



COUNTY OF POLK
OFFICE OF POLK COUNTY AUDITOR
DES MOINES, IOWA 50309

JAMIE FITZGERALD
COUNTY AUDITOR
COMMISSIONER OF ELECTIONS

ADMINISTRATION BUILDING
111 COURT AVE.
286-3080

December 19, 2019

County Board of Supervisors
County of Polk
Des Moines, Iowa 50309

State law requires that all local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of Polk County (the "County") for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by RSM US LLP, a firm of licensed certified public accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor issued an unmodified opinion on the County's financial statements for the fiscal year ended June 30, 2019, indicating that they were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are in the compliance section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of Polk County

Polk County, located in central Iowa, was formed in 1846. The County, containing Des Moines, West Des Moines, Urbandale, Ankeny and 14 smaller cities, is the largest population center in Iowa. Des Moines is the state capital and has a diverse and vigorous economy. Principal industries include financial services, health care, government, and varied manufacturing. The area has enjoyed a stable economy and moderate growth during the past decade.

The County occupies a land area of 592 square miles and serves a population of 487,204. Polk County is empowered to levy a property tax on real properties located within its boundaries.

Polk County operates under a Board of Supervisors form of government. The Board of Supervisors has both legislative and administrative powers and is the policy-making body for Polk County government. With its authority to adopt legislation and policies for department operations, the Board sets priorities, allocates resources and maintains budgetary control. The Board also appoints individuals or serves on a number of Boards and Commissions that affect all aspects of Polk County. There are five members on the Board of Supervisors, each elected by citizens in one of the five districts. Board members serve overlapping four-year terms, with elections held every two years. The Board elects one of its members annually to chair its activities. The Board is available to its constituency on a full-time basis and can respond to issues of importance to citizens.

Other elected officials operate independently and equally with the Board. These officials are the Auditor, Treasurer, Recorder, Sheriff and County Attorney.

The County provides a broad scope of services to its citizens, operating through various organizational entities ranging from elected departments to administrative departments to appointed commissions. The County provides a full range of services, including public safety, mental health, social services, construction and maintenance of highways, streets, and other infrastructure, and recreational/entertainment event centers.

In addition, the County is financially accountable for a legally separate mental health planning agency, Polk County Health Services, Inc. ("PCHS") and for a legally separate convention center hotel entity, Iowa Event Center Hotel Corporation ("IEC Hotel Corp"). Both of these are reported separately within Polk County's financial statements as discretely presented component units. Additional information on these legally separate entities can be found in Note 1. (A) in the notes to the financial statements.

The annual budget serves as the foundation for the County's financial planning and control. The budget division is responsible for developing a budget proposal to the Board of Supervisors. The proposed budget is presented to the Board in January and February of each year. The Board is required to hold a public hearing on the proposed budget and, by March 15th, certify the budget for the fiscal year beginning July 1st. If an amendment to the budget is needed after certification, the Board approves and publishes an amendment, with a final amendment approved no later than May 31st of the respective fiscal year. The State of Iowa requires passage of an annual budget of total County operating expenditures by major program service areas. Activities of the general fund, special revenue funds, capital projects funds and debt service funds are included in the annual appropriated budget. The legal level of budgetary control is at the total program service area level.

Factors Affecting Financial Condition

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

Local Economy

The current general economic condition of the County is growing. The population continues to grow at a moderate pace, up approximately 13% since 2010, to 487,204 in 2019. Unemployment is approximately 2.7%, which is higher than the state level of 2.4% and lower than the national level of 3.8%. Other economic indicators are also steady. The County remains the primary center of economic activity in Central Iowa and the State although adjoining counties, specifically Dallas County to the west, are experiencing significant new development.

Major Initiatives

County Judicial System Public Safety Improvements

The Polk County Courthouse built in 1906 was originally designed for four courtrooms. Before renovations began, there were 28 courtrooms in the historic Courthouse with Polk County providing an additional 23,700 square feet of leased space at two locations. Following a study conducted by the National Center for State Courts, the County developed a three-stage, nine-year Master Plan to increase court space, centralize court services and enhance security. The Master Plan included renovation of the old main jail for criminal courts; a recently purchased office building to be renovated into a Justice Center for County Attorney, Magistrate (small claims, traffic), juvenile and clerk storage functions; and the much needed interior/exterior renovation of the historic courthouse for civil, probate and family courts. A referendum to issue up to \$81 million of bonds to address these needs was approved by Polk County voters in November 2013.

Currently, the Justice Center office space has been renovated with all staff relocated to this new space in October 2016. This move has eliminated the use of all leased space for the Polk County court functions, resulting in significant savings. Exterior renovation of the historic Courthouse was completed in October 2014. Construction is completed at the Criminal Courts building, and renovation/restoration for the interior of the historic Courthouse has begun. The anticipated completion date of all phases is the summer of 2021.

Iowa Events Center Hotel

The Iowa Events Center is owned by Polk County and consists of Wells Fargo Arena, HyVee Hall, and Community Choice Credit Union Convention Center. The venues have been successful in drawing first class entertainment to Central Iowa, and last year returned nearly \$2 million to Polk County for the fourth year in a row. As successful as the Iowa Events Center has been, it is well documented that the venues had been passed over for certain conventions, sporting events, expos, trade shows and conferences because of a lack of a convention center hotel.

The prospect of a convention center hotel became a reality in February 2016 when the State of Iowa gave preliminary approval for committing Iowa Reinvestment Act funds to a convention center hotel attached to the Iowa Events Center, and financial commitments were made by Polk County, the City of Des Moines and private businesses. The hotel will be owned and operated by a non-profit organization, the IEC Hotel Corporation, that will ensure that profits from the hotel are reinvested back into the community. Construction on the hotel began in the spring of 2016. The 330 Hilton Hotel opened in the spring of 2018 and has been performing as expected.

Polk County Water and Land Legacy Projects

In November 2012, voters supported the \$50 million Polk County Water and Land Legacy (PCWLL) Bond, passing the measure by 72%. Conservation projects to be addressed include improved water quality, wildlife habitat protection, connected communities by means of trails and greenways, revitalized parks, outdoor recreation and education opportunities. Of \$50 million authorized debt, \$50 million has been issued as of June 30, 2019. In addition to bond proceeds, Conservation has also received \$6.0 million in grants and other contributions.

The Polk County Conservation Board completed nearly \$41 million of conservation projects by November 2019, and an additional \$4 million are underway for fiscal year 2019/2020. The remaining \$5 million of projects have been authorized to continue addressing conservation needs over the next few years. Conservation plans to have all projects completed by 2022.

NW 66th Avenue/ Kempton Bridge Reconstruction Project

The NW 66th Avenue/Kempton Bridge Reconstruction project was completed in 2019. The \$25 million project was a joint effort with the City of Johnston to increase the capacity of NW 66th Avenue by reconstructing the rural 2-lane roadway design to an urban 4-lane roadway with a multi-use trail. The project also includes replacing the 56-year-old two-lane bridge over the Des Moines River. NW 66th Avenue is the only major roadway crossing of the Des Moines River between I-80 and the Mile Long Bridge over Saylorville Lake, so this corridor and bridge are critical to economic development and viability of the northern metro area.

The next segment of the planned improvements to this corridor includes the widening of NW 26th St. from NW 66 Ave. to Oralabor Road, from a two-lane roadway to a 5-lane roadway with recreational trail and bike lanes. Construction is planned to begin in late 2020 with an estimated cost of \$6.5 million.

Broadway Avenue Multi-Modal Improvements Project

This project is comprised of converting the existing 2-lane rural design of a significant minor arterial roadway to an urban three-lane roadway to match its current use. The project will improve the safety and transportation network reliability for the dozens of industries, their thousands of employees, and local residents that use this corridor every day. This project also includes the construction of an underpass structure below a dual track rail crossing owned and operated by the Union Pacific Railroad Co. The profile geometry and sight distance restrictions of the existing at-grade crossings are unsafe and result in frequent vehicle accidents in addition to traffic delays each day. Polk County will work with the City of Des Moines, Des Moines Area MPO, Iowa Department of Transportation, Union Pacific Railroad, and our business partners to secure the project funding which is estimated to cost \$40 million. This project will be constructed in several phases with the first phase scheduled for construction in 2024.

Watershed Management Authorities

Polk County is involved in the Watershed Management Authorities (WMA) within the region to develop long term management plans for each of the respective watersheds to reduce flooding risks, improve water quality, and educate the public. The Watershed Management Authorities are bringing together cities, counties, and Soil and Water Conservation Districts within each watershed. Polk County has assisted in forming and serving on the boards for a number of WMAs. A key component to each watershed is improving the water quality within the watershed and eliminating development within the flood plain to protect the County's tax base and make all member communities more sustainable for growth. Flooding, nutrient pollution, and stream bank erosion are the primary concerns within each of the watersheds.

Lower Fourmile Creek Greenway Master Plan

The Lower Fourmile Creek Greenway Master Plan is a joint effort between Polk County, Polk County Conservation, City of Des Moines, and City of Pleasant Hill. The master plan is a result of findings from the Fourmile Creek Watershed Management Authority plan to improve water quality, protect the greenway, and reduce flooding.

Over \$12.5 million has been invested to acquire numerous parcels for restoration and management. In conjunction with the 40-acre Strasser Woods Forest Preserve, this greenway is the County's third largest conservation area at 712 acres. The area is currently being improved with projects such as oxbow restorations, stormwater wetlands, stream bank stabilization, timber stand improvements and prairie restoration.

Operational and Budget Management

Polk County is continuing to develop strategies for improving service quality and efficiency. The Board of Supervisors initiated a strategic planning process several years ago that focused on achieving balanced growth, addressing mental health service delivery costs, offering affordable housing, and protecting the County's investment in the Iowa Events Center. Significant strides have been made towards these priorities, particularly pursuant to continued capital investments in the Iowa Events Center arena and construction of a convention hotel.

The Board continues to improve efficiency by enhancing intergovernmental communications through its membership in the Metropolitan Advisory Council. The council consists of mayors, council members and County supervisors within the metropolitan area who meet to discuss such issues as shared services, planning, and infrastructure. Shared successes have included regional use of the uniform building code and nuisance and vicious animal ordinances. The Board of Supervisors and the Des Moines City Council continue to dialogue about cost efficiencies and service improvements between the two governments.

It is anticipated that during the upcoming year, fund balances will be at a level consistent with the County's adopted financial policies. These strong reserves enhance the County's ability to manage upcoming challenges and enable the County to maintain its AAA bond rating. Nonetheless, the County remains cognizant of the need to serve citizens in the most cost-effective manner possible.

Long-term Financial Planning

The Board has developed and implemented a fiscal policy and three-year budget forecast. These financial practices enable management to identify fiscal threats while sufficient time exists to make adjustments in revenue and expenditures. Additionally, Polk County initiated a five-year capital improvement plan (CIP) that assists the Board with long-term capital planning.

Awards and Acknowledgements

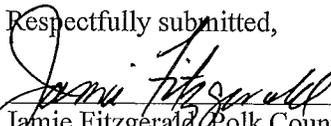
The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. A Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

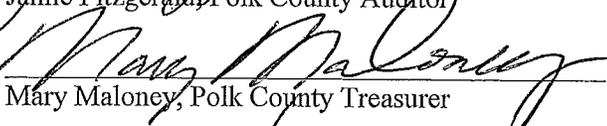
A Certificate of Achievement is valid for a period of one year only. Polk County has received a Certificate of Achievement for the last twenty-five consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for their review.

The preparation of this report could not have been accomplished without the dedicated efforts of the employees of the offices of the County Auditor and County Treasurer. We also would like to thank the members of the Board of Supervisors for their interest and support in timely and comprehensive financial reporting.

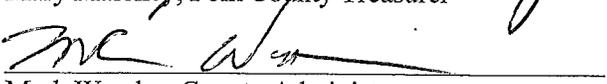
Respectfully submitted,



Jamie Fitzgerald, Polk County Auditor



Mary Maloney, Polk County Treasurer



Mark Wandro, County Administrator

POLK COUNTY, IOWA

OFFICIALS

Name	Title	Term Expires
John Sarcone	County Attorney	2022
Jamie Fitzgerald	County Auditor	2020
Julie Haggerty	County Recorder	2022
Mary Maloney	County Treasurer	2022
Kevin Schnieder	County Sheriff	2020*
Randy Ripperger	County Assessor	2021*
Robert Brownell	Board of Supervisors	2020
Angela Connolly	Board of Supervisors	2022
Steve Van Oort	Board of Supervisors	2020
Tom Hockensmith	Board of Supervisors	2022
Matt McCoy	Board of Supervisors	2022

* Appointed

POLK COUNTY ORGANIZATION

COUNTY CONFERENCE BOARD
 Polk County Board of Supervisors,
 representative from Board of Education-
 each school district, all Mayors of cities.

