<u>Hwy 22 & 51</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ <u>353,303</u>	\$ <u>-</u>	\$ <u>353,303</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 8,544	\$ 1,147	\$ 9,691
Due to General Fund	<u>-</u>	<u>315,491</u>	<u>315,491</u>
TOTAL LIABILITIES	<u>8,544</u>	<u>316,638</u>	<u>325,182</u>
FUND BALANCES			
Restricted	344,759	-	344,759
Unassigned	<u>-</u>	<u>(316,638)</u>	<u>(316,638)</u>
TOTAL FUND BALANCES	<u>344,759</u>	<u>(316,638)</u>	<u>28,121</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 353,303</u>	<u>\$ -</u>	<u>\$ 353,303</u>

POLK COUNTY

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015**

	<u>OTIA III Bridge Replacement</u>	<u>Doaks Ferry Road Hwy 22 & 51</u>	<u>Totals</u>
REVENUES			
Intergovernmental	\$ -	\$ 43,870	\$ 43,870
Interest	<u>1,665</u>	<u>-</u>	<u>1,665</u>
TOTAL REVENUES	1,665	43,870	45,535
EXPENDITURES			
Capital outlay	<u>41,980</u>	<u>360,508</u>	<u>402,488</u>
Net change in fund balances	(40,315)	(316,638)	(356,953)
Fund balances at beginning of year	<u>385,074</u>	<u>-</u>	<u>385,074</u>
Fund balances at end of year	<u>\$ 344,759</u>	<u>\$ (316,638)</u>	<u>\$ 28,121</u>

POLK COUNTY

**OTIA III BRIDGE REPLACEMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	<u>\$ 2,000</u>	<u>\$ 1,665</u>	<u>\$ (335)</u>
EXPENDITURES			
Personal services	10,373	7,727	2,646
Materials and services	358,896	16,522	342,374
Interdepartment charges	<u>17,731</u>	<u>17,731</u>	<u>-</u>
TOTAL EXPENDITURES	<u>387,000</u>	<u>41,980</u>	<u>345,020</u>
Net change in fund balance	(385,000)	(40,315)	344,685
Fund balance at beginning of year	<u>385,000</u>	<u>385,074</u>	<u>74</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 344,759</u>	<u>\$ 344,759</u>

POLK COUNTY

**DOAKS FERRY ROAD/HWY 22 & 51 - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 550,000	\$ 43,870	\$ (506,130)
EXPENDITURES			
Personal services	26,125	26,379	(254)
Materials and services	323,875	43,046	280,829
Capital outlay	200,000	291,083	(91,083)
TOTAL EXPENDITURES	550,000	360,508	189,492
Net change in fund balance	-	(316,638)	(316,638)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ (316,638)	\$ (316,638)

INTERNAL SERVICE FUNDS

Management Services

The Management Services Fund accounts for building maintenance, fiscal and personnel services, legal counsel and general services. Charges are made to other funds to recover the costs of providing these services.

Insurance

The Insurance Fund accounts for all costs incurred by the County under its insurance programs, up to policy deductible limits. Funding sources are revenues from investment income, proceeds from insurance recoveries, and charges to other funds.

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POLK COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Management Services	Insurance	Totals
<u>ASSETS</u>			
Current assets			
Cash and investments	\$ 526,837	\$ 437,007	\$ 963,844
Receivables	22,634	-	22,634
Prepaid items	60,627	-	60,627
	<hr/>	<hr/>	<hr/>
Total current assets	610,098	437,007	1,047,105
Capital assets, net	136,161	-	136,161
Net pension asset	874,392	-	874,392
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	1,620,651	437,007	2,057,658
	<hr/>	<hr/>	<hr/>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	144,389	-	144,389
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	47,227	93,860	141,087
Long-term obligations:			
Due within one year	122,049	-	122,049
Due in more than one year	202,828	-	202,828
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	372,104	93,860	465,964
	<hr/>	<hr/>	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	1,213,111	-	1,213,111
	<hr/>	<hr/>	<hr/>
<u>NET POSITION</u>			
Net investment in capital assets	136,161	-	136,161
Unrestricted	43,664	343,147	386,811
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 179,825	\$ 343,147	\$ 522,972
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

