

## POLK COUNTY, IOWA

### Management's Discussion and Analysis For the Year Ended June 30, 2020

This section of Polk County's ("County") annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended June 30, 2020. Please read this section in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The County's total net position increased by \$21.4 million (4%) to \$514.7 million. Net position of governmental activities increased \$30.1 million (17%) to \$212.3 million primarily due to an increase in revenues and lower than anticipated expenses during the year. Net position of business-type activities decreased \$8.8 million (3%) to \$302.4 million primarily due to decreased revenue related to cancelled events due to COVID-19 pandemic, increased depreciation and economic development expense relating to the Iowa Event Center Hotel Corporation and sewer enhancements.
- In the County's governmental activities, total revenues increased \$6.6 million (2%) primarily due to an increase of \$8.3 million in property tax revenues. Total expenses increased \$9.1 million (4%) primarily due to an increase in public safety and legal services, county environment and education, and roads and transportation expenses of \$6.7, \$2.7, and \$1.9 million respectively.
- In the County's business-type activities, total revenues decreased \$81.9 million (65%) and total expenses increased \$2.6 million (6%). The decrease in revenues is primarily due to \$77.6 million leasehold improvements reverted to the County from Prairie Meadows Racetrack/Casino in prior year and \$4.2 million in charges for services due to COVID-19 cancellation of events at the Iowa Events Center. Expenses increased primarily due to an increase in economic development expense and depreciation expense in Prairie Meadows Racetrack/Casino fund.
- The County's actual expenditures were \$46.6 million below budget amounts. This is attributed to conservative estimated appropriations of large multi-year capital projects where actual construction expenditures lag the appropriated expenditure schedule and lower than anticipated expenditures on mental health services, community and economic development grant expenditures, and COVID-19 related expense.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This discussion and analysis is intended to serve as an introduction to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to private-sector business.

The government-wide financial statements of the County are divided into three categories:

- **Governmental Activities** – Most of the County's basic services are included here, such as public safety, legal services, physical health, social services, mental health, county environment, roads/transportation, and administration services. Property taxes and state and federal grants finance the majority of these activities.
- **Business-Type Activities** – The County charges fees to customers to help it cover the costs of certain services. The County's sanitary sewer, racetrack/casino, and events center are included here.
- **Component Units** – The County includes Polk County Health Services, Inc ("PCHS") and the Iowa Events Center Hotel Corporation ("IEC Hotel Corp") in its report. Although legally separate, these "component units" are included as the County is financially accountable for them.

The **Statement of Net Position** presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Polk County is improving or deteriorating.

The **Statement of Activities** presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of 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 (such as uncollected taxes and earned but unused vacation leave).

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with legal requirements for financial transactions and reporting.

The County has three kinds of funds:

- **Governmental funds** – 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 financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Mental Health Fund and Debt Service Fund, which are considered to be major funds. Data from the other 16 governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget which includes its general, special revenue, debt service and capital projects funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget. For additional information see notes to required supplementary information.

- **Proprietary funds** – The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its air pollution control, convention/entertainment/arena, sanitary sewer, racetrack/casino, golf course, sewer/drainage district operations, and a tax and tags collection system. Internal service funds are accounting devices used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for health insurance and risk management. The County's internal services primarily benefit governmental activities.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Sanitary Sewer, Prairie Meadows Racetrack/Casino and Iowa Events Center which are considered to be major funds of the County. Data from the other five enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary funds** – The County is the agent, or *fiduciary*, for resources held for the benefit of parties outside the government. All of the County’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in assets and liabilities. These activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations. The County reports individual fund data for the agency funds within other supplementary information.

**Notes to the Financial Statements** – The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes the changes in the total OPEB liability and related ratios schedule, proportionate share of net pension liability schedule, pension contribution schedule and the budgetary comparison schedule for the governmental funds. The combining statements referred to earlier in connection with nonmajor governmental, proprietary, internal service, fiduciary funds and discretely presented component units are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position.** The following table presents a summary of the County’s net position for the year ended June 30, 2020 with comparison totals as of June 30, 2019. The County’s *combined* net position increased \$21.4 (4%) million primarily due to increase in governmental activities deferred inflows of resources, net investment in capital assets and unrestricted net position.

### Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 416,054,130	\$ 371,264,619	\$ 72,698,269	\$ 78,428,184	\$ 488,752,399	\$ 449,692,803
Capital assets, net	278,914,561	262,657,601	337,797,819	355,387,163	616,712,380	618,044,764
<b>Total assets</b>	<u>694,968,691</u>	<u>633,922,220</u>	<u>410,496,088</u>	<u>433,815,347</u>	<u>1,105,464,779</u>	<u>1,067,737,567</u>
Deferred outflows of resources	21,191,979	22,224,200	395,313	445,264	21,587,292	22,669,464
Long-term liabilities	268,793,348	257,756,275	98,513,512	111,023,387	367,306,860	368,779,662
Other liabilities	13,324,235	16,715,795	8,441,028	10,449,384	21,765,263	27,165,179
<b>Total liabilities</b>	<u>282,117,583</u>	<u>274,472,070</u>	<u>106,954,540</u>	<u>121,472,771</u>	<u>389,072,123</u>	<u>395,944,841</u>
Deferred inflows of resources	221,730,497	199,500,754	1,560,376	1,655,222	223,290,873	201,155,976
Net position						
Net investment in capital assets	153,716,269	141,619,244	255,720,433	261,586,814	409,436,702	403,206,058
Restricted	7,881,994	8,649,668	637,860	619,985	8,519,854	9,269,653
Unrestricted	50,714,327	31,904,684	46,018,192	48,925,819	96,732,519	80,830,503
<b>Total net position</b>	<u>\$ 212,312,590</u>	<u>\$ 182,173,596</u>	<u>\$ 302,376,485</u>	<u>\$ 311,132,618</u>	<u>\$ 514,689,075</u>	<u>\$ 493,306,214</u>

Net position of the County’s governmental activities increased 17% to \$212.3 million at June 30, 2020. The largest portion of the County’s net position (72%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The increase relating to net investment in capital assets is primarily due to completion of the Polk County Water and Land Legacy improvements, Phase IV improvements for the Historic Courthouse interior, and the Ackelson Trail Phase III project. The County also began construction on the Lauridsen Skate Park and on the Sheriff’s Administration/Law Enforcement Facility.

Unrestricted net position of governmental activities increased \$18.1 million (57%) to \$50 million due to an increase in property tax revenues and lower than anticipated expenses due to delays in construction. The net position of business-type activities decreased \$8.8 million (3%) to \$302.4 million at June 30, 2020. The decrease relating to net investment in capital assets is primarily due to an increase in depreciation expense and the offsetting payment of outstanding bond principal.

Approximately 85% of the net position of business-type activities is invested in capital assets (e.g. land, buildings, infrastructure, equipment, etc), less any related debt used to acquire those assets that is still outstanding.

Deferred inflows of resources increased \$22.2 million (11%) primarily due to increased Pension and OPEB related liabilities and gain on current refunding relating to 2020A general obligation capital loan notes.

### Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 42,640,085	\$ 40,529,877	\$ 41,330,453	\$ 45,509,194	\$ 83,970,538	\$ 86,039,071
Operating grants and contributions	21,302,676	21,242,714	869,298	1,000,639	22,171,974	22,243,353
Capital grants and contributions	8,072,602	12,493,459	231,682	77,719,463	8,304,284	90,212,922
General revenues:						
Property taxes	178,520,086	170,244,856	-	-	178,520,086	170,244,856
Other County taxes	6,177,617	5,831,727	-	-	6,177,617	5,831,727
Interest on property taxes	638,379	1,258,286	-	-	638,379	1,258,286
State replacements	13,859,458	13,744,982	-	-	13,859,458	13,744,982
Use of money and property	3,957,120	4,597,174	1,969,165	1,946,088	5,926,285	6,543,262
Miscellaneous	2,105,056	777,263	422,167	595,273	2,527,223	1,372,536
<b>Total revenues</b>	<b>277,273,079</b>	<b>270,720,338</b>	<b>44,822,765</b>	<b>126,770,657</b>	<b>322,095,844</b>	<b>397,490,995</b>
<b>Expenses:</b>						
Public safety and legal services	90,042,251	83,348,793	-	-	90,042,251	83,348,793
Physical health and social services	42,236,354	42,640,579	-	-	42,236,354	42,640,579
Mental health	23,791,649	24,067,294	-	-	23,791,649	24,067,294
County environment and education	21,273,906	18,610,621	-	-	21,273,906	18,610,621
Roads and transportation	20,012,591	18,066,871	-	-	20,012,591	18,066,871
Government services to residents	9,753,363	8,489,741	-	-	9,753,363	8,489,741
Administration	38,746,860	44,075,188	-	-	38,746,860	44,075,188
Interest on long-term debt	7,631,720	5,053,602	-	-	7,631,720	5,053,602
Air Quality	-	-	1,516,296	1,222,773	1,516,296	1,222,773
Sanitary Sewer	-	-	2,470,020	1,712,523	2,470,020	1,712,523
Prairie Meadows Racetrack/Casino	-	-	15,679,920	12,154,762	15,679,920	12,154,762
Conservation Enterprises	-	-	446,968	460,606	446,968	460,606
Hamilton Urban Drainage District	-	-	696,238	481,026	696,238	481,026
Iowa Events Center	-	-	25,818,408	28,041,271	25,818,408	28,041,271
Urban Sewer	-	-	59,374	72,663	59,374	72,663
Iowa Tax & Tags	-	-	537,065	464,909	537,065	464,909
<b>Total expenses</b>	<b>253,488,694</b>	<b>244,352,689</b>	<b>47,224,289</b>	<b>44,610,533</b>	<b>300,712,983</b>	<b>288,963,222</b>
Excess (deficiency) before transfers	23,784,385	26,367,649	(2,401,524)	82,160,124	21,382,861	108,527,773
Transfers	6,354,609	5,103,961	(6,354,609)	(5,103,961)	-	-
<b>Increase (decrease) in net position</b>	<b>30,138,994</b>	<b>31,471,610</b>	<b>(8,756,133)</b>	<b>77,056,163</b>	<b>21,382,861</b>	<b>108,527,773</b>
Net position - beginning	182,173,596	150,701,986	311,132,618	234,076,455	493,306,214	384,778,441
<b>Net position- ending</b>	<b>\$ 212,312,590</b>	<b>\$ 182,173,596</b>	<b>\$ 302,376,485</b>	<b>\$ 311,132,618</b>	<b>\$ 514,689,075</b>	<b>\$ 493,306,214</b>

## Statement of Activities - Changes in Net Position

Polk County's governmental activities net position increased \$30.1 million during the year. The County reported an excess of revenues over expenses for the year of \$23.8 million. Revenues for governmental activities increased \$6.6 million primarily due to an increase in property tax revenues. The County's expenses were \$46.6 million below budgeted amounts primarily due to construction expenditures lagging the appropriated expenditure schedules and lower than anticipated expenditures on mental health services, community and economic development grant expenditures, and COVID-19-related expense. The business-type activities net position decreased \$8.8 million during the year primarily due to depreciation and economic development expense for Prairie Meadows Racetrack/Casino fund.

Governmental revenues increased 2% primarily due to the County's taxable valuations which increased 4.8%, resulting in an increase of \$8.3 million in current property tax revenue. The \$2.1 million increase in charges for services is primarily due to an increase in recording fees and care of federal prisoners reimbursements.

The fact that 64% of total governmental revenues are derived from property taxes illustrates the County's continued dependence on property taxes to finance its general functions. In addition, charges for services represent 15% and operating grants represent 8% of total governmental revenues.

Governmental activities expenses increased 4%, including a 15% increase in state and local government services expenses due to increased data processing equipment and maintenance agreement expense. County environment expenses increased 14% due to increased investments in economic development cost for neighborhood revitalization. Roads and transportation expenses increased 11% due to increased spending on roadway maintenance and equipment. Public safety and legal services expenses increased 8% due to increased costs of staffing and housing inmates as well as investment in a public safety radio upgrade.

