

POLK COUNTY, IOWA

Management's Discussion and Analysis For the Year Ended June 30, 2019

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, 2019. 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 \$108.5 million (28%) to \$493.3 million. Net position of governmental activities increased \$31.5 million (21%) to \$182.2 million primarily due to an increase in revenues and lower than anticipated expenses during the year. Net position of business-type activities increased \$77.1 million (33%) to \$311.1 million primarily due to acquiring leasehold improvements that reverted to the County at the expiration of the 2011-2018 lease with Prairie Meadows Racetrack/Casino.
- In the County's governmental activities, total revenues increased \$19.4 million (8%) primarily due to an increase in property tax revenues and capital grants and contributions of \$15.3 and \$2.5 million respectively. Total expenses increased \$14.2 million (6%) primarily due to an increase in administration, public safety and legal services, physical health and social services, mental health, and county environment and education expenses of \$5.6, \$4.8, \$2.2, \$2.1, and \$1.7 million respectively.
- In the County's business-type activities, total revenues increased \$75.9 million (149%) and total expenses decreased \$2.1 million (5%). The increase in revenues is primarily due to a \$77.6 million capital contribution recorded for the leasehold improvements acquired from Prairie Meadows Racetrack/Casino noted earlier. Expenses decreased primarily due to the termination of case management contracts during the prior year.
- The County's actual expenditures were \$34.4 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 the timing of a radio project upgrade.

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 two 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 and Mental Health Fund, which are considered to be major funds. Data from the other 17 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 treatment, racetrack/casino, golf course/cabins, sewer/drainage district operations, community based case management 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 Treatment Works, Prairie Meadows Racetrack/Casino and Iowa Events Center which are considered to be major funds of the County. Data from the other six 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, 2019 with comparison totals as of June 30, 2018. The County’s *combined* net position increased \$108.5 (28%) million primarily due to acquiring Prairie Meadows leasehold improvements and an increase in governmental activities net investment in capital assets and unrestricted net position.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 371,264,619	\$ 333,021,917	\$ 78,428,184	\$ 74,882,883	\$ 449,692,803	\$ 407,904,800
Capital assets, net	262,657,601	234,006,207	355,387,163	293,105,817	618,044,764	527,112,024
Total assets	<u>633,922,220</u>	<u>567,028,124</u>	<u>433,815,347</u>	<u>367,988,700</u>	<u>1,067,737,567</u>	<u>935,016,824</u>
Deferred outflows of resources	22,224,200	25,006,704	445,264	510,341	22,669,464	25,517,045
Long-term liabilities	257,756,275	236,667,945	111,023,387	123,293,151	368,779,662	359,961,096
Other liabilities	16,715,795	18,944,858	10,449,384	9,358,645	27,165,179	28,303,503
Total liabilities	<u>274,472,070</u>	<u>255,612,803</u>	<u>121,472,771</u>	<u>132,651,796</u>	<u>395,944,841</u>	<u>388,264,599</u>
Deferred inflows of resources	199,500,754	185,720,039	1,655,222	1,770,790	201,155,976	187,490,829
Net position						
Net investment in capital assets	141,619,244	126,040,376	261,586,814	187,999,398	403,206,058	314,039,774
Restricted	8,649,668	5,186,531	619,985	895,917	9,269,653	6,082,448
Unrestricted (deficit)	31,904,684	19,475,079	48,925,819	45,181,140	80,830,503	64,656,219
Total net position	<u>\$ 182,173,596</u>	<u>\$ 150,701,986</u>	<u>\$ 311,132,618</u>	<u>\$ 234,076,455</u>	<u>\$ 493,306,214</u>	<u>\$ 384,778,441</u>

Net position of the County’s governmental activities increased 21% to \$182.2 million at June 30, 2019. The largest portion of the County’s net position (78%) 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 Criminal Court Annex facility, Polk County Water and Land Legacy improvements, Phase IV improvements for the Historic Courthouse interior, and Phase III of the NW 66th Avenue Reconstruction Project. Unrestricted net position of governmental activities increased \$12.4 million (64%) to \$31.9 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 increased \$77.1 million (33%) to \$311.1 million at June 30, 2019. The increase relating to net investment in capital assets is primarily due to acquiring \$77.6 million in Prairie Meadows Leasehold Improvements that reverted to the County at the expiration of their lease term in December 2018.