COUNTY ASSESSOR

POLK COUNTY ELECTORATE

COUNTY AUDITOR
 J. Fitzgerald

COUNTY TREASURER
 M. Maloney

COUNTY RECORDER
 J. Haggerty

BOARD OF SUPERVISORS
 R. Brownell, A. Connolly,
 T. Hockensmith,
 M. McCoy, S. Van Oort

COUNTY ATTORNEY
 J. Sarcone

COUNTY SHERIFF
 K. Schneider

CONSERVATION BOARD

EMERGENCY MANAGEMENT

HEALTH SERVICES CORPORATION

VETERAN AFFAIRS

COUNTY ADMINISTRATOR
 M. Wandro

MEDICAL EXAMINER
 Dr. Schmunk

GENERAL SERVICES
 J. Rowen

PUBLIC WORKS
 R. Rice

PUBLIC HEALTH
 H. Eddy

COMMUNITY, FAMILY & YOUTH SERVICES
 B. Devine

INFORMATION TECHNOLOGY
 T. Jefferson

HUMAN RESOURCES
 J. Nahas

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Government Finance Officers Association

Certificate of
Achievement
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in Financial
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Presented to

Polk County
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

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Independent Auditor's Report

Board of Supervisors
Polk County, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Polk County, Iowa, (the County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the County, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the total other postemployment benefit (OPEB) liability schedule, the Iowa Public Employees Retirement System pension plan schedules and the budgetary comparison schedule, as listed in the table of contents, 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 nonmajor fund financial statements and other schedules and the accompanying schedule of federal awards as required by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory, statistical, and other regulatory reports sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

RSM US LLP

Des Moines, Iowa
December 19, 2019

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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.

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POLK COUNTY, IOWA

**Statement of Net Position
June 30, 2019**

	Primary Government			Component Units Total
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and pooled investments	\$ 132,798,839	\$ 27,886,189	\$ 160,685,028	\$ 6,622,842
Receivables (net)	13,975,762	25,891,155	39,866,917	669,325
Due from component units	28,170	88,165	116,335	-
Advances to component units	-	27,750,000	27,750,000	-
Internal balances	4,090,113	(4,090,113)	-	-
Inventories	1,632,579	117,639	1,750,218	30,479
Prepaid items	782,223	165,164	947,387	260,610
Restricted assets - cash and pooled investments	26,851,613	619,985	27,471,598	10,427,712
Succeeding year property taxes receivable	191,105,320	-	191,105,320	-
Capital assets not being depreciated	63,046,578	23,536,782	86,583,360	1,338,040
Capital assets being depreciated, net	199,611,023	331,850,381	531,461,404	101,493,317
TOTAL ASSETS	633,922,220	433,815,347	1,067,737,567	120,842,325
DEFERRED OUTFLOWS OF RESOURCES	22,224,200	445,264	22,669,464	-
LIABILITIES				
Accounts payable and other current liabilities	15,976,160	8,668,297	24,644,457	2,299,462
Due to primary government	-	-	-	123,321
Interest payable	471,882	270,142	742,024	2,711,766
Unearned revenues	267,753	865,570	1,133,323	96,803
Advance deposits and ticket sales	-	645,375	645,375	-
Due within one year:				
General obligation bonds payable	16,101,947	11,533,681	27,635,628	-
Notes payable	440,000	950,000	1,390,000	-
Capital leases payable	623,102	-	623,102	-
Compensated absences payable	2,385,666	104,362	2,490,028	57,535
Estimated liability for claims and judgments	6,149,100	-	6,149,100	-
Certificate of participation	-	-	-	605,333
Due in more than one year:				
General obligation bonds payable	144,655,256	74,416,957	219,072,213	-
Notes payable	395,000	22,736,000	23,131,000	-
Capital leases payable	106,166	-	106,166	-
Compensated absences payable	14,816,476	213,910	15,030,386	18,696
Estimated liability for claims and judgments	4,925,000	-	4,925,000	-
Total OPEB liability	12,948,000	-	12,948,000	-
Net pension liability	54,210,562	1,068,477	55,279,039	-
Certificate of participation	-	-	-	63,050,667
Certificate of participation - due to primary government	-	-	-	27,750,000
Derivative instruments - interest rate swaps	-	-	-	1,407,723
Due to manager - Hilton Management, LLC	-	-	-	2,850,000
TOTAL LIABILITIES	274,472,070	121,472,771	395,944,841	100,971,306
DEFERRED INFLOWS OF RESOURCES	199,500,754	1,655,222	201,155,976	-
NET POSITION				
Net investment in capital assets	141,619,244	261,586,814	403,206,058	11,425,357
Restricted for:				
Capital improvements	-	619,985	619,985	-
Debt service	1,407,860	-	1,407,860	-
Enabling legislation - State Statutes	7,241,808	-	7,241,808	-
PCHS/Foundation	-	-	-	2,414,139
IEC Hotel Corporation	-	-	-	5,320,909
Unrestricted (deficit)	31,904,684	48,925,819	80,830,503	710,614
TOTAL NET POSITION	\$ 182,173,596	\$ 311,132,618	\$ 493,306,214	\$ 19,871,019

POLK COUNTY, IOWA

Statement of Activities
For the Year Ended June 30, 2019

Function/Program	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	Total
Primary government:								
Governmental activities:								
Public safety and legal services	\$ 83,348,793	\$ 20,313,908	\$ 1,708,382	\$ -	\$ (61,326,503)	\$ -	\$ (61,326,503)	\$ -
Physical health and social services	42,640,579	1,427,520	11,799,241	-	(29,413,818)	-	(29,413,818)	-
Mental health	24,067,294	5,692,061	-	-	(18,375,233)	-	(18,375,233)	-
County environment and education	18,610,621	2,009,876	183,954	6,872,382	(9,544,409)	-	(9,544,409)	-
Roads and transportation	18,066,871	796,889	7,408,552	5,621,077	(4,240,353)	-	(4,240,353)	-
Government services to residents	8,489,741	8,488,177	-	-	(1,564)	-	(1,564)	-
Administration	44,075,188	1,746,943	142,585	-	(42,185,660)	-	(42,185,660)	-
Interest on long-term debt	5,053,602	54,503	-	-	(4,999,099)	-	(4,999,099)	-
Total governmental activities	244,352,689	40,529,877	21,242,714	12,493,459	(170,086,639)	-	(170,086,639)	-
Business-type activities:								
Air Quality	1,222,773	392,685	861,788	-	-	31,700	31,700	-
Sanitary Sewer	1,712,523	1,252,629	-	-	-	(459,894)	(459,894)	-
Prairie Meadows Racetrack/Casino	12,154,762	26,077,019	-	77,591,213	-	91,513,470	91,513,470	-
Conservation Enterprises	460,606	287,451	-	-	-	(173,155)	(173,155)	-
Hamilton Urban Drainage District	481,026	118,114	4,947	-	-	(357,965)	(357,965)	-
Iowa Events Center	28,041,271	17,133,251	103,557	128,250	-	(10,676,213)	(10,676,213)	-
Urban Sewer	72,663	-	-	-	-	(72,663)	(72,663)	-
Community Based Case Management	-	-	30,347	-	-	30,347	30,347	-
Iowa Tax & Tags	464,909	248,045	-	-	-	(216,864)	(216,864)	-
Total business-type activities	44,610,533	45,509,194	1,000,639	77,719,463	-	79,618,763	79,618,763	-
Total primary government	\$ 288,963,222	\$ 86,039,071	\$ 22,243,353	\$ 90,212,922	(170,086,639)	79,618,763	(90,467,876)	-
Component units:								
PCHS	\$ 3,107,512	\$ 1,357,931	\$ 1,611,600	\$ -				(137,981)
IEC Hotel Corp	22,179,369	11,396,321	3,135,848	20,069,141				12,421,941
Total	\$ 25,286,881	\$ 12,754,252	\$ 4,747,448	\$ 20,069,141				12,283,960
General revenues:								
Property taxes					170,244,856	-	170,244,856	-
Other county taxes					5,831,727	-	5,831,727	-
Interest and penalties on property taxes					1,258,286	-	1,258,286	-
State tax credits and replacements against levied property taxes					13,744,982	-	13,744,982	-
Interest income					4,597,174	1,946,088	6,543,262	128,512
Gain on sale of capital assets					-	-	-	73,044
Miscellaneous					777,263	595,273	1,372,536	48,401
Transfers					5,103,961	(5,103,961)	-	-
Total general revenues and transfers					201,558,249	(2,562,600)	198,995,649	249,957
Change in net position					31,471,610	77,056,163	108,527,773	12,533,917
Net position - beginning					150,701,986	234,076,455	384,778,441	7,337,102
Net position - ending					\$ 182,173,596	\$ 311,132,618	\$ 493,306,214	\$ 19,871,019

See Notes to Basic Financial Statements

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POLK COUNTY, IOWA

**Balance Sheet
Governmental Funds
June 30, 2019**

	General	Mental Health	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments	\$ 79,780,518	\$ 4,100,515	\$ 32,274,176	\$ 116,155,209
Restricted assets - cash and pooled investments	-	-	26,851,613	26,851,613
Receivables (net):				
Taxes	403,275	41,595	87,460	532,330
Succeeding year property taxes	146,740,262	14,874,092	29,490,966	191,105,320
Special assessments	183,410	-	10,208	193,618
Accounts	301,021	-	70,532	371,553
Notes	2,801,060	-	-	2,801,060
Accrued interest	624,505	-	41,244	665,749
Due from other funds	441,774	44,779	86,969	573,522
Due from other governments	6,833,669	-	972,314	7,805,983
Due from component units	-	28,170	-	28,170
Advances to other funds	3,517,168	-	-	3,517,168
Inventories	568,084	-	1,064,495	1,632,579
Prepaid items	742,843	-	30,088	772,931
TOTAL ASSETS	\$ 242,937,589	\$ 19,089,151	\$ 90,980,065	\$ 353,006,805
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,726,779	\$ 644,804	\$ 6,812,236	\$ 10,183,819
Wages payable	1,769,114	-	96,558	1,865,672
Payroll taxes payable	295,225	-	16,088	311,313
Compensated absences payable	2,708,024	-	-	2,708,024
Estimated liability for claims and judgments	379,000	-	-	379,000
Due to other funds	577	-	-	577
Due to other governments	3,362,959	-	-	3,362,959
Trust payable	87,566	-	-	87,566
Unearned revenues	267,753	-	-	267,753
TOTAL LIABILITIES	11,596,997	644,804	6,924,882	19,166,683
DEFERRED INFLOWS OF RESOURCES	149,355,724	14,960,218	29,793,333	194,109,275
Fund balances:				
Nonspendable	4,646,907	-	1,094,583	5,741,490
Restricted	-	3,484,129	41,904,349	45,388,478
Committed	3,602,523	-	12,874,590	16,477,113
Unassigned	73,735,438	-	(1,611,672)	72,123,766
TOTAL FUND BALANCES	81,984,868	3,484,129	54,261,850	139,730,847
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 242,937,589	\$ 19,089,151	\$ 90,980,065	\$ 353,006,805

See Notes to Basic Financial Statements

POLK COUNTY, IOWA

**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2019**

Fund balances - total governmental funds	\$	139,730,847
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets	\$	456,199,902
Accumulated depreciation		<u>(193,542,301)</u>
		262,657,601
Interest payable on long-term obligations that does not require current financial resources and therefore is not reported in the funds.		
		(471,882)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		14,086,460
Revenues and other financing sources that are not available to pay for current period expenditures in the funds.		
Property taxes		528,466
Special assessments		192,422
Accounts receivable		107,346
Due from other governments		1,602,776
Due from other funds (Prairie Meadows property taxes)		<u>572,945</u>
		3,003,955
Long-term receivables are not available to pay for current period expenditures and therefore are not reported in the funds:		
Notes Receivable (Aviation Authority)		780,000
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:		
Deferred outflows of resources		22,224,200
Deferred inflows of resources (Pension)		(7,322,656)
Deferred inflows of resources (OPEB)		(268,411)
Deferred inflows of resources (Gain on refunding)		(804,367)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable		(160,757,203)
Notes payable		(835,000)
Capital leases payable		(729,268)
Compensated absences payable		(14,494,118)
Estimated liability for claims and judgments		(7,468,000)
Total OPEB liability		(12,948,000)
Net pension liability		<u>(54,210,562)</u>
Net position of governmental activities	\$	<u><u>182,173,596</u></u>

POLK COUNTY, IOWA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019**

	General	Mental Health	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 129,558,944	\$ 13,661,912	\$ 27,015,637	\$ 170,236,493
Other County taxes	4,459,310	367,280	1,005,137	5,831,727
Interest and penalties on delinquent taxes	1,258,286	-	-	1,258,286
Intergovernmental	37,276,901	6,807,657	15,962,487	60,047,045
Licenses and permits	1,050,901	-	133,440	1,184,341
Charges for services	16,345,856	-	859,107	17,204,963
Use of money and property	6,978,275	-	736,149	7,714,424
Miscellaneous	1,361,741	370,166	609,756	2,341,663
TOTAL REVENUES	198,290,214	21,207,015	46,321,713	265,818,942
EXPENDITURES:				
Current:				
Public safety and legal services	77,830,924	-	1,545,521	79,376,445
Physical health and social services	40,192,620	-	1,262	40,193,882
Mental health	3,171,666	20,895,628	-	24,067,294
County environment and education	14,484,768	-	1,294,441	15,779,209
Roads and transportation	860,504	-	11,338,362	12,198,866
Government services to residents	7,720,538	-	250,131	7,970,669
Administration	39,245,415	-	-	39,245,415
Debt service:				
Principal	-	-	14,223,000	14,223,000
Interest and fiscal charges	-	-	5,088,006	5,088,006
Capital projects:				
Roadway construction	-	-	4,147,518	4,147,518
Conservation land acquisition and development	258,181	-	14,496,712	14,754,893
Other capital projects	-	-	21,253,993	21,253,993
TOTAL EXPENDITURES	183,764,616	20,895,628	73,638,946	278,299,190
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,525,598	311,387	(27,317,233)	(12,480,248)
OTHER FINANCING SOURCES (USES):				
Transfers in	14,439,883	1,990,000	10,758,627	27,188,510
Transfers out	(16,323,706)	-	(6,340,843)	(22,664,549)
Issuance of capital leases	161,127	-	-	161,127
Issuance of bonds	-	-	33,925,000	33,925,000
Premium/(discount) on bonds issued	-	-	3,813,421	3,813,421
TOTAL OTHER FINANCING SOURCES (USES)	(1,722,696)	1,990,000	42,156,205	42,423,509
NET CHANGE IN FUND BALANCES	12,802,902	2,301,387	14,838,972	29,943,261
FUND BALANCE, BEGINNING	69,195,925	1,182,742	39,619,116	109,997,783
Change in inventory reserve	(13,959)	-	(196,238)	(210,197)
FUND BALANCE, ENDING	\$ 81,984,868	\$ 3,484,129	\$ 54,261,850	\$ 139,730,847