The County's expenses cover a range of services, with the largest expenses relating to public safety and legal services (36%), physical health and social services (17%), and administration (15%).

**Governmental Activities** Revenues for the County's governmental activities increased \$6.6 million (2%), while expenses increased \$9.1 million (4%). Key elements of these changes include the following:

- \$2.1 million (5%) increase in charges for services revenue due to an increase in recording fees and reimbursement for care of federal prisoners.
- \$4.4 million (-35%) decrease in capital grants and contributions revenue due to receipt of a large reimbursement from the IDNR for their portion of the Easter Lake Renovations project and the receipt of federal and state grant revenue for the Jester Park Nature Center and Ackelson Trail projects in the prior year
- \$8.3 million (5%) increase in property tax revenue due to a 4.8% increase in taxable valuations.
- \$1.3 million (171%) increase in miscellaneous revenue due to an increase in various line items including federal forfeitures, miscellaneous contributions and donations, and subrogation/restitution as well as reclassification of conservation haying revenues.
- \$6.7 million (8%) increase in public safety and legal services expense primarily due to increased costs of staffing and housing inmates as well as investment in a public safety radio upgrade.
- \$2.7 million (14%) increase in county environment and education primarily due to a newly approved contribution to neighborhood revitalization and reduced contribution to economic development of a mall facility and an increase in depreciation expense due to completion of the Jester Park Nature Center.
- \$1.9 million (11%) increase in roads and transportation expense primarily due to increased spending on roadway maintenance and equipment.
- \$5.3 million (-12%) decrease in administration expense primarily due to decreased community grants as well as a prior year internal loan to the golf course enterprise fund. This decrease is partially offset by increased spending to address COVID-19 related health needs.

**Business-type Activities** Revenues for the County's business-type activities decreased \$81.9 million (65%) and expenses increased \$2.6 million (6%). Key elements of these changes include the following:

- Capital grants and contributions decreased \$77.5 million primarily due to recording \$77.6 million in leasehold improvements from Prairie Meadows Racetrack/Casino in prior year.
- Charges for services decreased \$4.2 million primarily due to a decrease in parking income, commissions income, and concession sales at the Iowa Events Center due to holding fewer conventions and other events because of COVID-19.

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

### **Governmental Funds**

As the County completed the current fiscal year, its governmental funds reported a *combined fund* balance of \$140.8 million at June 30, 2020, which is \$1.0 million more than the prior year. Key elements of these changes include the following:

- The General Fund increased \$11.7 million primarily due to the result of a \$8.3 million increase in property tax revenue due to a 4.8% increase in taxable valuations.
- The Mental Health Special Revenue Fund increased \$.3 million primarily due to a decrease in mental health service expense.
- The Debt Service fund decreased \$1 million primarily due to increased principal and interest payments.

### **Proprietary Funds**

Sanitary Sewer net position increased \$.8 million primarily due to a transfer in from the general fund of \$1.1 million for expenses relating to Saylor Creek Trunk Sewer-Segment 4 and to provide for a WRA lift station reserve. In addition, the fund received a \$.6 million transfer from Prairie Meadows relating to funding of debt payments.

Prairie Meadows Racetrack/Casino net position decreased \$8.5 million primarily due to \$2.0 million in economic development costs relating to the Iowa Event Center Hotel Corp and \$20.3 million transfers out for funding of community betterment projects in excess over \$26.3 million revenues.

Iowa Events Center net position decreased \$.1 million primarily due to recognizing a decrease in revenue and expenses due to events being suspended starting March 2020 due to COVID-19.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The County's capital assets for its governmental and business-type activities as of June 30, 2020, amount to \$616 million (net of accumulated depreciation). These capital assets include land, buildings, improvements other than buildings, leasehold improvements, infrastructure, equipment, vehicles, intangibles and construction in progress. Polk County's capital assets decreased \$1.3 million during the year. The primary reason for the decrease is due to increased depreciation expense over capital additions during the fiscal year. In addition, the County made improvements and land acquisitions under the Polk County Water & Land Legacy initiative, made renovations under the Historic Courthouse interior project, started work on the Lauridsen Skate Park project and the Norwoodville sewer project.