Approximately 84% 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.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 40,529,877	\$ 39,957,496	\$ 45,509,194	\$ 43,073,140	\$ 86,039,071	\$ 83,030,636
Operating grants and contributions	21,242,714	21,811,485	1,000,639	5,108,887	22,243,353	26,920,372
Capital grants and contributions	12,493,459	9,969,031	77,719,463	928,250	90,212,922	10,897,281
General revenues:						
Property taxes	170,244,856	154,947,225	-	-	170,244,856	154,947,225
Other County taxes	5,831,727	5,726,777	-	-	5,831,727	5,726,777
Interest on property taxes	1,258,286	1,131,465	-	-	1,258,286	1,131,465
State replacements	13,744,982	13,456,415	-	-	13,744,982	13,456,415
Use of money and property	4,597,174	3,231,716	1,946,088	992,382	6,543,262	4,224,098
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	777,263	1,097,395	595,273	777,838	1,372,536	1,875,233
Total revenues	270,720,338	251,329,005	126,770,657	50,880,497	397,490,995	302,209,502
Expenses:						
Public safety and legal services	83,348,793	78,520,169	-	-	83,348,793	78,520,169
Physical health and social services	42,640,579	40,425,914	-	-	42,640,579	40,425,914
Mental health	24,067,294	21,978,560	-	-	24,067,294	21,978,560
County environment and education	18,610,621	16,879,257	-	-	18,610,621	16,879,257
Roads and transportation	18,066,871	19,694,797	-	-	18,066,871	19,694,797
Government services to residents	8,489,741	8,411,110	-	-	8,489,741	8,411,110
Administration	44,075,188	38,473,412	-	-	44,075,188	38,473,412
Interest on long-term debt	5,053,602	5,760,430	-	-	5,053,602	5,760,430
Air Quality	-	-	1,222,773	1,345,230	1,222,773	1,345,230
Sanitary Sewer	-	-	1,712,523	1,772,545	1,712,523	1,772,545
Prairie Meadows Racetrack/Casino	-	-	12,154,762	10,602,938	12,154,762	10,602,938
Conservation Enterprises	-	-	460,606	488,317	460,606	488,317
Hamilton Urban Drainage District	-	-	481,026	496,291	481,026	496,291
Iowa Events Center	-	-	28,041,271	27,469,180	28,041,271	27,469,180
Urban Sewer	-	-	72,663	85,705	72,663	85,705
Community Base Case Management	-	-	-	3,994,485	-	3,994,485
Iowa Tax & Tags	-	-	464,909	453,119	464,909	453,119
Total expenses	244,352,689	230,143,649	44,610,533	46,707,810	288,963,222	276,851,459
Excess (deficiency) before transfers	26,367,649	21,185,356	82,160,124	4,172,687	108,527,773	25,358,043
Transfers	5,103,961	7,403,582	(5,103,961)	(7,403,582)	-	-
Increase (decrease) in net position	31,471,610	28,588,938	77,056,163	(3,230,895)	108,527,773	25,358,043
Net position - beginning	150,701,986	122,113,048	234,076,455	237,307,350	384,778,441	359,420,398
Net position- ending	\$ 182,173,596	\$ 150,701,986	\$ 311,132,618	\$ 234,076,455	\$ 493,306,214	\$ 384,778,441

Statement of Activities - Changes in Net Position

Polk County's governmental activities net position increased \$31.5 million during the year. The County reported an excess of revenues over expenses for the year of \$26.4 million. Revenues for governmental activities increased \$19.4 million primarily due to an increase in capital grants and contributions and property tax revenues. The County's expenses were \$34.4 million below budgeted amounts primarily due to construction expenditures lagging the appropriated expenditure schedules for both the Courts Master Plan capitals and Conservation water and land projects. The business-type activities net position increased \$77.1 million during the year primarily due to acquiring Prairie Meadows Leasehold Improvements as noted earlier.

Governmental revenues increased 8% primarily from increased capital grants and contributions and property tax collections. The \$2.5 million increase in capital grants and contributions is primarily due to a \$3.5 million 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 offset by a \$1.4 million decrease in capital contributions for road construction projects. The County also reported a \$1.4 million increase in interest revenue due to an increase in cash balances and rising interest rates. In addition, the County's taxable valuations increased 9.4% resulting in an increase in current property tax revenue.

The fact that 63% 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 6%, including a 15% increase in administration expenses due to increased community and economic development funding, risk management costs, and general administrative expense. In addition, there was a 10% increase in mental health expenses due to increased service costs and utilization. County environment and education expenses increased 10% due to increased spending on housing rehabilitation and development and increased depreciation expense on the new Jester Park Nature Center. Public safety and legal services expenses increased 6% due to a rising inmate population, increased spending on repairs and maintenance at the jail, and increased depreciation expense on the new Criminal Court Annex facility. Physical health and social services expenses increased 5% due to increased spending on general welfare services and services to adults.