See Notes to Basic Financial Statements

POLK COUNTY, IOWA

**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, 2019**

Net change in fund balances - total governmental funds	\$	29,943,261
Amounts reported for governmental activities in the statement of net position are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. The following is the detail of the amount by which capital outlays and capital contributions exceed depreciation/amortization in the current year:</p>		
Capital outlays		34,439,663
Capital contribution		6,330,776
Depreciation/amortization expense		(12,119,045)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Change in deferred inflows of resources		(1,178,463)
Collection of long-term receivable (Aviation Authority) recognized as revenue in the governmental funds		(385,000)
<p>The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.</p>		
		9,117,251
<p>Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.</p>		
Change in estimated liabilities for claims and judgments		(3,730,000)
Change in compensated absences		106,598
Pension expense		(9,226,960)
OPEB expense		(786,785)
<p>Debt proceeds provide current financial resources to governmental funds. Issuing debt increases long-term liabilities in the government-wide statement of net position. Repayments are an expenditure in the governmental funds. Repayment reduces long-term liabilities in the government-wide statement of net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Change in capital leases		450,312
Payments on long-term bonds		13,785,000
Payments on long-term notes		438,000
Proceeds on long-term debt		(33,925,000)
Premium/(discount) on the issuance of debt		(3,813,421)
Amortization of bond premium/(discount)		1,065,605
Amortization of gain on refunding of debt		107,242
<p>Interest expense on long-term debt is reported in the government-wide statement of activities.</p>		
<p>Interest payable does not require the use of current financial resources. This related interest expense is not reported as an expenditure in the governmental funds.</p>		
Change in interest payable on debt		(72,838)
<p>Internal service funds are used by management to charge the costs of insurance. The change in net position is reported with governmental activities.</p>		
		1,135,611
<p>Inventory in the governmental funds has been recorded as an expenditure when paid, however, the statement of activities will not report these items as expenditures until the period when the corresponding net position is exhausted.</p>		
		<u>(210,197)</u>
Change in net position of governmental activities	\$	<u><u>31,471,610</u></u>

POLK COUNTY, IOWA

Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds			
	Sanitary Sewer	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and pooled investments	\$ 8,231,706	\$ 7,681,146	\$ 8,441,395	\$ 3,531,942
Restricted assets - cash and pooled investments	-	-	619,985	-
Receivables (net):				
Accounts	207,149	-	5,439,310	150,681
Notes	656,436	-	-	119,737
Accrued interest	-	15,873	3,059	-
Due from other governments	45,561	94,272	1,003,557	236,974
Due from component units	-	-	88,165	-
Inventories	-	-	117,639	-
Prepaid items	-	-	165,164	-
Total current assets	9,140,852	7,791,291	15,878,274	4,039,334
Noncurrent assets:				
Receivables (net):				
Special assessments	5,326	-	-	5,136
Notes	14,165,896	-	-	3,742,188
Advances to component units	-	27,750,000	-	-
Capital assets not being depreciated	2,598,254	3,129,000	13,914,413	3,895,115
Capital assets being depreciated, net	13,413,537	146,223,189	159,134,263	13,079,392
Total noncurrent assets	30,183,013	177,102,189	173,048,676	20,721,831
TOTAL ASSETS	39,323,865	184,893,480	188,926,950	24,761,165
DEFERRED OUTFLOW OF RESOURCES	-	-	29,970	415,294
LIABILITIES				
Current liabilities:				
Accounts payable	39,885	-	4,327,088	37,328
Wages payable	-	-	200,724	22,790
Payroll taxes payable	-	-	15,355	3,800
Interest payable	46,114	-	215,368	8,660
Estimated liability for claims and judgments	-	-	-	-
Due to other funds	-	572,945	-	-
Due to other governments	-	4,021,327	-	-
Advance deposits and ticket sales	-	-	645,375	-
Unearned revenues	-	-	865,570	-
General obligation bonds payable	-	-	11,210,147	323,534
Notes payable	950,000	-	-	-
Advances from other funds	-	-	-	239,828
Compensated absences payable	-	-	88,472	15,890
Total current liabilities	1,035,999	4,594,272	17,568,099	651,830
Noncurrent liabilities:				
General obligation bonds payable	-	-	72,220,754	2,196,203
Notes payable	22,736,000	-	-	-
Advances from other funds	-	-	-	3,277,340
Compensated absences payable	-	-	-	213,910
Net pension liability	-	-	72,434	996,043
Total noncurrent liabilities	22,736,000	-	72,293,188	6,683,496
TOTAL LIABILITIES	23,771,999	4,594,272	89,861,287	7,335,326
DEFERRED INFLOWS OF RESOURCES	-	-	1,509,562	145,660
NET POSITION				
Net investment in capital assets	7,148,123	149,352,189	88,111,995	16,974,507
Restricted for capital improvements	-	-	619,985	-
Unrestricted	8,403,743	30,947,019	8,854,091	720,966
TOTAL NET POSITION	\$ 15,551,866	\$ 180,299,208	\$ 97,586,071	\$ 17,695,473

See Notes to Basic Financial Statements

Total	Governmental Activities- Internal Service Funds
\$ 27,886,189	\$ 16,643,630
619,985	-
5,797,140	808,444
776,173	-
18,932	8,385
1,380,364	8,640
88,165	-
117,639	-
165,164	9,292
<u>36,849,751</u>	<u>17,478,391</u>
10,462	-
17,908,084	-
27,750,000	-
23,536,782	-
331,850,381	-
<u>401,055,709</u>	<u>-</u>
<u>437,905,460</u>	<u>17,478,391</u>
445,264	-
4,404,301	164,831
223,514	-
19,155	-
270,142	-
-	3,227,100
572,945	-
4,021,327	-
645,375	-
865,570	-
11,533,681	-
950,000	-
239,828	-
104,362	-
<u>23,850,200</u>	<u>3,391,931</u>
74,416,957	-
22,736,000	-
3,277,340	-
213,910	-
1,068,477	-
<u>101,712,684</u>	<u>-</u>
<u>125,562,884</u>	<u>3,391,931</u>
1,655,222	-
261,586,814	-
619,985	-
<u>48,925,819</u>	<u>14,086,460</u>
<u>\$ 311,132,618</u>	<u>\$ 14,086,460</u>

POLK COUNTY, IOWA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			
	Sanitary Sewer	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Nonmajor Enterprise Funds
OPERATING REVENUES:				
Charges for goods and services:				
Charges for services	\$ 1,252,629	\$ 15,750,000	\$ 3,109,000	\$ 758,844
Intergovernmental revenues	-	-	103,557	897,082
Project income	-	10,327,019	790,000	-
Parking income	-	-	1,004,675	-
Concession sales	-	-	8,369,585	-
Commissions income	-	-	3,318,707	287,451
PFMS user fee on ticket sales	-	-	541,284	-
Miscellaneous	37,319	-	387,653	170,301
Total operating revenues	1,289,948	26,077,019	17,624,461	2,113,678
OPERATING EXPENSES:				
Cost of goods and services:				
Personal services	101,751	-	3,214,792	1,457,775
Supplies	-	-	542,952	76,522
Professional services	91,755	-	182,417	152,862
Other services/charges	388,150	4,500,000	3,964,275	251,555
Insurance	-	-	167,999	-
Direct event expense	-	-	2,568,532	-
Cost of goods sold - concession	-	-	5,161,332	-
Management expense	-	-	262,200	-
Miscellaneous	12,637	-	-	16,244
Amortization of discount (premium)	-	-	(595,147)	(48,534)
Depreciation	501,856	7,654,762	9,704,916	657,188
Total operating expenses	1,096,149	12,154,762	25,174,268	2,563,612
OPERATING INCOME (LOSS)	193,799	13,922,257	(7,549,807)	(449,934)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	541,419	1,087,996	73,717	242,956
Interest expense	(616,374)	-	(2,867,003)	(138,365)
Total nonoperating revenues (expenses)	(74,955)	1,087,996	(2,793,286)	104,591
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	118,844	15,010,253	(10,343,093)	(345,343)
CAPITAL CONTRIBUTIONS AND TRANSFERS:				
Capital contributions from others	-	77,591,213	128,250	-
Transfers in	3,186,310	-	11,936,186	1,686,752
Transfers out	-	(21,814,571)	-	(98,638)
Total capital contributions and transfers	3,186,310	55,776,642	12,064,436	1,588,114
CHANGE IN NET POSITION	3,305,154	70,786,895	1,721,343	1,242,771
NET POSITION - BEGINNING	12,246,712	109,512,313	95,864,728	16,452,702
NET POSITION - ENDING	\$ 15,551,866	\$ 180,299,208	\$ 97,586,071	\$ 17,695,473

See Notes to Basic Financial Statements

Total	Governmental Activities- Internal Service Funds
\$ 20,870,473	\$ 21,898,333
1,000,639	-
11,117,019	-
1,004,675	-
8,369,585	-
3,606,158	-
541,284	-
595,273	192,849
<u>47,105,106</u>	<u>22,091,182</u>
4,774,318	-
619,474	-
427,034	-
9,103,980	72,578
167,999	21,597,076
2,568,532	-
5,161,332	-
262,200	-
28,881	-
(643,681)	-
18,518,722	-
<u>40,988,791</u>	<u>21,669,654</u>
<u>6,116,315</u>	<u>421,528</u>
1,946,088	134,083
(3,621,742)	-
<u>(1,675,654)</u>	<u>134,083</u>
<u>4,440,661</u>	<u>555,611</u>
77,719,463	-
16,809,248	5,037,735
(21,913,209)	(4,457,735)
<u>72,615,502</u>	<u>580,000</u>
77,056,163	1,135,611
<u>234,076,455</u>	<u>12,950,849</u>
<u>\$ 311,132,618</u>	<u>\$ 14,086,460</u>

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	Business-type Activities-Enterprise Funds		
	Sanitary Sewer	Prairie Meadows Racetrack/ Casino	Iowa Events Center
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,237,076	\$ -	\$ 16,024,203
Cash received from operating grants	-	-	-
Cash received from racetrack/casino	-	26,194,461	-
Cash paid to suppliers for goods and services	(478,141)	(4,617,442)	(11,238,473)
Cash paid to employees	(101,751)	-	(3,321,996)
Net cash flows from operating activities	<u>657,184</u>	<u>21,577,019</u>	<u>1,463,734</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Negative cash balance implicitly financed	-	-	-
Disbursements for due to component unit	-	-	(54,092)
Proceeds from advance from other funds	-	-	-
Repayment on advance from other funds	-	-	-
Transfers in	3,186,310	-	11,936,186
Transfers out	-	(21,814,571)	-
Net cash flows from noncapital financing activities	<u>3,186,310</u>	<u>(21,814,571)</u>	<u>11,882,094</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on long-term debt	(919,000)	-	(10,200,000)
Interest paid on long-term debt	(620,869)	-	(2,899,420)
Capital contributions from others	-	-	128,250
Purchase of capital assets	(2,027,049)	-	(1,051,498)
Repayments on capital note receivable	627,329	-	-
Net cash flows from capital and related financing activities	<u>(2,939,589)</u>	<u>-</u>	<u>(14,022,668)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	541,419	1,081,147	75,206
Net cash flows from investing activities	<u>541,419</u>	<u>1,081,147</u>	<u>75,206</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,445,324	843,595	(601,634)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,786,382	6,837,551	9,663,014
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,231,706	\$ 7,681,146	\$ 9,061,380

Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
\$ 1,686,187	\$ 18,947,466	\$ 21,673,251
867,076	867,076	-
-	26,194,461	-
(656,211)	(16,990,267)	(20,008,585)
(1,533,695)	(4,957,442)	-
363,357	24,061,294	1,664,666
(2,714,995)	(2,714,995)	-
-	(54,092)	-
3,775,000	3,775,000	-
(257,832)	(257,832)	-
1,686,752	16,809,248	5,037,735
(98,638)	(21,913,209)	(4,457,735)
2,390,287	(4,355,880)	580,000
(265,000)	(11,384,000)	-
(139,418)	(3,659,707)	-
-	128,250	-
(877,564)	(3,956,111)	-
112,930	740,259	-
(1,169,052)	(18,131,309)	-
242,956	1,940,728	131,208
242,956	1,940,728	131,208
1,827,548	3,514,833	2,375,874
1,704,394	24,991,341	14,267,756
\$ 3,531,942	\$ 28,506,174	\$ 16,643,630

(continued)