POLK COUNTY

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
Year Ended June 30, 2015**

	Management Services	Insurance	Totals
OPERATING REVENUES			
Intergovernmental	\$ 61,827	\$ -	\$ 61,827
Charges for services	4,173,385	673,424	4,846,809
Miscellaneous	8,440	1,970	10,410
TOTAL OPERATING REVENUES	4,243,652	675,394	4,919,046
OPERATING EXPENSES			
Personal services	1,821,607	55,979	1,877,586
Materials and services	1,126,249	736,102	1,862,351
Interest on long-term obligations	2,646	-	2,646
Depreciation	54,292	-	54,292
TOTAL OPERATING EXPENSES	3,004,794	792,081	3,796,875
Operating income (loss)	1,238,858	(116,687)	1,122,171
NONOPERATING REVENUE (EXPENSE)			
Gain on sale of capital assets	2,035	-	2,035
Income (loss) before transfers	1,240,893	(116,687)	1,124,206
Transfers out	(275,000)	-	(275,000)
Change in net position	965,893	(116,687)	849,206
Prior period adjustment	(939,669)	-	(939,669)
Net position - beginning	153,601	459,834	613,435
Net position - end	\$ 179,825	\$ 343,147	\$ 522,972

POLK COUNTY

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2015

	<u>Management Services</u>	<u>Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,232,129	\$ 678,162	\$ 4,910,291
Other receipts	8,440	1,970	10,410
Payments to employees for services	(2,555,884)	(55,979)	(2,611,863)
Payments to other suppliers of goods or services	<u>(1,131,742)</u>	<u>(687,095)</u>	<u>(1,818,837)</u>
Net cash provided by (used in) operating activities	<u>552,943</u>	<u>(62,942)</u>	<u>490,001</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(34,026)	-	(34,026)
Sale of capital assets	2,035	-	2,035
Transfers out	(275,000)	-	(275,000)
Principal payments on long-term obligations	<u>(26,247)</u>	<u>-</u>	<u>(26,247)</u>
Net cash (used) in financing activities	<u>(333,238)</u>	<u>-</u>	<u>(333,238)</u>
Net increase (decrease) in cash and cash equivalents	219,705	(62,942)	156,763
Cash and cash equivalents, beginning of year	<u>307,132</u>	<u>499,949</u>	<u>807,081</u>
Cash and cash equivalents, end of year	<u>\$ 526,837</u>	<u>\$ 437,007</u>	<u>\$ 963,844</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 1,238,858	\$ (116,687)	\$ 1,122,171
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	54,292	-	54,292
(Increase) decrease in assets:			
Receivables	(3,083)	4,738	1,655
Prepaid items	4,701	-	4,701
Net pension asset	(1,967,213)	-	(1,967,213)
Deferred outflows	-	-	-
Increase (decrease) in liabilities:	8,763	-	8,763
Accounts payable and accrued liabilities	(7,548)	49,007	41,459
Compensated absences	(17,352)	-	(17,352)
Net OPEB obligation	28,414	-	28,414
Deferred inflows	<u>1,213,111</u>	<u>-</u>	<u>1,213,111</u>
Net cash provided by (used in) operating activities	<u>\$ 552,943</u>	<u>\$ (62,942)</u>	<u>\$ 490,001</u>