The County's expenses cover a range of services, with the largest expenses relating to public safety and legal services (34%), administration (18%), and physical health and social services (17%).

Governmental Activities Revenues for the County's governmental activities increased \$19.4 million (8%), while expenses increased \$14.2 million (6%). Key elements of these changes include the following:

- \$15.3 million (10%) increase in property tax revenue due to a 9.4% increase in taxable valuations.
- \$2.5 million (25%) increase in capital grants and contributions due to 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.
- \$1.4 million (42%) increase in interest revenue due to an increase in cash balances and rising interest rates.
- \$4.8 million (6%) increase in public safety and legal services expense primarily due to a rising inmate population, increased spending on repairs and maintenance at the jail, and an increase in depreciation expense due to completion of the Criminal Court Annex.
- \$2.2 million (5%) increase in physical health and social services expense primarily due to increased spending on general welfare services and services to adults.
- \$2.1 million (10%) increase in mental health expense primarily due to increased service costs and utilization.
- \$1.7 million (10%) increase in county environment and education expense primarily due to increased spending on housing rehabilitation and development and an increase in depreciation expense due to completion of the Jester Park Nature Center.
- \$1.6 million (-8%) decrease in roads and transportation expense primarily due to decreased spending on roadway maintenance as a result of a large invoice that was accrued in the prior year.
- \$5.6 million (15%) increase in administration expense primarily due to increased community and economic development funding, risk management costs, and general administrative expense.

Business-type Activities Revenues for the County's business-type activities increased \$75.9 million (149%) and expenses decreased \$2.1 million (5%). Key elements of these changes include the following:

- Capital grants and contributions increased \$76.8 million primarily due to recording \$77.6 million in leasehold improvements from Prairie Meadows Racetrack/Casino. The improvements reverted to the County upon expiration of the 2011-2018 lease and have been capitalized as "leasehold improvements" in Note 6.
- Operating grants and contributions decreased \$4.1 million primarily due to a decrease in the reimbursements for case management services.
- Charges for services increased \$2.4 million primarily due to an increase in parking income, commissions income, and concession sales at the Iowa Events Center due to holding larger conventions and other events.

- Community Based Case Management expenses decreased \$4 million primarily due to the termination of case management services contracts during the prior year.

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 \$139.7 million at June 30, 2019, which is \$29.7 million more than the prior year. Key elements of these changes include the following:

- The General Fund increased \$12.8 million primarily due to the result of a \$13.9 million increase in property tax revenue due to a 9.4% increase in taxable valuations.
- The Mental Health Special Revenue Fund increased \$2.3 million primarily due to a \$1.9 million transfer that was authorized by legislation.
- The Conservation Water and Land Improvement Capital Projects fund increased \$12 million primarily due to unspent bond proceeds from the 2019 G.O. bond issue at the end of the fiscal year.

Proprietary Funds

Sanitary Treatment Works net position increased \$3.3 million primarily due to a transfer in from the general fund of \$2.6 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 increased \$70.8 million primarily due to acquiring \$77.6 million in leasehold improvements that reverted to the County at the expiration of the 2011-2018 lease as noted previously.

Iowa Events Center net position increased \$1.7 million primarily due to recognizing an increase in revenue from parking, concession sales, and commissions that were generated from larger conventions and other events held during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County’s capital assets for its governmental and business-type activities as of June 30, 2019, amount to \$618 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 increased \$90.9 million during the year. The primary reason for the increase is due to acquiring \$77.6 million in leasehold improvements that reverted to the County at the expiration of the 2011-2018 lease with Prairie Meadows Racetrack/Casino. In addition, the County completed work on the Criminal Court Annex and Jester Park Nature Center projects, made improvements and land acquisitions under the Polk County Water & Land Legacy initiative, made renovations under the Historic Courthouse interior project, continued work on the NW66th Avenue road reconstruction project, completed the Saylor Creek Trunk Sewer Segment 4 project, and completed the tuckpointing at the Iowa Events Center.