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	Business-type Activities-Enterprise Funds		
	Sanitary Sewer	Prairie Meadows Racetrack/ Casino	Iowa Events Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 193,799	\$ 13,922,257	\$ (7,549,807)
Components of operating income (loss) not included in operating activities:			
Depreciation	501,856	7,654,762	9,704,916
Amortization	-	-	(595,147)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	6,444	-	-
(Increase) decrease in accounts receivable	(13,755)	-	(2,367,502)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in due from other governments	(45,561)	117,442	397,891
(Increase) decrease in inventories	-	-	(10,069)
(Increase) decrease in prepaid items	-	-	(35,777)
(Increase) decrease in deferred outflows of resources	-	-	650
Increase (decrease) in accounts payable	14,401	-	1,657,080
Increase (decrease) in wages payable	-	-	101,584
Increase (decrease) in payroll taxes payable	-	-	7,638
Increase (decrease) in due to other funds	-	(2,146)	-
Increase (decrease) in due to other governments	-	(115,296)	-
Increase (decrease) in advance deposits and ticket sales	-	-	(122,211)
Increase (decrease) in unearned revenue	-	-	491,564
Increase (decrease) in compensated absences payable	-	-	2,804
Increase (decrease) in estimated liability for claims and judgments	-	-	-
Increase (decrease) in net pension liability	-	-	(1,665)
Increase (decrease) in deferred inflows of resources	-	-	(218,215)
Net cash flows from operating activities	<u>\$ 657,184</u>	<u>\$ 21,577,019</u>	<u>\$ 1,463,734</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Disposal of fully depreciated capital assets	\$ -	\$ -	\$ -
Acquisition of capital assets through accounts payable	-	-	-
Acquisition of notes receivable through disposal of capital assets	(627,329)	-	-
Acquisition of capital assets through leasehold improvements	-	77,591,213	-

See Notes to Basic Financial Statements

Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
\$ (449,934)	\$ 6,116,315	\$ 421,528
657,188	18,518,722	-
(48,534)	(643,681)	-
126	6,570	-
169,175	(2,212,082)	(409,291)
167,383	167,383	-
102,901	572,673	-
-	(10,069)	-
-	(35,777)	(426)
64,427	65,077	-
(159,028)	1,512,453	3,395
191	101,775	-
37	7,675	-
-	(2,146)	-
-	(115,296)	(8,640)
-	(122,211)	-
-	491,564	-
(78,365)	(75,561)	-
-	-	1,658,100
(164,857)	(166,522)	-
102,647	(115,568)	-
<u>\$ 363,357</u>	<u>\$ 24,061,294</u>	<u>\$ 1,664,666</u>

\$ (16,771)	\$ (16,771)	\$ -
(747,256)	(747,256)	-
-	(627,329)	-
-	77,591,213	-

(concluded)

POLK COUNTY, IOWA

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2019

	Total Agency Funds
ASSETS	
Cash and pooled investments	\$ 29,104,614
Receivables (net):	
Taxes	4,180,284
Special assessments	7,683,058
Accounts	411,698
Due from other governments	600,264
Prepays	105,723
	<hr/>
TOTAL ASSETS	\$ 42,085,641
LIABILITIES	
Accounts payable	\$ 260,263
Wages payable	77,964
Payroll taxes payable	174,101
Due to other governments	39,336,518
Trusts payable	576,720
Compensated absences payable	1,281,075
Total OPEB liability	379,000
	<hr/>
TOTAL LIABILITIES	\$ 42,085,641

POLK COUNTY, IOWA

Notes to the Financial Statements For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Polk County ("County") was formed in 1846 and operates under a Board of Supervisors form of government. The County provides a broad scope of services to its citizens, operating through various organizational entities ranging from elected departments to administrative departments to appointed commissions.

The governing body is composed of a five-member Board of Supervisors elected on a partisan basis and has both legislative and administrative powers. The basic functions of the Board are to investigate matters relating to the County's administrative departments, oversee the budget process for the entire County and respond to individual constituent inquiries and/or complaints.

Other elected officials operate independently and equally with the Board. These officials are the Auditor, Treasurer, Recorder, Sheriff and County Attorney.

A) Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America ("GAAP"), the financial statements present the government and its component units, legally separate entities for which the County is financially accountable.

Discretely Presented Component Units - The financial data of the County's component units are discretely presented in a separate column in the County's government-wide financial statements to emphasize that the component units are legally separate from the County. Both of the component units are considered nonmajor component units with combining information presented in the supplementary section of this report. The following are the County's component units:

Polk County Health Services - The combined financial data of Polk County Health Services, Inc. and Polk County Health Services Foundation, collectively referred to as "PCHS" as of and for the year ended June 30, 2019, is included in the County's financial statements. PCHS has been designated by the Polk County Board of Supervisors to serve as the Code of Iowa mandated regional planning council and single point of entry for services to persons with mental illness, mental retardation or developmental disabilities. PCHS administers approximately \$21 million each year for mental health services for the County. Although PCHS is a separate legal entity and appoints its own Board of Directors, it is fiscally dependent on the County. The County provides a significant portion of PCHS's financial support and annually approves its overall budget.

Complete financial statements of PCHS can be obtained from their administrative offices at 2309 Euclid Avenue, Des Moines, IA 50310.

Iowa Events Center Hotel Corporation - On February 23, 2015, the County approved the creation of the Iowa Event Center Hotel Corporation referred to as "IEC Hotel Corp". The nonprofit IEC Hotel Corp will develop, own and manage a convention center hotel adjacent to the Iowa Events Center. The County appoints a voting majority with five members and the City of Des Moines appoints two members to the IEC Hotel Corp Board. The County is responsible for some of the IEC Hotel Corp debt. Although IEC Hotel Corp is a separate legal entity and has a separate board, it is fiscally dependent on the County. The IEC Hotel Corp has a calendar year-end. Additional information can be found in Note 20.

Complete financial statements of IEC Hotel Corp can be obtained from the County at 111 Court Avenue, Des Moines, IA 50310.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoints representatives to the following boards and commissions: Polk County Assessor's Conference Board, Polk County Emergency Management Commission and Polk County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The County's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental activities and those that are considered business-type activities. Governmental activities are those that are normally supported by taxes and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities for the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation (including the amortization of intangible assets) and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basis of Accounting: The government-wide financial statements are reported using the “economic resources measurement focus” and the accrual basis of accounting, as are the proprietary funds. Fiduciary fund financial statements are also reported using the accrual basis of accounting; however, they do not have a measurement focus. 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/budgeted. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the governmental fund financial statements, differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Fund Financial Statements

The County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major governmental fund and each major enterprise fund are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The County uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most general governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources.

Basis of Accounting: Governmental fund financial statements 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 collectible 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 75 days of the end of the current fiscal period (except for property taxes which is 60 days). 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, pensions, and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

The following are the County's major governmental funds:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. Sub funds of the General Fund include the General Supplemental, Risk Management, Community Betterment and Economic Development.

Mental Health Special Revenue Fund - Accounts for property taxes levied and other state revenues for mental health services as mandated by the Iowa Code Section 331.424A. This fund is presented as a major fund for public interest purposes.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service funds.

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises: (a) where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The County has two internal service funds that account for employee insurance and risk management financing activities.

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

The County reports the following major proprietary funds:

Sanitary Sewer - Accounts for activity of the Sanitary Sewer System established by County Ordinance #15.

Prairie Meadows Racetrack/Casino - Accounts for activity of Prairie Meadows Racetrack and Casino. It is operated and managed by a third party who has the ability to modify services and rates. See Note 18 for further information.

Iowa Events Center - Accounts for activity of the Veterans Memorial Community Choice Credit Union Convention Center, Hy-Vee Hall and Wells Fargo Arena. It is operated and managed by a third party who has the ability to modify services and rates. See Note 19 for further information.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Agency funds account for drainage districts, county assessor, emergency management services, narcotics task force, etc. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are excluded from the government-wide financial statements.

C) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position

Cash and Pooled Investments: For the purposes of the statement of cash flows, the proprietary funds consider all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash is also included in cash and cash equivalents for purposes of the statement of cash flows.

The County maintains a cash and investment pool that is available for use by all funds. Monies that are not required for immediate obligations are invested under the management of the County Treasurer. Income earned from the investment of pooled cash is recorded in the General Fund, except for interest income allocated to proprietary funds and where specifically required by law to be recorded in other funds.

Property Taxes: The County proposed property tax levy was approved during the Board of Supervisors' session held in March of 2018 on the assessed valuation of property located in the County as of January 1, 2017, which was the assessment date. Assessed values are established annually for the various types of property by the County and are reduced by certain percentages based on the type of property to determine the taxable value. Taxes levied on property then became liens as of July 1, 2018. Taxes were receivable in two installments on September 30, 2018, and March 31, 2019. The County bills and collects property taxes for all taxing units in the County. Tax monies remitted to the County and subsequently disbursed to other taxing units are accounted for in the fiduciary funds.

The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources and will not be recognized as revenue until the year for which it is levied/budgeted.

Allowances for Uncollectibles: An allowance for uncollectible accounts, which offsets the total gross receivables, is calculated based upon historical collection data, specific account analysis and management's judgment.

Interfund Balances: Activity between funds that represents unpaid interfund services or cash overdrafts and lending/borrowing arrangements outstanding at the end of the year are referred to as "Due to/from other funds" or "Advances to/from other funds."

Interfund receivable and payables within governmental activities and with business-type activities have been eliminated in the government-wide statement of net position; any residual outstanding balances between the governmental activities and business-type activities are reported as "Internal Balances."

Due From Other Governments: Due from other governments represents grants, reimbursements and various shared revenues due from the State of Iowa and other governments.

Inventories and Prepaid Items: All inventories are stated at cost (first-in, first-out method). For governmental funds, the cost is recorded as an expenditure at the time individual inventory items are purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements. The cost of prepaid items is reported as expenditures when consumed, rather than when purchased.

Inventories and prepaid items are offset by nonspendable constraint of fund balance except for Supplemental Foods Program commodities. Supplemental Foods Program commodities are reported as unearned revenues which indicates that they are not available to liquidate current obligations.

Capital Assets: Capital assets, which include land, buildings, improvements other than buildings, leasehold improvements, equipment, vehicles, intangibles, and infrastructure assets (roads, bridges, sewers, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the fair value of the asset or materially extend assets lives are not capitalized. Interest costs incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

The County's capitalization thresholds are as follows:

	Governmental Capital Assets	Business-type Capital Assets
Land	\$ 20,000	\$ 20,000
Buildings	150,000	100,000
Improvements other than buildings	50,000	15,000
Infrastructure	250,000	125,000
Equipment	15,000	10,000
Vehicles	15,000	15,000
Intangibles	300,000	300,000

Assets are depreciated (including the amortization of intangible assets) over the following estimated useful lives using the straight-line method:

Buildings	20-30 years
Improvements other than buildings	10-30 years
Leasehold improvements	25 years
Infrastructure other than roads	40-50 years
Infrastructure - roads/trails:	
Developer projects/trails	20 years
Full depth	16 years
Equipment	7 years
Equipment - Conservation/Secondary Roads	10 years
Vehicles	7 years
Intangibles - computer software	15 years

Deferred Outflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The County has one type of item that qualifies for reporting in this category in the proprietary funds and the government-wide statements of net position. The deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the County's reporting period. See Note 22 for further information.

Due to Other Governments: Due to other governments represents taxes and other revenues collected by the County that will be remitted to other governments.

Advance Deposits: Advance deposits represents rent deposits paid by customers for future events.

Trusts Payable: Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Unearned Revenues: Unearned revenues occur when resources are received before they have been earned, as when state/grant monies are received prior to the incurrence of qualifying expenditures and undistributed food commodities. Unearned revenues for the Iowa Events Center enterprise fund consists of advertising, ticket sales and fees, and miscellaneous other event revenues and liabilities which are recognized when the related event occurs or over the life of the agreement.

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 Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. 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.

Total OPEB Liability: For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Polk County's actuary report. Benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources: Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from three sources: property taxes, intergovernmental grants, and other receivables. Accordingly, these unavailable revenues are reported only in the governmental funds financial statements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds also include a deferred inflow of resources for succeeding year property taxes as described below.

The County has four types of items that qualify for reporting in this category in the proprietary funds and the government-wide statements of net position. Succeeding year property tax deferred revenue represents taxes certified by the Board of Supervisors in March of each year to be collected in the next fiscal year. Since these property taxes will not be recognized as revenue until the year for which it is levied, they are neither received nor earned during the current year.

A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This gain is deferred and amortized over the shorter of the life of the old debt or the life of the new debt.

In addition, the unamortized portion of pension-related amounts and OPEB related amounts such as the impact of changes in assumptions and other inputs are shown as a deferred inflow of resources on the Statement of Net Position. See Notes 22 and 23 for further information.

Bond Premiums (Discounts): In the government-wide financial statements and proprietary fund type fund financial statements, bond premiums (discounts) are deferred and amortized by a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as other financing sources (uses) during the current period. The face amount and related premium of the debt issued are reported as other financing sources. Discounts on debt issuances are reported as other financing uses.

Bond Issuance Costs: Bond issuance costs are reported as expenditures during the period they are incurred.

Compensated Absences: County employees accumulate vacation and sick leave days for subsequent use, which are not forfeited on retirement, death or termination of employment. Accumulation of vacation hours is limited to 240 hours. Employees may accumulate sick leave to a maximum of 2,000 hours.

Payment of sick leave for any other reason than a bona-fide retirement is maximized at \$2,000 and subject to a years of service schedule that includes payout percentages ranging from 20% - 40%. Upon termination, for other than election of a bona-fide retirement by the employee, an employee must have at least four years of service in order to be paid for sick leave.