Major capital asset events for the year ended June 30, 2020, are as follows:

- Historic Courthouse Phase IV - \$12.2 million
- Polk County Water & Land Legacy land acquisitions and improvements - \$3.4 million
- Lauridsen Skate Park project - \$2.4 million
- New scoreboard at Wells Fargo Arena - \$1.7 million
- Sheriff's Administration/Law Enforcement Facility - \$1.6 million
- Norwoodville sewer project - \$1.1 million

Capital assets for the governmental and business-type activities at June 30, 2020 are as follows:

### Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 27,152,307	\$ 26,070,135	\$ 18,215,559	\$ 18,215,559	\$ 45,367,866	\$ 44,285,694
Intangibles - permanent easements	-	-	3,322,580	3,322,580	3,322,580	3,322,580
Buildings	224,601,260	223,288,815	327,335,535	328,480,940	551,936,795	551,769,755
Improvements other than buildings	7,300,243	7,279,934	11,571,591	11,571,591	18,871,834	18,851,525
Leasehold improvements	-	-	191,536,328	191,536,328	191,536,328	191,536,328
Infrastructure	139,369,158	129,634,635	36,646,485	34,541,170	176,015,643	164,175,805
Equipment	15,847,226	15,147,633	5,555,874	3,823,300	21,403,100	18,970,933
Vehicles	12,948,100	11,347,305	247,351	247,351	13,195,451	11,594,656
Intangibles - computer software	6,455,002	6,455,002	-	-	6,455,002	6,455,002
Intangible in progress	1,029,067	255,622	-	-	1,029,067	255,622
Construction in progress	50,147,380	36,720,821	1,343,883	1,998,643	51,491,263	38,719,464
<b>Total</b>	<u>484,849,743</u>	<u>456,199,902</u>	<u>595,775,186</u>	<u>593,737,462</u>	<u>1,080,624,929</u>	<u>1,049,937,364</u>
Less: accumulated depreciation	<u>(205,935,182)</u>	<u>(193,542,301)</u>	<u>(257,977,367)</u>	<u>(238,350,299)</u>	<u>(463,912,549)</u>	<u>(431,892,600)</u>
<b>Total</b>	<u>\$ 278,914,561</u>	<u>\$ 262,657,601</u>	<u>\$ 337,797,819</u>	<u>\$ 355,387,163</u>	<u>\$ 616,712,380</u>	<u>\$ 618,044,764</u>

Additional information on Polk County's capital assets can be found in Note 6 in the notes to the financial statements.

The County's FY 20/21 capital budget includes spending an estimated \$10.8 million for the Polk County Historic Courthouse, \$2.5 million for Polk County Water & Land Legacy projects, \$19.5 million for the Sheriff's administration/law enforcement facility, \$5.2 million for capital improvement projects at various County facilities, \$3.5 million for a new senior center, \$2.8 million for technology upgrades, and \$1 million for the first phase of a county morgue construction. Planned capital outlays for proprietary funds include \$0.5 million for improvements to the Iowa Events Center.

### Long-Term Debt

At June 30, 2020, the County had \$271.8 million in bonds and notes outstanding, no change compared to FY 18/19. The reason for no change in debt is the issuance of \$78.6 million of bonds to finance a loan to the Metro Waste Authority and to refund existing debt, as offset by paying down principal on existing bonds. Three large outstanding obligations pertain to the Iowa Events Center Enterprise Fund. Projects consisted of construction of a new arena and exhibit hall along with a renovated Veteran Memorial Community Choice Credit Union Convention Center. The fund reported outstanding obligations of \$68.6 million at the end of FY19/20.