POLK COUNTY

MANAGEMENT SERVICES - INTERNAL SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 50,000	\$ 61,827	\$ 11,827
Charges for services	4,139,000	4,173,385	34,385
Miscellaneous	-	8,440	8,440
TOTAL REVENUES	<u>4,189,000</u>	<u>4,243,652</u>	<u>54,652</u>
EXPENDITURES			
Board of Commissioners			
Personnel Services	289,736	284,996	4,740
Materials and Services	<u>7,750</u>	<u>11,509</u>	<u>(3,759)</u>
Total Board of Commissioners	<u>297,486</u>	<u>296,505</u>	<u>981</u>
GIS-Computer Mapping			
Personnel Services	227,098	216,036	11,062
Materials and Services	<u>21,300</u>	<u>28,300</u>	<u>(7,000)</u>
Total GIS-Computer Mapping	<u>248,398</u>	<u>244,336</u>	<u>4,062</u>
Equipment Replacement Reserve			
Capital outlay	<u>77,021</u>	<u>-</u>	<u>77,021</u>
Central Services			
Personnel Services	166,160	162,823	3,337
Materials and Services	301,600	249,548	52,052
Capital outlay	<u>-</u>	<u>33,810</u>	<u>(33,810)</u>
Total Central Services	<u>467,760</u>	<u>446,181</u>	<u>21,579</u>
Academy Building Maintenance			
Personnel Services	261,686	235,372	26,314
Materials and Services	<u>106,000</u>	<u>103,222</u>	<u>2,778</u>
Total Academy Building Maintenance	<u>367,686</u>	<u>338,594</u>	<u>29,092</u>
Jail Maintenance			
Personnel Services	109,565	71,962	37,603
Materials and Services	<u>185,700</u>	<u>180,090</u>	<u>5,610</u>
Total Jail Maintenance	<u>295,265</u>	<u>252,052</u>	<u>43,213</u>

Continued on next page

**MANAGEMENT SERVICES - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES (continued)			
Courthouse Building Maintenance			
Personnel Services	\$ 357,364	\$ 360,411	\$ (3,047)
Materials and Services	<u>206,200</u>	<u>176,973</u>	<u>29,227</u>
Total Courthouse Building Maintenance	<u>563,564</u>	<u>537,384</u>	<u>26,180</u>
Information Services			
Personnel Services	520,162	505,813	14,349
Materials and Services	<u>303,200</u>	<u>282,670</u>	<u>20,530</u>
Total Information Services	<u>823,362</u>	<u>788,483</u>	<u>34,879</u>
Finance			
Personnel Services	378,116	374,314	3,802
Materials and Services	<u>81,150</u>	<u>84,707</u>	<u>(3,557)</u>
Total Finance	<u>459,266</u>	<u>459,021</u>	<u>245</u>
Personnel			
Personnel Services	241,550	233,650	7,900
Materials and Services	<u>33,250</u>	<u>34,067</u>	<u>(817)</u>
Total Personnel	<u>274,800</u>	<u>267,717</u>	<u>7,083</u>
County Legal Counsel			
Personnel Services	117,042	110,508	6,534
Materials and Services	<u>8,350</u>	<u>4,456</u>	<u>3,894</u>
Total County Legal Counsel	<u>125,392</u>	<u>114,964</u>	<u>10,428</u>
TOTAL EXPENDITURES	<u>4,000,000</u>	<u>3,745,237</u>	<u>254,763</u>
Excess (deficiency) of revenues over expenditures	<u>189,000</u>	<u>498,415</u>	<u>309,415</u>

Continued on next page

**MANAGEMENT SERVICES - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	\$ 1,000	\$ 2,035	\$ (1,035)
Transfers out	<u>(275,000)</u>	<u>(275,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(274,000)</u>	<u>(272,965)</u>	<u>1,035</u>
Net change in fund balance	(85,000)	225,450	310,450
Fund balance at beginning of year	<u>85,000</u>	<u>337,449</u>	<u>252,449</u>
Fund balance at end of year	<u>\$ -</u>	562,899	<u>\$ 562,899</u>

Reconciliation to generally accepted accounting principles:

Capital assets, net	136,161
Net pension asset	874,392
Deferred outflows - pension	144,389
Compensated absences	(101,743)
Net other post-employment benefit obligation	(192,575)
Deferred inflows - pension	(1,213,111)
Accrued interest on long-term obligations	(28)
Long-term obligation	<u>(30,559)</u>
Net position at end of year	<u>\$ 179,825</u>

POLK COUNTY

**INSURANCE - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 630,000	\$ 673,424	\$ 43,424
Settlements	10,000	-	(10,000)
Miscellaneous	-	1,970	1,970
	<u>640,000</u>	<u>675,394</u>	<u>35,394</u>
EXPENDITURES			
Personnel services	57,311	55,979	1,332
Materials and services	782,689	736,102	46,587
Contingency	200,000	-	200,000
	<u>1,040,000</u>	<u>792,081</u>	<u>247,919</u>
Net change in fund balance	(400,000)	(116,687)	283,313
Fund balance at beginning of year	<u>400,000</u>	<u>459,834</u>	<u>59,834</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 343,147</u>	<u>\$ 343,147</u>

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AGENCY FUND

This fund accounts for resources received and held by the County in a fiduciary capacity. The fund accounts for various monies and other assets held by the County Treasurer for other taxing districts and other departments.