Payment of sick leave upon bona-fide retirement with IPERS is maximized at \$4,000. The remainder of any accrual available is converted to a bank for the purposes of purchasing health and dental insurance after retirement. The sick leave balance is converted according to the following schedule:

0 up to and including 749 hours:	0% of value
750 up to and including 1,000 hours:	75% of value
Over 1,000 hours up to 2,000 hours:	100% of value

The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. A liability is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The retired employees' health insurance bank is also recorded as compensated absences in the governmental fund statements.

Net Position: Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation (including the amortization of intangible assets), reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance: In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through resolution (which is the highest level of action) approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other classifications. Residual deficit amounts of other governmental funds would also be reported as unassigned.

When committed and unassigned amounts are available for use, it is the County's policy to use committed resources first, then unassigned resources as they are needed.

Budgetary Policy: The County presents a budgetary comparison schedule on the cash basis as Required Supplementary Information based on the program structure of 10 program service areas as required by State statute for its legally adopted budget.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

2. FUND BALANCE DEFICITS

Individual fund balance deficits for the year ended June 30, 2019 are as follows:

Nonmajor Governmental	
Special Revenue: Secondary Roads	\$ (547,177)

The deficits of the above funds are expected to be eliminated through future transfers from other funds, grant revenues or bond proceeds.

3. CASH AND POOLED INVESTMENTS

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit and other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County maintains a cash and investment pool that is available for use by all funds. These monies are considered to be cash on hand, cash held by elected officials, demand deposits, cash equivalents (maturities of three months or less from the date of acquisition), short-term investments (maturities of less than one year from the date of acquisition), and long-term investments (maturities of one year or greater from the date of acquisition). Short-term investments are valued at cost which approximates fair value. Long-term investments are shown at fair value.

As of June 30, 2019, the cash and pooled investments of the County consist of:

Cash and cash items in vault	\$ 182,047
Cash on hand not yet deposited	82,666
Bank account deposits	13,430,797
Money market mutual funds	80,771,150
Money market mutual funds - restricted	27,471,598
U.S. government securities	75,552,683
Commercial paper	<u>19,770,299</u>
 Total cash and pooled investments	 \$ <u>217,261,240</u>
 Cash and pooled investments, statement of net position	 \$ 160,685,028
Cash and pooled investments, fiduciary funds	29,104,614
Restricted assets - Note 4	<u>27,471,598</u>
 Total cash and pooled investments	 \$ <u>217,261,240</u>

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Operating funds may only be invested with maturities of 397 days or less. Non-operating funds may be invested with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County. The County's investment policy focuses on the preservation of principal, liquidity, and obtaining a reasonable rate of return. All of the County's investments in commercial paper mature in less than one year. Of the U.S. government securities, \$2,928,601 matures in less than one year and the remaining balance matures in one to four years.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper or other short-term corporate debt to issues rated within the two highest prime classifications by at least one of the standard rating services. However, the County's investment policy further restricts investments in these investment types to the top rating. As of June 30, 2019, the County's investments in commercial paper were rated A-1 or A-1+ by Standard & Poor's and P-1 by Moody's Investors Service. The County's investments in the money market mutual funds are rated AAAM by Standard & Poor's. The County's investment in U.S. government securities consist of FHLB, FFCB, FAMCA, FNMA and FHLMC and are rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy, as set by state law, limits them from investing in corporate debt of more than 10% of the investment portfolio and more than 5% of the investment portfolio with a single issuer. In addition, investments in unit investment trusts are limited to those rated within the two highest prime classifications by at least one of the standard rating services.

When applying the state law, certificates of deposits, bank account deposits, and cash are included as part of the investment portfolio. The County did not exceed the 10% and 5% limitations as set by the State of Iowa at June 30, 2019.

The County's U.S. government securities and commercial paper are subject to concentration of credit risk disclosures. More than 5% of the County's investments are in Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corp, and the Federal National Mortgage Association, which represent 9.51%, 7.11%, 8.91% and 7.59% respectively of total investments.

Custodial credit risk - For deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all County funds be deposited into an approved depository and be either insured or collateralized. The County's bank account deposits at June 30, 2019, were entirely covered by Federal depository insurance, or by a collateral pool in accordance with Chapter 12C of the Code of Iowa. Investment securities are held by a third party custodian in the County's name. As of June 30, 2019, the County had no deposits or investments exposed to custodial credit risk.

Fair value measurements - The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investments of the County in money market mutual funds, commercial paper and \$2,928,601 of U.S. government securities are valued at amortized cost because their maturity date was less than a year from the date of acquisition. As of June 30, 2019, the County held \$72,624,082 of investments in U.S. government securities, which are reported at fair value based on quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, which are classified as Level 2 inputs.

The County has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 72.

4. RESTRICTED ASSETS

The County has the following restricted cash and pooled investments as of June 30, 2019:

	PFMS User Fee	Concession Upkeep	Unspent Bond Proceeds	Total
Iowa Events Center	\$ 563,996	\$ 55,989	\$ -	\$ 619,985
Conservation Water & Land	-	-	11,041,641	11,041,641
Justice Center	<u>-</u>	<u>-</u>	<u>15,809,972</u>	<u>15,809,972</u>
Total	<u>\$ 563,996</u>	<u>\$ 55,989</u>	<u>\$ 26,851,613</u>	<u>\$ 27,471,598</u>

In accordance with the Master Lease Agreement, the operator of the Iowa Events Center will assess a PFMS surcharge of \$1.00 per ticket sold for amateur sporting events and a \$2.00 surcharge for non-team events. Approximately 50% of the surcharges on tickets sold for Wells Fargo Arena (WFA) shall be held by the County. PFMS User Fee (Renewal and Replacement) funds are maintained in a segregated bank account to fund future capital repairs at the Iowa Events Center.

In addition, 3% of the gross Concession Revenues earned by Ovations Food Service at WFA shall be held by the County. Concessions Upkeep funds are maintained in a segregated bank account to fund future replacement, repair, updating, upgrading and installing of equipment and improvements related to food and beverage operations at the WFA.

The amount of unspent bond proceeds relate to the June 1, 2019 issuance of \$33,925,000 in 2019 general obligation bonds for financing projects within the Justice Center and Conservation Water and Land Improvements Capital Projects Funds.

5. INTERNAL BALANCES

Due From/To Other Funds

Amounts due from/to other funds at June 30, 2019, are as follows:

	Due To			
	General Fund	Mental Health	Nonmajor Governmental	Total
Due from				
General Fund	\$ -	\$ -	\$ 577	\$ 577
Prairie Meadows Racetrack/Casino	<u>441,774</u>	<u>44,779</u>	<u>86,392</u>	<u>572,945</u>
Total	<u>\$ 441,774</u>	<u>\$ 44,779</u>	<u>\$ 86,969</u>	<u>\$ 573,522</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In general, interfund balances will be repaid within one year from year-end.

Amounts due from/due to other funds primarily relates to:

Property taxes owed to various funds from Prairie Meadows Racetrack/Casino Enterprise Fund	\$ 572,945
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Advances To/From Other Funds

The following loans between funds are long-term in nature and are classified as advances. The Conservation Enterprise Fund's advance from the General Fund relates to a loan made to make improvements to the golf course. The advance at June 30, 2019 is as follows:

	Advance To
	Nonmajor Enterprise Conservation Enterprises
Advance From	
General Fund	\$ 3,517,168

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, is as follows:

	Balance 7/1/2018	Additions	Disposals	Balance 6/30/2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 21,400,626	\$ 4,669,509	\$ -	\$ 26,070,135
Construction in progress	54,776,309	32,433,531	(50,489,019)	36,720,821
Intangibles-computer software in progress	-	255,622	-	255,622
Total capital assets, not being depreciated	<u>76,176,935</u>	<u>37,358,662</u>	<u>(50,489,019)</u>	<u>63,046,578</u>
Capital assets, being depreciated:				
Buildings	172,314,661	50,974,154	-	223,288,815
Improvements other than buildings	7,146,810	133,124	-	7,279,934
Equipment	15,131,251	996,349	(979,967)	15,147,633
Vehicles	10,995,643	1,066,316	(714,654)	11,347,305
Infrastructure	128,903,782	730,853	-	129,634,635
Intangibles-computer software	6,455,002	-	-	6,455,002
Total capital assets being depreciated	<u>340,947,149</u>	<u>53,900,796</u>	<u>(1,694,621)</u>	<u>393,153,324</u>
Less accumulated depreciation for:				
Buildings	(76,848,352)	(6,451,003)	-	(83,299,355)
Improvements other than buildings	(2,012,011)	(344,325)	-	(2,356,336)
Equipment	(10,835,973)	(1,439,625)	979,967	(11,295,631)
Vehicles	(7,125,698)	(1,282,496)	714,654	(7,693,540)
Infrastructure	(84,482,946)	(2,171,263)	-	(86,654,209)
Intangibles-computer software	(1,812,897)	(430,333)	-	(2,243,230)
Total accumulated depreciation	<u>(183,117,877)</u>	<u>(12,119,045)</u>	<u>1,694,621</u>	<u>(193,542,301)</u>
Total capital assets being depreciated, net	<u>157,829,272</u>	<u>41,781,751</u>	<u>-</u>	<u>199,611,023</u>
Governmental activities capital assets, net	<u>\$ 234,006,207</u>	<u>\$ 79,140,413</u>	<u>\$ (50,489,019)</u>	<u>\$ 262,657,601</u>

Governmental Activities

The Polk County Conservation Board purchased two large parcels of land along Four Mile Creek for \$2.3 million. In addition, Polk County acquired property through an agreement with the City of Des Moines, which will be used to construct a regional skate park.

The County continued to work on the following projects included in construction in progress: 1) Water and Land Legacy improvements, 2) Historic Courthouse Phase IV and Criminal Court Annex improvements and 3) NW 66th Avenue/Kempton Bridge Reconstruction Phase III. The County also began construction on two bridge replacement projects, a Sheriff's Administration/Law Enforcement Facility, a truck wash bay facility, and hay barn at the Equestrian Center. The County completed construction of the \$40 million Criminal Court Annex and the \$10.5 million Jester Park Nature Center.

Equipment additions primarily consist of new sheriff equipment, conservation and computer equipment. Equipment disposals primarily consist of replacing the print shop equipment with new equipment. Vehicle additions consist primarily of the purchase of 33 vehicles for various county departments. Vehicle disposals consist of the disposal of 25 vehicles during the year. Infrastructure additions primarily consist of acceptance of new subdivision improvements into the Secondary Roads system.

	Balance 7/1/2018	Additions	Disposals	Balance 6/30/2019
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 18,215,559	\$ -	\$ -	\$ 18,215,559
Construction in progress	2,953,161	2,544,414	(3,498,932)	1,998,643
Intangibles-permanent easements	3,322,580	-	-	3,322,580
Total capital assets, not being depreciated	<u>24,491,300</u>	<u>2,544,414</u>	<u>(3,498,932)</u>	<u>23,536,782</u>
Capital assets, being depreciated:				
Buildings	324,920,110	3,560,830	-	328,480,940
Improvements other than buildings	11,492,142	79,449	-	11,571,591
Leasehold improvements	113,945,115	77,591,213	-	191,536,328
Equipment	3,762,417	77,654	(16,771)	3,823,300
Vehicles	247,351	-	-	247,351
Infrastructure	34,095,730	445,440	-	34,541,170
Total capital assets being depreciated	<u>488,462,865</u>	<u>81,754,586</u>	<u>(16,771)</u>	<u>570,200,680</u>
Less accumulated depreciation for:				
Buildings	(150,741,072)	(10,892,384)	-	(161,633,456)
Improvements other than buildings	(8,613,214)	(120,632)	-	(8,733,846)
Leasehold improvements	(45,955,570)	(6,109,629)	-	(52,065,199)
Equipment	(1,911,337)	(512,930)	16,771	(2,407,496)
Vehicles	(170,475)	(19,614)	-	(190,089)
Infrastructure	(12,456,680)	(863,533)	-	(13,320,213)
Total accumulated depreciation	<u>(219,848,348)</u>	<u>(18,518,722)</u>	<u>16,771</u>	<u>(238,350,299)</u>
Total capital assets being depreciated, net	<u>268,614,517</u>	<u>63,235,864</u>	<u>-</u>	<u>331,850,381</u>
Business-type activities capital assets, net	<u>\$ 293,105,817</u>	<u>\$ 65,780,278</u>	<u>\$ (3,498,932)</u>	<u>\$ 355,387,163</u>

Business-type Activities

Construction in progress consisted \$1.5 million for the Saylor Creek Trunk extension and \$1 million for the completion of tuckpointing at the Iowa Events Center. Building additions consist primarily of the \$3.5 million tuckpointing project at the Iowa Events Center. Leasehold improvements represent improvements to Prairie Meadows Racetrack and Casino during the lease term of 2011 to 2018 (see note 18). Infrastructure additions represent other sewer extension projects at various locations throughout the County.