Polk County is well below the statutory debt capacity limitation. The debt capacity is controlled by the constitutional debt limit which is an amount equal to 5% of the actual value of taxable property within the County limits. The County's unused legal debt capacity was \$1.5 billion as of June 30, 2020. In addition, the County maintains an Aaa rating from Moody's Investors Service and an AAA rating from Standard & Poor's Global Ratings on all new and existing outstanding debt obligations.

## Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
G.O. bonds	\$ 174,203,773	\$ 160,757,203	\$ 74,416,957	\$ 85,950,638	\$ 248,620,730	\$ 246,707,841	1%
Notes payable	395,000	835,000	22,736,000	23,686,000	23,131,000	24,521,000	-6%
<b>Total</b>	<u>\$ 174,598,773</u>	<u>\$ 161,592,203</u>	<u>\$ 97,152,957</u>	<u>\$ 109,636,638</u>	<u>\$ 271,751,730</u>	<u>\$ 271,228,841</u>	0%

Additional information on Polk County's outstanding debt can be found in Note 8 in the notes to the financial statements.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Supervisors amended the County budget twice to reflect a variety of actions taken since certifying the original budget. Adjustments included such items as re-appropriating special project funds, grant awards, position changes and amendments based on revised expenditure and revenue estimates. Additionally, because unexpended appropriations do not carry forward from year to year, the County was required to amend the budget to fulfill commitments from the previous year.

Even with these adjustments, actual expenditures were \$46.6 million below final budget amounts. Significant variances include:

- Capital projects, primarily construction of a new Sheriff's administration/law enforcement facility and purchase of a new senior center, were \$14.3 million less than budget due to timing. The budget is a conservative estimate to ensure sufficient appropriation is available to carry out any potential or planned capital improvements. The actual construction expenditures lag the appropriated expenditure schedule.
- Mental health service expense was \$6.7 million less than budget due to delayed implementation of new services and changes in utilization.
- Polk County Water and Land Legacy conservation projects were \$4.3 million less than budget due to the timing of capital projects.
- Community and economic development grant expenditures were \$4.1 million less than budget. The variance is primarily due to timing of a planned economic development loan and a large grant reserve being set aside for this purpose, but fewer than anticipated grants actually being awarded.
- COVID-19 related expenditures were \$2.6 million less than budget. During the early stages of the pandemic, the County estimated expenditures and added a \$2 million contingency to the estimate due to uncertainty. The contingency appropriation was not utilized.
- Secondary Roads expenditures were \$1.3 million less than budget due to COVID-19 related shipping delays that stalled the arrival/purchase of new hydraulic excavators.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The financial condition of Polk County government remains strong. Healthy reserves and significant growth in property valuations have allowed Polk County to address COVID-19 related needs and maintain County services without growth in the tax rate.

For FY 20/21, certified taxable valuations increased 7.4%, resulting in a budgeted increase of \$14 million in net current property tax revenue and state tax replacements. Per State property tax reform, commercial and industrial taxable valuations were rolled back to 90% of assessed valuation, with the State pledging to replace funding lost due to the rollback. For FY 20/21, the County estimates state replacement funding of \$6.5 million.

Polk County's budget for FY 20/21 indicates General fund balances will decrease \$20 million due to planned balance utilization for capital projects. Nonetheless, balances are projected to meet or exceed the County policy that sets ending fund balances at a goal of 20% - 25% of expenditures. Additionally, the County will retain its \$8 million contingency reserve.

The County anticipates that it will manage the increased public safety and welfare costs of COVID-19 through relief funds appropriated by the State and by drawing on the County's healthy reserves. Partial FEMA reimbursement for expenditure of County reserves has been submitted and additional reimbursement is expected. Operational losses at the County's Iowa Events Center due to COVID-19 cancellations are being funded through State relief funds and County reserves. Operational losses at the adjacent hotel are being funded by drawing down gaming reserves previously set aside from ownership of Prairie Meadows casino.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Polk County Auditor's Office, 111 Court Avenue, Suite 315, Des Moines, IA 50309, telephone (515) 286-3419 or e-mail at [JoEllen.Bigelow@polkcountyiowa.gov](mailto:JoEllen.Bigelow@polkcountyiowa.gov).