Major capital asset events for the year ended June 30, 2019, are as follows:

- Acquisition of Prairie Meadows Racetrack/Casino leasehold improvements - \$77.6 million
- Polk County Water & Land Legacy land acquisitions and improvements - \$11.6 million
- Criminal Court Annex project - \$9.1 million
- NW 66th Avenue road reconstruction - \$4.7 million
- Saylor Creek Trunk Sewer Segment 4 project - \$1.5 million
- Jester Park Nature Center project - \$1.4 million
- Tuckpointing project at Iowa Events Center - \$1 million

Capital assets for the governmental and business-type activities at June 30, 2019 are as follows:

Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 26,070,135	\$ 21,400,626	\$ 18,215,559	\$ 18,215,559	\$ 44,285,694	\$ 39,616,185
Intangibles - permanent easements	-	-	3,322,580	3,322,580	3,322,580	3,322,580
Buildings	223,288,815	172,314,661	328,480,940	324,920,110	551,769,755	497,234,771
Improvements other than buildings	7,279,934	7,146,810	11,571,591	11,492,142	18,851,525	18,638,952
Leasehold improvements	-	-	191,536,328	113,945,115	191,536,328	113,945,115
Infrastructure	129,634,635	128,903,782	34,541,170	34,095,730	164,175,805	162,999,512
Equipment	15,147,633	15,131,251	3,823,300	3,762,417	18,970,933	18,893,668
Vehicles	11,347,305	10,995,643	247,351	247,351	11,594,656	11,242,994
Intangibles - computer software	6,455,002	6,455,002	-	-	6,455,002	6,455,002
Intangible in progress	255,622	-	-	-	255,622	-
Construction in progress	36,720,821	54,776,309	1,998,643	2,953,161	38,719,464	57,729,470
Total	<u>456,199,902</u>	<u>417,124,084</u>	<u>593,737,462</u>	<u>512,954,165</u>	<u>1,049,937,364</u>	<u>930,078,249</u>
Less: accumulated depreciation	(193,542,301)	(183,117,877)	(238,350,299)	(219,848,348)	(431,892,600)	(402,966,225)
Total	<u>\$ 262,657,601</u>	<u>\$ 234,006,207</u>	<u>\$ 355,387,163</u>	<u>\$ 293,105,817</u>	<u>\$ 618,044,764</u>	<u>\$ 527,112,024</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 19/20 capital budget includes spending an estimated \$14 million for the Polk County Historic Courthouse, \$9.6 million for Polk County Water & Land Legacy projects, \$9 million for the first phase of a new public safety administration/law enforcement building, \$4.2 million for capital improvement projects at various County facilities, and \$3 million for technology upgrades. Planned capital outlays for proprietary funds include \$.5 million to complete a sewer lift station and \$.6 million for improvements to the Iowa Events Center.

Long-Term Debt

At June 30, 2019, the County had \$271 million in bonds and notes outstanding, an increase of \$10.4 million compared to FY 17/18. The change in debt is due to the issuance of \$33.9 million of debt to complete the Courts and Conservation projects as authorized by referenda, 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 \$79.3 million at the end of FY18/19. During FY 19/20, Polk County is contemplating refunding \$52.7 million of debt issued in 2015, pending a continued favorable interest rate environment.

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, 2019. 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
	2019	2018	2019	2018	2019	2018	2018-2019
G.O. bonds	\$ 160,757,203	\$ 137,869,387	\$ 85,950,638	\$ 97,059,319	\$ 246,707,841	\$ 234,928,706	5%
Notes payable	835,000	1,273,000	23,686,000	24,605,000	24,521,000	25,878,000	-5%
Total	<u>\$ 161,592,203</u>	<u>\$ 139,142,387</u>	<u>\$ 109,636,638</u>	<u>\$ 121,664,319</u>	<u>\$ 271,228,841</u>	<u>\$ 260,806,706</u>	4%

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 \$34.4 million below final budget amounts. Significant variances include:

- Courts Master Plan capitals were \$16.4 million less than budget, and other capital improvements were \$2.4 million less than budget. 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.
- Community and economic development grant expenditures were \$3.8 million less than budget. The variance is primarily due to timing of planned economic development loan and a large grant reserve being set aside for this purpose, but fewer than anticipated grants actually being awarded.
- Public safety expenses for the Sheriff's department were \$2.9 million less than budget primarily due to timing of a planned radio project upgrade and position vacancies.
- Mental health service expenditures were \$2.6 million less than budget due to utilization and programmatic changes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The financial condition of Polk County government remains strong. Healthy reserves, continued revenue from Prairie Meadows, and significant growth in property valuations have allowed Polk County to maintain services without growth in the tax rate.

For FY 19/20, certified taxable valuations increased 4.8%, resulting in a budgeted increase of \$9 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 19/20, the County estimates state replacement funding of \$6.4 million.

Polk County's budget for FY 19/20 indicates General fund balances will decrease \$1.7 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.

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.