Depreciation expense (including the amortization of intangible assets) was charged to functions/programs of the primary government as follows:

Government activities:	
Public safety and legal services	\$ 5,558,340
Physical health and social services	1,386,810
County environment and education	1,532,704
Roads and transportation	2,610,523
Government services to residents	327,606
Administration	<u>703,062</u>
Total depreciation expense - governmental activities	<u>\$ 12,119,045</u>
Business-type activities:	
Air Quality	\$ 88,087
Sanitary Sewer	501,856
Prairie Meadows Racetrack/Casino	7,654,762
Conservation Enterprises	203,800
Hamilton Urban Drainage District	365,301
Iowa Events Center	<u>9,704,916</u>
Total depreciation expense - business-type activities	<u>\$ 18,518,722</u>

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of deferred outflows of resources activity for the year ended June 30, 2019:

	Pension Related Amounts	OPEB Related Amounts
Governmental activities	<u>\$ 21,817,945</u>	<u>\$ 406,255</u>
Business-type activities:		
Air Quality	\$ 305,931	\$ -
Iowa Events Center	29,970	-
Iowa Tax & Tags	<u>109,363</u>	<u>-</u>
Total business-type activities	<u>\$ 445,264</u>	<u>\$ -</u>

8. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 128,530,000	\$ 33,925,000	\$ (13,785,000)	\$ 148,670,000	\$ 14,655,000
Add: unamortized premium (discount)	9,339,387	3,813,421	(1,065,605)	12,087,203	1,446,947
General obligation notes payable	1,273,000	-	(438,000)	835,000	440,000
Capital leases payable	1,179,580	161,127	(611,439)	729,268	623,102
Accrued compensated absences	16,902,846	10,882,548	(10,583,252)	17,202,142	2,385,666
Total OPEB liability	11,726,000	1,222,000	-	12,948,000	-
Estimated liability for claims and judgments	5,347,000	26,703,882	(20,976,782)	11,074,100	6,149,100
Net pension liability	62,370,132	-	(8,159,570)	54,210,562	-
Total	\$ 236,667,945	\$ 76,707,978	\$ (55,619,648)	\$ 257,756,275	\$ 25,699,815
Business-type activities:					
General obligation bonds payable	\$ 91,900,000	\$ -	\$ (10,465,000)	\$ 81,435,000	\$ 10,890,000
Add: unamortized premium (discount)	5,159,319	-	(643,681)	4,515,638	643,681
General obligation notes payable	24,605,000	-	(919,000)	23,686,000	950,000
Accrued compensated absences	393,833	57,376	(132,937)	318,272	104,362
Net pension liability	1,234,999	-	(166,522)	1,068,477	-
Total	\$ 123,293,151	\$ 57,376	\$ (12,327,140)	\$ 111,023,387	\$ 12,588,043

For the governmental activities, accrued compensated absences, estimated liability for claims and judgments, and the total OPEB liability are generally liquidated by the General Fund. The net pension liability is liquidated by the individual fund paying corresponding salaries.

General Obligation Bonds Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities:					
General Purpose	\$ 10,682,560	6/1/2015	2%-2.25%	6/1/2025	\$ 6,035,000
General Purpose	73,525,000	6/1/2015	3%-3.75%	6/1/2035	55,680,000
General Purpose	8,565,000	5/3/2017	4%	6/1/2025	6,630,000
General Purpose	48,165,000	6/7/2017	5%	6/1/2026	38,100,000
General Purpose	12,235,000	5/23/2018	3%	6/1/2031	8,300,000
General Purpose	33,925,000	5/30/2019	4%-5%	6/1/2029	33,925,000
Total					\$ 148,670,000
Business-type activities:					
Iowa Events Center	\$ 10,790,000	5/26/2016	2.15%	6/1/2024	\$ 10,790,000
Iowa Events Center	58,455,000	5/3/2017	4.00%	6/1/2026	48,255,000
Iowa Events Center	20,210,000	5/3/2017	2.65-2.8%	6/1/2026	20,210,000
Urban Sewer	2,700,000	6/7/2017	5%	6/1/2026	2,180,000
Total					\$ 81,435,000

Notes Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities:					
General Purpose	\$ 800,000	8/9/2000	1.75%	12/1/2019	\$ 55,000
General Purpose - Aviation Authority	2,525,000	5/22/2014	1.5 - 2%	6/1/2021	<u>780,000</u>
Total					\$ <u><u>835,000</u></u>
Business-type activities:					
Sanitary Sewer	\$ 5,000,000	7/30/2008	3%	6/1/2028	\$ 2,355,000
Sanitary Sewer	13,000,000	6/16/2010	3%	6/1/2030	8,467,000
Sanitary Sewer	5,000,000	6/1/2011	3%	6/1/2031	4,804,000
Sanitary Sewer	367,000	10/19/2012	1.75%	6/1/2032	315,000
Sanitary Sewer	9,633,000	10/19/2012	1.75%	6/1/2032	<u>7,745,000</u>
Total					\$ <u><u>23,686,000</u></u>

The annual requirements to pay principal and interest on all outstanding debt are as follows:

	Bonds Payable		Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	
Governmental activities:					
During the year ending June 30:					
2020	\$ 14,655,000	\$ 5,918,330	\$ 440,000	\$ 16,081	\$ 21,029,411
2021	14,840,000	5,296,463	395,000	7,900	20,539,363
2022	15,505,000	4,672,263	-	-	20,177,263
2023	15,485,000	4,016,512	-	-	19,501,512
2024	16,870,000	3,364,362	-	-	20,234,362
2025-2029	46,885,000	8,238,275	-	-	55,123,275
2030-2034	20,540,000	2,913,162	-	-	23,453,162
2035-2039	3,890,000	145,875	-	-	4,035,875
Total	<u>148,670,000</u>	<u>34,565,242</u>	<u>835,000</u>	<u>23,981</u>	<u>184,094,223</u>
Add: unamortized premium	<u>12,087,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,087,203</u>
Total	\$ <u><u>160,757,203</u></u>	\$ <u><u>34,565,242</u></u>	\$ <u><u>835,000</u></u>	\$ <u><u>23,981</u></u>	\$ <u><u>196,181,426</u></u>

	Bonds Payable		Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal and Interest
Business-type activities					
During the year ending June 30:					
2020	\$ 10,890,000	\$ 2,819,673	\$ 950,000	\$ 580,394	\$ 15,240,067
2021	11,320,000	2,381,322	980,000	555,205	15,236,527
2022	11,785,000	1,925,573	1,012,000	529,218	15,251,791
2023	12,255,000	1,451,072	1,044,000	502,383	15,252,455
2024	12,345,000	957,623	1,079,000	474,700	14,856,323
2025-2029	22,840,000	955,207	5,922,000	1,925,597	31,642,804
2030-2034	-	-	12,699,000	615,144	13,314,144
Total	81,435,000	10,490,470	23,686,000	5,182,641	120,794,111
Add: unamortized premium	4,515,638	-	-	-	4,515,638
Total	\$ 85,950,638	\$ 10,490,470	\$ 23,686,000	\$ 5,182,641	\$ 125,309,749

There were no due and unredeemed bonds/notes or special assessment debt outstanding at June 30, 2019. Management does not believe an arbitrage liability exists at June 30, 2019.

Governmental Activities – Polk County Aviation Authority Capital Loan Notes

The loan agreement for the \$2,525,000 capital loan notes issued on May 22, 2014, calls for the Polk County Aviation Authority to repay the County equal to the debt service payments on the 2014A capital loan notes. A note payable and note receivable is recorded in the government-wide statements for this issuance. A reconciling item is recorded in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the debt service payments and revenue collected from the Aviation Authority.

9. INDUSTRIAL DEVELOPMENT REVENUE BONDS – CONDUIT DEBT OBLIGATIONS

The County actively encourages industrial and commercial enterprises to locate and remain in the County by, among other things, the issuance of industrial development revenue bonds pursuant to the Code of Iowa Chapter 419, Municipal Support of Projects. These bonds do not constitute an indebtedness of, or a charge against, the general credit or taxing powers of the County. All issues are prepared under the direction of Polk County. The issues which have been sold as of June 30, 2019 amounted to \$148,821,500.

10. DEVELOPER AGREEMENTS

The County has entered into various development agreements for urban renewal projects. The payments are payable solely from the incremental property tax received by the County which are attributable to property located within the Urban Renewal Area and are only made to the extent the County determines tax increment revenues are annually available.

Currently, it is estimated that outstanding commitments totaling about \$18.1 million exist, of which \$.8 million is estimated to be paid in the next fiscal year. No liability is recognized due to the fact that the agreements are conditional and the payments are to be funded by property taxes collected on the project each fiscal year. These agreements are not a general obligation of the County.

11. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax collected within the urban renewal areas. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2019, the County abated \$801,892 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Des Moines	Urban renewal and economic development projects	\$ 2,251,418
City of Bondurant	Urban renewal and economic development projects	26,122
City of Ankeny	Urban renewal and economic development projects	334,562
City of Ankeny	Urban revitalization and economic development projects	2,641
City of Grimes	Urban renewal and economic development projects	69,706
City of Windsor Heights	Urban renewal and economic development projects	15,610
City of Altoona	Urban renewal and economic development projects	186,104
City of Pleasant Hill	Urban renewal and economic development projects	1,361
City of Johnston	Urban renewal and economic development projects	595,639
City of Clive	Urban renewal and economic development projects	183,942
City of Urbandale	Urban renewal and economic development projects	71,730
City of West Des Moines	Urban renewal and economic development projects	24,688
City of Polk City	Urban renewal and economic development projects	72,004
City of Elkhart	Urban revitalization and economic development projects	18,089
City of Mitchellville	Urban renewal and economic development projects	12,356
		<u>\$ 3,865,972</u>

12. LEASE COMMITMENTS

Capital Leases

The County has entered into agreements to purchase equipment through capital lease agreements. The net book value of the equipment relating to capital leases is \$1,347,493.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the total minimum lease payments as of June 30, 2019:

During the year ending June 30:	
2020	644,065
2021	34,893
2022	34,893
2023	34,893
2024	<u>6,790</u>
Total minimum lease payments	755,534
Less: amount representing interest	<u>(26,266)</u>
Present value of total minimum lease payments	\$ <u><u>729,268</u></u>

Operating Leases

The County leases building facilities for certain County department offices and equipment on a long-term basis. Rental expense for the year ended June 30, 2019 is \$67,337. As part of the normal course of business, the County continues to negotiate and/or renegotiate various operating leases. Following is a schedule of minimum future rentals for non-cancelable operating leases in effect at June 30, 2019:

During the year ending June 30:	
2020	34,140
2021	15,600
2022	15,600
2023	15,600
2024	15,600
2025-2029	78,000
2030-2034	78,000
2035-2039	<u>31,200</u>
Total	\$ <u><u>283,740</u></u>

13. DEFERRED INFLOWS OF RESOURCES

The following is a summary of deferred inflows of resources activity for the year ended June 30, 2019:

	Succeeding Year Property Taxes Receivable	Pension and OPEB Related Amounts	Unavailable Intergovernmental and Other	Gain on Current Refunding	Total
Governmental Funds	\$ 191,105,320	\$ -	\$ 3,003,955	\$ -	\$ 194,109,275
Governmental Activities	\$ 191,105,320	\$ 7,591,067	\$ -	\$ 804,367	\$ 199,500,754
Business-type Activities:					
Air Quality	\$ -	\$ 105,189	\$ -	\$ -	\$ 105,189
Iowa Events Center	-	3,782	-	1,505,780	1,509,562
Iowa Tax & Tags	-	40,471	-	-	40,471
Total Business-type Activities	\$ -	\$ 149,442	\$ -	\$ 1,505,780	\$ 1,655,222

14. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation assets are held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant’s death) upon termination, retirement, death, or an unforeseeable emergency. The County provides neither administrative service to the plan nor investment advice for the plan.

15. TRANSFER RECONCILIATION

The following is a schedule of the transfers of Polk County:

Transfer from	Transfer to							
	General Fund	Mental Health	Sanitary Sewer	Iowa Events Center	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund	\$ 270,175	\$ 1,990,000	\$ 2,581,609	\$ -	\$ 4,757,435	\$ 1,686,752	\$ 5,037,735	\$ 16,323,706
Prairie Meadows Racetrack/Casino	9,273,684	-	604,701	11,936,186	-	-	-	21,814,571
Nonmajor Governmental	339,651	-	-	-	6,001,192	-	-	6,340,843
Nonmajor Enterprise	98,638	-	-	-	-	-	-	98,638
Internal Service	4,457,735	-	-	-	-	-	-	4,457,735
Total	\$ 14,439,883	\$ 1,990,000	\$ 3,186,310	\$ 11,936,186	\$ 10,758,627	\$ 1,686,752	\$ 5,037,735	\$ 49,035,493

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to The fund that statute or budget required to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ending June 30, 2019, the County made the following significant transfers:

Prairie Meadows Racetrack/Casino Enterprise fund made transfers to various governmental/enterprise funds. These transfers provided economic development or provided funding to assist in the repayment of the respective fund's debt.	\$ 21,814,571
General Supplemental fund made transfers to Risk Management Internal Service funds for funding of current year activities and subsequent transfer from Risk Management Internal Service to General Self Insurance Reserve Fund.	5,037,735
General fund and Rural Services fund made transfers to Secondary Roads fund in accordance with state statutes.	7,177,933

16. RISK MANAGEMENT

The Polk County Risk Management Program includes the following functions: insurance procurement, loss control, employee safety training, OSHA compliance, building security and claims management. Additional responsibilities include hazardous waste management and underground fuel storage tank monitoring.

Self-Insurance Fund

The County's Risk Management Program blends self-insurance coverage with selected conventional insurance coverage. The County has established a sub-fund within the General Fund to account for the County's exposures to loss from property/casualty, workers' compensation, unemployment compensation, and long-term disability self-insurance programs.