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POLK COUNTY

AGENCY FUND

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2015**

	Balances July 1, 2014	Additions	Deductions	Balances June 30, 2015
<u>ASSETS</u>				
Cash and investments	\$ 1,083,894	\$ 81,358,233	\$ 81,096,740	\$ 1,345,387
Taxes receivable	<u>4,953,734</u>	<u>78,326,111</u>	<u>78,773,077</u>	<u>4,506,768</u>
 TOTAL ASSETS	 <u>\$ 6,037,628</u>	 <u>\$ 159,684,344</u>	 <u>\$ 159,869,817</u>	 <u>\$ 5,852,155</u>
 <u>LIABILITIES</u>				
Due to other governments	<u>\$ 6,037,628</u>	<u>\$ 159,684,344</u>	<u>\$ 159,869,817</u>	<u>\$ 5,852,155</u>

POLK COUNTY

**SCHEDULE OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS
As of and for the Year Ended June 30, 2015**

<u>Elected Official</u>	Cash and Investment Balances July 1, 2014	Cash Receipts	Cash Turnovers and Disbursements to County Treasurer and Others	Cash and Investment Balances June 30, 2015
Assessor	\$ 10	\$ 10,178	\$ 10,178	\$ 10
Clerk	150	392,194	392,194	150
District Attorney	25	129,230	129,230	25
Sheriff	117,827	1,246,254	1,216,527	147,554
Treasurer	<u>4,560,555</u>	<u>79,580,377</u>	<u>74,592,557</u>	<u>9,548,375</u>
 TOTALS	 <u>\$ 4,678,567</u>	 <u>\$ 81,358,233</u>	 <u>\$ 76,340,686</u>	 <u>\$ 9,696,114</u>

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Board of County Commissioners
POLK COUNTY
Dallas, Oregon

We have audited in accordance with auditing standards generally accepted in the United States of America the basic financial statements of POLK COUNTY as of and for the year ended June 30, 2015, and have issued our report thereon dated December 28, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Highway revenues used for public highways, roads and streets.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)**

In connection with our testing nothing came to our attention, except as noted below, that caused us to believe the County was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The 2015-16 budget financial summary, LB-1, does not agree with amounts on budget detail sheets.

OAR 162-10-0230 Internal Control

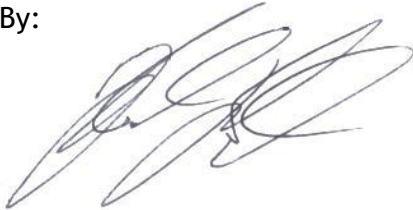
In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

This report is intended solely for the information and use of the Board of Commissioners and management of Polk County and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 28, 2015

By:



Bradley G. Bingenheimer, Member

GRANT COMPLIANCE – SINGLE AUDIT

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Polk County
Dallas, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of Polk County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 28, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting (internal control) to determine the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-1).

INDEPENDENT AUDITOR’S 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 (Continued)*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 28, 2015



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
Polk County
Dallas, Oregon

Report on Compliance for Each Major Federal Program

We have audited the County’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2015. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Polk County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 (Continued)**

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-1. Our opinion on each major program is not modified with respect to this matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Polk County, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 28, 2015

POLK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Section I Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>
Internal controls over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major federal programs:

CFDA

Number(s) Name of Federal Program or Cluster

15.227 Distribution of Receipts to State and Local Governments

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? Yes

POLK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
DEPARTMENT OF AGRICULTURE			
Food and Nutrition Service			
<i>Passed through Oregon State Health Division</i>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	2702	\$ 218,270
Forest Service			
<i>Passed through Oregon Department of Administrative Services</i>			
Schools and Roads - Grants to States	10.665		<u>13,124</u>
Total Department of Agriculture			<u>231,394</u>
DEPARTMENT OF THE INTERIOR			
Bureau of Land Management			
Payment in Lieu of Taxes	15.226	6396	97,713
Distribution of Receipts to State and Local Governments	15.227	6396	856,069
Scotch Broom Removal and Dump Stoppers	15.999		<u>63,233</u>
Total Department of the Interior			<u>1,017,015</u>
DEPARTMENT OF JUSTICE			
Bureau of Justice Assistance			
State Criminal Alien Assistance Program	16.606		5,850
<i>Passed through Oregon State Criminal Justice Commission</i>			
Drug Court	16.585		92,002
Second Chance Act Prisoner Reentry Initiative	16.812		41,878
Office of Victims of Crime			
<i>Passed through Oregon State Criminal Justice Division</i>			
Crime Victim Assistance (VOCA)	16.575	VOCA 03-2099	<u>35,184</u>
Total Department of Justice			<u>174,914</u>
DEPARTMENT OF GENERAL SERVICES ADMINISTRATION			
General Services Administration			
Federal Surplus Property	39.003		26,350
<i>Passed through Oregon Department of Administrative Services</i>			
Federal Surplus Property	39.003		<u>13,992</u>
Total Department of General Services Administration			<u>40,342</u>
ENVIRONMENTAL PROTECTION AGENCY			
Office of Water			
<i>Passed through Oregon Health Authority</i>			
State Public Water System Supervision	66.432	27-02	4,683
Capitalization Grants for Drinking Water State Revolving Funds	66.468	27-02	<u>2,481</u>
Total Environmental Protection Agency			<u>7,164</u>

Continued on next page

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Office of Population Affairs			
<i>Passed through Oregon Health Authority</i>			
Family Planning Services	93.217		22,216
Administration for Children and Families			
<i>Passed through Oregon Department of Justice</i>			
Child Support Enforcement	93.563	461	217,426
Health Resources and Services Administration			
<i>Passed through Chemeketa Community College</i>			
Maternal and Child Health Block Grant	93.994	27 02	13,739
Substance Abuse and Mental Health Services Administration			
<i>Passed through Oregon Department of Human Services</i>			
Block Grants for Comm Mental Health	93.958	MHS-37	72,830
Block Grants for Prevention and Treatment of Substance Abuse	93.959	A&D 70	152,182
<i>Passed through Oregon Department of Justice</i>			
TB Case Management	93.116		1,183
Centers for Disease Control and Prevention			
<i>Passed through Oregon Health Authority</i>			
Bioterrorism Preparedness & Response	93.069	27 02	98,333
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		53,816
CH&HP Healthy Communities	93.070		807
CH&HP Healthy Communities	93.757		4,848
Assistance Programs for Chronic Disease Prevention and Control	93.945		28,559
Total Department of Health and Human Services			<u>665,939</u>
DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Oregon State Police</i>			
Hazard Mitigation Grant Program	97.039		<u>13,722</u>
Emergency Management Performance	97.042		<u>92,785</u>
State Homeland Security Program	97.073	06-234	128,030
State Homeland Security Program-SHSP	97.073		<u>94,297</u>
			<u>222,327</u>
<i>Passed through Oregon State Marine Board</i>			
Law Enforcement Terrorism Prevention Program	97.012	05-172	<u>8,349</u>
Total Department of Homeland Security			<u>337,183</u>
DEPARTMENT OF EDUCATION			
Promoting Safe and Stable Families	93.556		<u>4,338</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,478,289</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards is a summary of the County's federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

2015-1

U.S. Department of the Interior

Bureau of Land Management

15.227 Distribution of Receipts to State and Local Governments

Criteria: Title III funds shall be expended solely on projects approved by the County that meet the requirements in PL 106-393. A description of proposed projects shall be published and allow for a 45 day comment period before approval.

Condition: The County did not publish a description of the proposed projects as required.

Questioned Costs: \$83,926

Prevalence and Consequences: The description of proposed projects need to be published only once.

Effect: The County did not comply with publication requirements under the grant.

Auditor's Recommendation: The County should comply with the publication requirements.

Grantee Response: The County agrees with the auditor's recommendation and is building procedures to ensure the description of proposed projects is published.