The County self-insures its general liability, property, fleet, law enforcement professionals, public officials' errors and omissions, contractor's pollution, fidelity, and workers' compensation exposures with a self-insured retention limit. The self-insured retention varies with each policy.

The following tables display the self-insurance exposure, conventionally insured exposure, policy limits and self-insured retention (SIR) levels.

Self-Insurance Exposure	Self-Insured Retention	Policy Limits
Excess liability	\$ 2,000,000	\$ 10,000,000
Property, fleet, law enforcement, public officials	100,000	770,599,247
Fidelity bond	50,000	5,000,000
Workers' compensation	750,000	Statutory/1,000,000

Conventional Insurance Exposure	Policy Limits
General liability - Iowa Events Center (OLT)	\$ 2,000,000/2,000,000
Contractor Pollution - Weatherization/Public Works	2,000,000/2,000,000
Fine Arts - Hy-Vee Hall/CCCUCC - Unscheduled	25,000
Fine Arts - Hy-Vee Hall/CCCUCC - Scheduled	500,000
Medical Malpractice	1,000,000/3,000,000
Equestrian Center - Jester Park	1,000,000/2,000,000

In addition, the County purchases conventional flood insurance for the Administrative Office Building, River Place and buildings at the Chichaqua Bottoms Greenbelt Park.

There have been no significant reductions in insurance coverage during the year ended June 30, 2019. There have been no claims in excess of the insurance coverage in the last three fiscal years.

Liabilities are reported in the government-wide financial statements when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering recent claims settlement trends, including frequency, amount of payouts and other economic/social factors. All insurance losses are paid from the General Supplemental Self-Insurance Fund (a sub-fund within the General Fund).

Governmental Activities (prior to Internal Service Allocation)

Outstanding and IBNR claims are determined based on a combination of case-by-case reviews and application of historical experience. Changes in the estimated claims liability for governmental activities (prior to the internal service fund allocation) for the years ended June 30, 2019 and 2018 are as follows:

	Year Ended	
	6/30/2019	6/30/2018
Beginning balance	\$ 3,778,000	\$ 2,606,000
Current year claims and changes in estimates	6,641,137	3,229,688
Claim payments	<u>(2,572,137)</u>	<u>(2,057,688)</u>
Ending balance	\$ <u>7,847,000</u>	\$ <u>3,778,000</u>

Employee Insurance Fund

The County is self-insured for medical and dental insurance provided to employees. Plan benefits are accounted for through the Employee Insurance Internal Service Fund and are funded by both employee and County contributions. The payment of health and dental insurance claims are processed by third-party administrators, Wellmark and Delta Dental of Iowa, respectively. Interfund charges within the County are recorded as revenue in the Employee Insurance Fund and as expenditure/expense to the benefiting department.

The County's contribution to the Employee Insurance Internal Service Fund for the year ended June 30, 2019 was \$15,768,442 for medical and \$835,967 for dental while employees contributed \$2,394,186 and \$129,044 respectively. The total premium charged is the amount needed to pay expected claim and administrative costs. The County paid \$1,074,645 in administrative costs for the year ended June 30, 2019.

Excess insurance is purchased to cover individual health claims that exceed \$200,000 per plan year. Aggregate stop loss insurance coverage equals 125% of a projected amount. Settled claims have exceeded individual limits of excess insurance during the past three fiscal years but not the aggregate limit.

The estimated claims liability as of June 30, 2019, includes incurred but not reported (IBNR) claims. Changes in the estimated liability for claims and judgments recorded in the Employee Insurance Fund for the years ended June 30, 2019 and 2018 are as follows:

	Year Ended	
	6/30/2019	6/30/2018
Beginning balance	\$ 1,569,000	\$ 1,621,600
Current year claims and changes in estimates	20,062,745	18,972,466
Claim payments	<u>(18,404,645)</u>	<u>(19,025,066)</u>
Ending balance	\$ <u>3,227,100</u>	\$ <u>1,569,000</u>

17. COMMITMENTS AND CONTINGENCIES

Commitments

The County has made the following commitments of current and future resources. It is anticipated that necessary future resources will be provided by transfers from the Prairie Meadows Racetrack/Casino Enterprise Fund, general obligation bond proceeds and other sources:

General Fund:

Neighborhood Finance Corporation	\$	3,000,000
Polk County Housing Trust Fund		1,500,000
Des Moines City Gaming Payments		45,766,726
Merle Hay Partners LLC - Sears		<u>2,000,000</u>

Total	\$	<u><u>52,266,726</u></u>
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Secondary Road Fund:

Des Moines Asphalt and Paving (HMA Resurfacing Program)	\$	4,349,000
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Conservation Water & Land Improvements Fund:

Water and Land Legacy Project	\$	1,601,678
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Justice Center Fund:

Historic Courthouse Renovations	\$	24,217,219
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Capital Improvements Projects Fund:

Sheriff's Administration/Law Enforcement Facility - Engineering Services	\$	657,000
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Contingencies

There are currently numerous lawsuits against the County seeking damages for various reasons. With the exception of the estimated liability for claims and judgments as discussed in Note 16, the outcome and eventual liability of the County, if any, from these lawsuits and from any unasserted claims is not known at this time. County officials believe the outcome of these matters will not have a material effect on the County's financial statements.

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies, is not determinable at this time; however, County officials do not believe that such amounts would be significant.

18. RACETRACK/CASINO

The County owns real estate that is currently improved with a horse racing and gaming facility in Altoona, Iowa. The Board of Supervisors leases the real estate and improvements to Prairie Meadows Racetrack and Casino, Inc. ("Prairie Meadows"), which holds a state gaming license and which owns and operates horse racing and gaming at the leased facility, through a contract that covers the period of 2019-2026. This Agreement provides for rental payments to the County of \$15.9 million per year and additional annual payments equal to 5% of Prairie Meadows' adjusted gross receipts. In the event adjusted gross receipts exceed \$225 million, an additional 1% of adjusted gross receipts will be paid on the increment above \$225 million. Additionally, Prairie Meadows will reimburse Polk County for any annual property tax liability in excess of \$4.5 million.

Under the contract, Prairie Meadows may make leasehold improvements to the property, subject to County approval. Prairie Meadows recently completed renovation of the events center and clubhouse.

Prairie Meadows made \$77.6 million worth of improvements to the racetrack/casino facility during the lease term of mid-June 2011 to December 2018. The improvements reverted to the County upon expiration of the lease and have been capitalized as “leasehold improvements” in Note 6.

On November 2, 2010, Polk County voters approved a referendum permitting Prairie Meadows to continue operations for another 8 year period. The measure was passed with 74% voter approval. During the 2011 legislative session, the state approved an amendment to Iowa gaming law which removed the referendum renewal requirement for casinos that previously received voter approval through at least two consecutive referendums. Prairie Meadows meets the new requirements and will be exempt from future renewal referendums unless the voters petition for a reverse referendum.

19. IOWA EVENTS CENTER

The County owns the Iowa Events Center (IEC). The IEC consists of two managed facilities, Veterans Memorial Community Choice Credit Union Convention Center and the Hy-Vee Hall, and one leased facility, Wells Fargo Arena (WFA).

Managed Facilities

The County has a Management Agreement with Global Spectrum, L.P. (Global), to manage and operate the Managed Facilities. The original contract dated October 1, 2004 was amended on April 24, 2012 to extend the term to September 30, 2016. On October 7, 2014 the contract was amended again to extend the term to expire on September 30, 2026. Under this agreement the County pays Global a fixed management fee. For the fiscal year ending June 30, 2019 the amount of the fixed management fee was \$250,200.

In addition to the fixed management fee, Global is entitled to earn a productivity fee for each full, completed operating year of the term. The County paid Global \$13,135 for the productivity fee for the fiscal year ending June 30, 2019.

The County has a Concessions Management Agreement with Ovations Food Services, L.P. (Ovations) for the management of the food and beverage service operations at the Managed Facilities. The original contract dated October 1, 2004 was renewed for an additional three years beginning October 1, 2009. On October 7, 2014 the contract was amended to extend the term to September 30, 2026. Under these agreements the County pays Ovations a fixed management fee. For the fiscal year ending June 30, 2019 the amount of the fixed management fee was \$240,000.

In addition to the fixed management fee, Ovations is entitled to earn an incentive fee for each operating year of the term. The County paid Ovations \$12,000 for the incentive fee for the fiscal year ending June 30, 2018.

Leased Facility

The County has a Master Lease agreement with Global to manage and operate WFA. The agreement is a ten-year contract beginning July 1, 2005, with the option to extend for two five-year periods thereafter. On April 24, 2012 the contract was amended to extend the term to September 30, 2016. On October 7, 2014 the contract was amended again to extend the term to expire on September 30, 2026.

Under this agreement, the County’s share is calculated based on 80% of the first one million dollars of net operating income for such fiscal year in excess of the operator’s initial share (\$500,000), plus 70% of all net operating income in excess of the operator’s share (\$500,000) plus one million dollars for such year. The remaining funds are considered the operator’s share. The County earned \$1,281,167 and Global earned \$906,215 of WFA’s net operating income for the fiscal year ending June 30, 2019.

Global is responsible for the payment of all WFA operating expenses regardless of the amount or timing of WFA revenues. In the event that the operating fund does not contain sufficient funds to pay any such WFA operating expenses as they become due and payable, Global shall fund the amount of such insufficiency. In no event shall the County have any responsibility or liability with respect to any operating losses or the failure of Global to realize any net operating income from its leasing of WFA.

A Public Facility Maintenance Surcharge (PFMS) user fee is assessed on certain ticket sales. The amount of this fee varies from \$1.00 to \$2.00 depending upon the nature of the event. Fifty percent of these revenues generated are paid to the County for deposit into a restricted funds PFMS/Renewal and Replacement Account (see Note 4), and the remaining 50% is retained by Global as operating revenues. The County earned \$447,330 for the fiscal year ending June 30, 2019.

Global has an agreement in place with Ovations to provide food and beverage concessions and catering services to WFA. The agreement is a ten-year contract beginning July 1, 2005. The term of this agreement may be extended by Ovations, at its sole option, for an additional one year period. On October 7, 2014 the contract was amended to extend the term to expire on September 30, 2026.

Under the Master Lease Agreement, the County receives 3% of the gross concessions revenues earned by Ovations for the fiscal year. The County deposits these funds into a restricted fund Concessions Account (see Note 4). The County earned \$203,913 for the fiscal year ending June 30, 2019.

County Non-Operating

The County is responsible for the non-operating costs associated with the IEC. These costs include external professional services, internal audit functions, insurance costs, repair and maintenance costs not included in Global's operating expenses, interest expense, and depreciation expense.

For the fiscal year ending June 30, 2019, the County received the following naming rights revenue:

Hy-Vee Hall	\$	400,000
Wells Fargo Arena		390,000

20. IOWA EVENTS CENTER HOTEL CORPORATION

On February 23, 2015, the County approved the creation of the Iowa Event Center Hotel Corporation ("IEC Hotel Corp") a 501(c)(3) entity. The non-profit IEC Hotel Corp will develop, own and manage a convention center hotel adjacent to the Iowa Events Center. The County appoints five members and the City of Des Moines appoints two members to the IEC Hotel Corp board of directors. However, the County has veto power on the City of Des Moines appointments. The County has determined that the IEC Hotel Corp will be a discretely presented component unit. See Note 1 for more information.

The County approved the Management Agreement between IEC Hotel Corp and Hilton Management, LLC ("Manager") dated March 30, 2016. The operating period commenced on March 21, 2018 and extends to March 21, 2033 unless terminated by criteria set forth in the Management Agreement. The management fee will be \$212,000 pro-rated by the number of days from the opening date through December 31st of that year. The management fee for the first, second, and third full operating year will be \$212,000, \$471,000 and \$668,000, respectively. The fee for the fourth full operating year will be \$840,000. The fee for each succeeding operating year will increase by the percentage increase in the Consumer Price Index (CPI) from the prior operating year.

The County approved a 99 year ground lease agreement with Fifth & Park LLC commencing March 30, 2016 and terminating March 30, 2115 to allow for the building of the hotel. Fifth & Park then subleased to DSM to allow for construction and equipping of certain improvements on the site by the contractor Weitz Company.

The County will pay the legal and administrative fees of the IEC Hotel Corp until there is enough funds in the IEC Hotel Corp’s administrative fund to cover the costs on an ongoing basis. Reimbursement for these fees are requested quarterly from the IEC Hotel Corp. The County is reporting a \$88,165 due from component unit from IEC Hotel Corp. Since, IEC Hotel Corp operates on a calendar year end, the amount reported by the IEC Hotel Corp as due to the primary government and the County’s due from component unit do not agree by \$6,986.

The County approved a lease purchase agreement dated March 30, 2016 with Fifth and Park and IEC Hotel Corp in order to finance the acquisition of the improvements from DSM, fund certain reserve funds for various series of the certificates, pay certain costs of issuance of the certificates, reimburse the County, and provide working capital for operation of the hotel. The term of the lease begins upon hotel completion and will end 40 year later. Lease payments are calculated in the Trust Indenture.

Upon completion of the hotel, IEC Hotel Corp and the Indenture Trustee (Banker’s Trust) implemented the provisions of the Trust Indentures on March 21, 2018. The funds from debt issuances by IEC Hotel Corp were deposited with the Indenture Trustee. The IEC Hotel Corp will lease the hotel from Fifth & Park until the obligations are paid in full.

The County has guaranteed the \$8.1 million of the IRA Series E secured by a subordinate lien on the IRA Sales Tax. The County has also guaranteed an estimated \$4.795 million secured by the Facility Fee Lease Guaranty.

The County purchased Series B certificates of participation issued by the IEC Hotel Corp on March 21, 2018 from the Prairie Meadows Enterprise Fund in the amount of \$27,750,000. Repayment of the certificates are due annually for 30 years at 4% interest due semiannually. The funds for the certificates of participation will come from surplus gaming revenue that is created as a result of the County’s refinancing (and the extension of) of previously issued IEC debt.

21. RELATED PARTY TRANSACTIONS

The Iowa Events Center is managed by Global Spectrum, L.P. which is a subsidiary of Philadelphia-based Comcast-Spectacor. The Comcast-Spectacor Group includes Ovations Food Services and New Era Tickets. The following is a summary of transactions and balances with affiliates as of and for the year ended June 30, 2019:

Concessions and catering revenue from Ovations	\$	8,163,729
Ticket revenue and fees received from New Era		30,534
Ticket fees paid to New Era		1,612
Management fee paid to Ovations		12,000

22. PENSION AND RETIREMENT BENEFITS

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules there under. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.
- Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate sheriffs, deputies and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is .25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is .50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1% point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payrolls based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 were \$9,303,317.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the County reported a liability of \$55,279,039 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the County's collective proportion was .874%, which was a decrease of .081% from its collective proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$9,415,273. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 552,182	\$ 1,801,900
Changes of assumptions	11,176,846	2,347,626
Net difference between projected and actual earnings on pension plan investments	-	2,420,087
Changes in proportion and differences between County contributions and proportionate share of contributions	1,230,864	902,485
County contributions subsequent to the measurement date	<u>9,303,317</u>	<u>-</u>
	<u>\$ 22,263,209</u>	<u>\$ 7,472,098</u>

\$9,303,317 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

During the year ending June 30:	
2020	\$ 4,998,076
2021	2,452,707
2022	(1,070,122)
2023	(638,356)
2024	<u>(254,511)</u>
Total	<u>5,487,794</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.6% per annum.
Rates of salary increase (effective June 30, 2017)	3.25-16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7%, compounded annually, net of investment expense including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.6% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22%	6.01%
International Equity	15%	6.48%
Global Smart Beta Equity	3%	6.23%
Core plus fixed income	27%	1.97%
Public Credit	3.5%	3.93%
Public Real Assets	7%	2.91%
Cash	1%	(.25)%
Private Equity	11%	10.81%
Private Real Assets	7.5%	4.14%
Private Credit	3%	3.11%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7%, 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% lower (6%) or 1% higher (8%) than the current rate.

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
County's proportionate share of the net pension liability	\$ 112,133,298	\$ 55,279,039	\$ 7,605,038

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2019, the County did not have any payables to IPERS because the required contributions for the employer and employee for the month of June were remitted to IPERS in June.

23. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided

The County sponsors a single-employer defined post-employment benefit plan that provides a continuation option to retirees to purchase health benefits under the County's group health plan. Group insurance benefits are established under Iowa Code Chapter 509A.13. Retirees have the option to purchase health coverage for themselves and their eligible dependents. Eligible retirees receive health care coverage through a self-funded medical plan, administered through Wellmark.

The Sheriff and Deputies may retire with the election to continue health coverage at age 50 with 22 or more years of service or at age 55 if they have less than 22 years of service. All other full-time employees may retire with the election to continue health coverage after age 55. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability. Health coverage under the County's plan ends at age 65. The health plan contributions on behalf of employees are established and amended through negotiation by management and the union and governed by the County's union contracts. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan does not issue a stand-alone financial report.

Contributions

All retirees are required to contribute 102% of the retiree rates (COBRA) to continue coverage through the County's plan at retirement. The County's monthly retiree premium rates are \$631 for single health coverage and \$1,577 for family health coverage. The County establishes and amends contribution requirements annually.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Current retirees, beneficiaries and dependents	87
Current active members, fully eligible for benefits	308
Current active members, not yet fully eligible for benefits	995
	1,390
	1,390

Total OPEB Liability – The County's total OPEB liability of \$13,327,000 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date. The County's portion of the total OPEB liability, \$12,948,000 is reported in the government-wide financial statements and the County Assessor's office portion, \$379,000 is reported in an Agency Fund.

Total OPEB Liability by Employee Group

Employee Group	Total OPEB Liability
Polk County	\$ 12,948,000
County Assessor's Office	<u>379,000</u>
Total	<u>\$ 13,327,000</u>

Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	3% per annum.
Rates of salary increase	3.5% per annum.
Discount rate	3.5% per annum.
Healthcare cost trend rates	7% initial rate decreasing by 0.5% annually to an ultimate rate of 4.5%.

Discount rate – The discount rate used to measure the total OPEB liability was 3.5% which reflects the index rate on the Bond Buyer 20-year GO Bond Index, with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis. Annual retirement probabilities and termination rates were based on the IPERS Actuarial Valuation Report as of June 30, 2017. All current and future retirees are assumed to be eligible for Medicare at age 65. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 75% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability - July 1, 2018	\$ 12,069,000
Changes for the year:	
Service cost	849,000
Interest cost	489,000
Changes in assumptions or other inputs	446,000
Benefit payments	<u>(526,000)</u>
Net change in total OPEB liability	<u>1,258,000</u>
Total OPEB liability - June 30, 2019	<u>\$ 13,327,000</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.87% in fiscal year ending June 30, 2018 to 3.5% in fiscal year ending June 30, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the approximate total OPEB liability of the County using the discount rate of 3.5%, as well as what the County's approximate total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.5%) or 1% higher (4.5%) than the current rate.

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 14,618,000	\$ 13,327,000	\$ 12,167,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the approximate total OPEB liability of the County using a healthcare cost trend rate of 7%, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6%) or 1% higher (8%) than the current health care cost trend rates.

	1% Decrease 6%	Healthcare Cost Trend Rate 7%	1% Increase 8%
Total OPEB liability	\$ 10,901,000	\$ 13,327,000	\$ 17,014,000

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$786,785. At June 30, 2019, the County reported deferred outflows and deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	\$ 406,255	\$ 268,411

Amounts reported as the deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows of Resources
During the year ending June 30:	
2020	\$ 10,604
2021	10,604
2022	10,604
2023	10,604
2024	10,604
Thereafter	84,824
Total	\$ <u>137,844</u>

24. JOINT VENTURE

The County is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of the sewer flows of the participating communities.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation would be paid. Since there is no specific and measurable equity interest in the WRA no investment in the joint venture is reported by the County. The County does retain a reversionary interest percentage in the net position of the WRA that would only be redeemed in the event the WRA is dissolved.

Although debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the entity was a participating community are still outstanding. Polk County retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation of wastewater reclamation flows. The allocation to all participating communities is based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and adjusted prospectively for differences in budgeted flows and actual flows. As of June 30, 2019, the County has a future commitment for approximately \$5,539,203 for future principal payment requirements payable through the allocation of wastewater reclamation flows.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

25. ELECTED OFFICIALS

The elected officials funds (which are sub-funds of the General Fund) account for the activity of various cash accounts maintained by elected officials and other County departments which have not been remitted to the County Treasurer (who acts as trustee for all pooled cash and investments of the County) or to other individuals and private entities or governments. The elected official's balances at June 30, 2019, are as follows:

	Attorney	Auditor	Board of Supervisors Other	Conservation Board	Recorder	Sheriff	Total Elected Officials
ASSETS:							
Cash and pooled investments	\$ 5,000	\$ 10,130	\$ 5,101	\$ 11,599	\$ 591,091	\$ 3,490,058	\$ 4,112,979
Due from other governments	-	-	-	-	3,500	-	3,500
TOTAL ASSETS	<u>\$ 5,000</u>	<u>\$ 10,130</u>	<u>\$ 5,101</u>	<u>\$ 11,599</u>	<u>\$ 594,591</u>	<u>\$ 3,490,058</u>	<u>\$ 4,116,479</u>
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,409	\$ 156,409
Due to other funds	5,000	10,130	5,101	11,599	2,469	475,246	509,545
Due to other governments	-	-	-	-	592,122	2,770,837	3,362,959
Trusts payable	-	-	-	-	-	87,566	87,566
TOTAL LIABILITIES	<u>\$ 5,000</u>	<u>\$ 10,130</u>	<u>\$ 5,101</u>	<u>\$ 11,599</u>	<u>\$ 594,591</u>	<u>\$ 3,490,058</u>	<u>\$ 4,116,479</u>

26. FUND BALANCES

The following is fund balance classifications as of June 30, 2019:

	Major Governmental		Nonmajor	Total
	General Fund	Mental Health	Governmental Funds	
Nonspendable:				
Inventory	\$ 386,896	\$ -	\$ 1,064,495	\$ 1,451,391
Prepays	742,843	-	30,088	772,931
Advances	3,517,168	-	-	3,517,168
Restricted for:				
Mental health	-	3,484,129	-	3,484,129
Rural services	-	-	2,734,238	2,734,238
Sheriff seized property	-	-	243,150	243,150
Attorney seized property	-	-	312,882	312,882
Recorder records management	-	-	334,040	334,040
Township fire protection	-	-	13,845	13,845
REAP	-	-	119,524	119,524
Conservation water & land improvements	-	-	10,394,068	10,394,068
Justice center	-	-	26,344,742	26,344,742
Debt service	-	-	1,407,860	1,407,860
Committed to:				
Community betterment	153,331	-	-	153,331
Economic development	3,449,192	-	-	3,449,192
Attorney collection incentive	-	-	476,415	476,415
Contingency reserve	-	-	11,177,643	11,177,643
Capital projects	-	-	1,220,532	1,220,532
Unassigned:	<u>73,735,438</u>	<u>-</u>	<u>(1,611,672)</u>	<u>72,123,766</u>
Total Fund Balances	<u>\$ 81,984,868</u>	<u>\$ 3,484,129</u>	<u>\$ 54,261,850</u>	<u>\$ 139,730,847</u>

27. STABILIZATION ARRANGEMENT

The County maintains a Contingency Reserve Special Revenue Fund that was established by board resolution to be used for future contingencies to achieve budget and revenue stabilization. Fund balances have been committed by Board resolution. The fund balance is replenished when it is below the targeted \$8 million plus an accumulated reserve for the 27th payday and an inflation factor. The County annually contributes to a 27th payday reserve in this fund which will cover the extra payday that occurs on a cash basis every 11 years. The next 27th payday will occur in the fiscal year ending 2028. The committed fund balance is to be used for the 27th payday and for the following situations:

- Whenever revenues are at least \$1,000,000 less than needed to maintain current operational levels
- Make loans to another County fund with the expectation that the loan will be repaid within three years
- Settle legal claims that exceed funds available in the County’s self-insurance reserve

28. SUBSEQUENT EVENTS

Lauridsen Skate Park

In March 2018, the County approved an agreement for Cooperative Public Service with the City of Des Moines for development and construction of the Lauridsen Skate Park project. The County was the lead agency for administering this project while the City of Des Moines would own, manage, and operate the skate park upon project completion under this agreement. The city deeded 5.79 acres of land to the County in August 2018 under the original Cooperative Public Service Agreement.

In June 2019, the County approved an agreement with the Community Foundation of Greater Des Moines to coordinate and pay for the construction of the skate park. The total estimated cost of this project is \$6.35 million, which will be financed by funds raised by the Community Foundation. The skate park has a June 2020 project completion.

In August 2019, the County approved an Agreement for Termination of Agreement with the City of Des Moines for the skate park project that was approved in March 2018. The County would own, manage, and operate the skate park upon project completion under the termination agreement.

Lease-Purchase Agreement

In November 2019, the County approved a 4-year \$1.2 million master tax-exempt lease purchase agreement with U.S. Bancorp Government Leasing and Finance Inc. for the lease purchase of seven single axle trucks at an annual interest rate of 2.39%. Annual payments will be made from the Secondary Roads Fund.

Sheriff's Administration/Law Enforcement Facility

In February 2019, the County approved a \$.8 million professional services agreement with Shive-Hattery to complete a needs assessment, schematic design and develop construction documents for a new Sheriff's Administration/Law Enforcement Facility. The agreement was amended in October 2019 adding a fee for additional services for \$.5 million. The bid letting for construction is expected to occur in January 2020. Construction costs are estimated at \$16.2 million.

29. PENDING ACCOUNTING PRONOUNCEMENTS

As of June 30, 2019 the County adopted the following Governmental Accounting Standards Board (GASB) statements, which did not have a material effect on the financial statements:

- GASB Statement No. 83, Certain Asset Retirement Obligations (ARO), issued November 2016 was effective for the County beginning with its year ending June 30, 2019. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, issued April 2018, was effective for the County beginning with its year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

As of June 30, 2019, the Government Accounting Standards Board (GASB) had issued the following statements not yet implemented by the County. The statements which might impact the County are as follows:

- GASB Statement No. 84, Fiduciary Activities, issued January 2017 will be effective for the County beginning with its year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.
- GASB Statement No. 87, Leases, issued June 2017, will be effective for the County beginning with its year ending June 30, 2021. Statement No. 87 is designed to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, issued June 2018, will be effective for the County beginning with its year ending June 30, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

- GASB Statement No. 90, Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61, issued August 2018, will be effective for the County beginning with its year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.
- GASB Statement No. 91, Conduit Debt Obligations, issued May 2019, will be effective for the County beginning with its fiscal year ending June 30, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.